WHEATLEY HOMES EAST
BOARD MEETING

Thursday 17 August 2023 at 5pm
New Mart Road (Edinburgh)

AGENDA

1. Apologies for absence

2. Declarations of interest

3. a) Minute of 25 May 2023 and matters arising
   b) Action list

4. Chair and Managing Director updates

Main business and approvals

5. Wheatley Homes East 2021-26 strategy update

6. Customer First Centre – Independent Evaluation

7. Homelessness policy update

8. Performance report

9. a) 2022/23 Financial Statements
   b) Annual Internal Audit Report and opinion

Other business

10. Governance Update

11. Finance Report

12. AOCB

Wheatley Homes East

Report

To:	**Wheatley Homes East Board**
By:	**Laura Henderson, Managing Director**
Approved by:	**Hazel Young, Group Director of Housing and Property Management**
Subject:	**Wheatley Homes East strategy to 2026**
Date of meeting:	**17 August 2023**

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1. Purpose

1.1 To summarise the key issues considered at the recent strategy workshop and propose for the Board's consideration and approval a revised strategy to 2026.

2. Authorising and strategic context

2.1 Under the Group Standing Orders the Group Board is responsible for the approval of the overarching Group strategy. Under our Terms of Reference, we are responsible for approving our 5-year strategy, within the strategic context of the overarching Group strategy.

2.2 Any changes to Group level targets are subject to Group Board approval. Any such changes require to be considered by this Board so that we can consider the implications for our contribution to any revised target.

2.3 We have completed the first two years of the legacy Dunedin Canmore and West Lothian Housing Partnership strategy and put in place a strong foundation for the remaining three years. As the mid-point of our strategy, the current year will be a key one to focus on delivery, which will be critical in achieving our 2026 objectives.

3. Background

3.1 As part of our strategy renewal and refresh process the Board held a workshop in May. The workshop was focused on reflecting on the current strategy and identifying the key priorities for the refresh of our strategy, particularly following the partnering of West Lothian Housing Partnership and Dunedin Canmore to create Wheatley Homes East. As part of this, it agreed on the areas of the strategy that should be updated as part of creating our first standalone Wheatley Homes East strategy.

4. Discussion

4.1 We have merged the legacy Dunedin Canmore strategy with the Board's feedback at the strategy workshop to create a Wheatley Homes East strategy to 2026. This also reflects the annual review of our performance and strategic measures, 5-year investment programme and 5-year development programme agreed by the Board between February and May this year.

4.2 A copy of the revised strategy is attached at Appendix 1. A tracked change version can be made available on request. The front end of the strategy has included a new section to more clearly narrate that the strategy is subject to annual review and capture the key changes, set out in more detail below, that we made during this renewal of our strategy. A recap of the key changes is set out below.

Delivering exceptional customer experience

4.3 The Board recognised that a number of the key principles within the chapter remain valid, in particular prioritising services which mean the most to tenants, reviewing and improving services with customers and the enhanced use of digital to engage with customers.

4.4 A key change in our operating model since 2021 was the creation of the Customer First Centre ("CFC"). The CFC was created to provide exceptional customer experience through quickly and efficiently dealing with customer enquiries at the first time of asking, having specialists on hand where needed and freeing up Housing Officers to spend more time in communities dealing with more complex and neighbourhood issues. This change in our operating model and its focus on delivering exceptional customer experience is now set out in the strategy.

4.5 To reflect the significance of the CFC in delivering exceptional service a new KPI for customer satisfaction with the CFC, 90% by 2026, is also included in our strategy.

4.6 The Board discussed the importance of the presence we have in our communities. We envisage that annual visits will play an important role in this in future. To reflect this and the Board's feedback it is proposed that we affirm as a KPI that our tenants receive an annual visit from their Housing Officer and this is tracked and reported. This is based on the annual visit being a formal element of how we understand the condition of our assets, identify any issues which should be fed into neighbourhood plans and proactively identify any service issues such as repairs required.

4.7 Our customer insight consistently identifies the repairs service as our customers' highest priority. This is now reflected in the strategy with a specific section in this chapter covering repairs more widely and repairs being more prominent.

4.8 A final area which is now reflected and more prominent in this chapter is the importance of tenant communication. This was an area the Board identified as a key issue for both service delivery, particularly repairs, but also more widely about raising awareness of the support we can offer. The strategy now explicitly references the importance of communication and the need for customers to have access to the information they need and that it is consistent and easy to access and understand.

4.9 It is proposed that the following key changes are made to the KPIs in this chapter:

- Add a target of 90% for customer satisfaction service for the CFC 2026 and
- Add annual customer visit measure with a target of 99%

Making the most of our homes and assets

4.10 The Board discussed and endorsed neighbourhoods as an area which would benefit from an increased focus and refresh of our approach. Taking this feedback into account a key change in this chapter is the new section with a clear focus on neighbourhoods and plans to develop an integrated approach and a measure to have neighbourhood plans for all our properties.

4.11 A key change in this chapter is the increase in the number of new homes we will build. This was a key driver for the creation of Wheatley Homes East and is reflected in the increase to at least 1500 homes.

4.12 The chapter has also been updated to reflect the advancement of the wider Group sustainability work and the changes in the legislative and policy context in relation to net zero and sustainability. An area the Board discussed is how we maintain a focus on the implications of this for the skills our workforce needs in the future and this is also explicitly referenced.

4.13 In terms of KPIs within this chapter the proposed key updates are:

- New homes and investment levels updated to reflect the latest 5 year plans (as set out in the separate Delivery Plan paper);
- KPI added to have a neighbourhood plan for all neighbourhoods by 2026.

Changing lives and communities

4.14 The context for this chapter of our strategy has changed significantly, with the cost-of-living crisis creating further challenges for our customers and communities. Many of the elements remain relevant, such as our commitment to homelessness, supporting tenants and communities into jobs and training and leveraging community benefits.

4.15 Our future focus is now continuing to support customers and communities following the Covid-19 pandemic and cost of living crisis.

Developing our shared capability

4.16 We have already delivered the key elements of this chapter, with our new operating model and agile working approach in place. The change of operating model and corporate estate have merited reconsidering the blend between virtual and in person learning.

4.17 The key change in this chapter relates to the Community Academy section and is to reflect both our Community Hub approach and the appetite we have seen from tenants to engage with us digitally. This will see our focus primarily be on our Community Academy being delivered digitally.

4.18 The strategy also now explicitly references that in developing our Community Academy approach we will consider the use of and signposting to local partners. The Board have indicated that this should be a strong focus to avoid duplication and to ensure that we make the best use of existing organisations before creating any new offerings.

Enabling our ambitions

4.19 The digital-related elements of this section have been updated to reflect the need to prioritise areas that we know are priorities for customers such as online services, our website and digital contact channels. The Board also discussed the need for us to leverage digital to improve the repairs service experience and this is now also reflected in the strategy. The rollout of Book It, Track It, Rate It and the online repair service over the remainder of this year will support this.

4.20 It also reflects our wider focus on leveraging digital to enable efficiencies as well as having a focus on efficiency more widely to support keeping rents affordable for tenants.

4.21 In terms of KPIs within this chapter it is proposed they will be updated as follows:

- Gross rent arrears target and days to let target amended to reflect 2023/24 Delivery Plan
- 2.9% rent increase removed.

Summary

4.22 The strategy has been renewed to reflect Board feedback, which was driven by customer insight we have collected. Customer priorities such as repairs, the CFC, tenant communication and neighbourhoods are now much more prominent within our strategy.

4.23 The strategy also reflects our progress to date, changes in our operating context and more explicitly references the updates we have made as part of its renewal this year.

5. Customer Engagement

5.1 The strategy workshop focused strongly on customer insight and feedback following customer engagement. These areas are now referenced within our strategy, such as repairs, family homes, communication, and neighbourhoods.

6. Environmental and sustainability implications

6.1 There are no specific environmental or sustainability implications associated with this report. The strategy has been updated to reflect this area in further detail as referenced in the main body of the report.

7. Digital transformation alignment

7.1 As set out in the body of the report.

8. Financial and value for money implications

8.1 There are no financial or value for money implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 There are no legal, regulatory or charitable implications associated with this report.

10. Risk Appetite and assessment

10.1 We have no single risk appetite in relation to strategy. Our risk appetite statements reflect each individual element of our strategy.

11. Equalities implications

11.1 There are no equalities implications associated with this report. Equalities and tailing our services the different needs of customers and communities is a key theme threaded throughout our strategy.

12. Key issues and conclusions

12.1 The strategy is the first Wheatley Homes East strategy. It has been strongly influenced by customer insight and is focused on what we know are tenant priorities.

12.2 It also reflects the changes in our operating context, the progress we have made in a number of areas and the review of our strategic measures at the last meeting.

13. Recommendations

13.1 The Board is asked to approve the Wheatley Homes East Strategy to 2026.

LIST OF APPENDICES
Appendix 1: Wheatley Homes East strategy to 2026 available here

Report

To: **Wheatley Homes East Board**

By: **Laura Pluck, Group Director of Communities**

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

Subject: **Customer First Centre – independent evaluation**

Date of Meeting: **17 August 2023**

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1. Purpose

1.1 The purpose of this report is to:

- outline the findings of the independent evaluation of the first full year of the Customer First Centre ("CFC") and;
- outline the recommendations highlighted in the evaluation report and the response to these.

2. Authorising and strategic context

2.1 Under our Terms of Reference, our Board is responsible for setting our 5-year strategy and monitoring our performance. The Group Chief Executive is responsible for implementing our strategy. The report provides the findings of the evaluation of the group-wide CFC, which is a strategic project, following its first full year of operation.

2.2 As the first point of contact for our customers the CFC is critical to achieving our strategic aim of; 'Delivering Exceptional Customer Experience' and 90% overall customer satisfaction.

3. Background

3.1 The CFC was created in December 2021 and launched to our customers in April 2022 as a fundamental part of our revised operating model. A key aim of our new operating model was to ensure that our frontline teams were visible and even more present within their local communities by directing everyday interactions with customers to our new specialist and enhanced CFC. The CFC is focused on resolving 90% of all queries and service requests at the first point of contact. The CFC currently offers a service to customers 24/7 across 365 days of the year.

3.2 Prior to the launch of the CFC there was a basic call centre operating across all subsidiaries with a headcount of c60 call handlers. The launch of the CFC saw the headcount of Customer Service Advisors increase to 150 and the creation of two additional specialist support teams within the CFC comprising of Housing Officers and Lowther Agents.

3.3 In establishing the bespoke Advisor and Specialist model it was envisaged that the CFC would be much better equipped to provide an exceptional customer experience while responding to and more importantly resolving customer issues. This would enable housing officers to invest more time in enhancing the face-to-face service offering in customers' homes and communities.

3.4 As the ‘front door’ for customers to access our wide suite of services, the quality of the CFC operations and performance is of increasing importance in driving overall customer satisfaction.

3.5 An independent evaluation of the CFC following its first full year of operation was approved by the Group Board as part of the strategic delivery plan. In March 2023 we commissioned Ennovate Consultancy to carry out the evaluation. The project brief required Ennovate to:

- Carry out a desktop review of the CFC’s performance against targets over the first year of operation.
- Assess the CFC across its functions and role as a Contact Centre; and
- Highlight any opportunities for improvement.

3.6 Ennovate is a consultancy firm operating in all aspects of Contact Centre Operations. The report author is an experienced Contact Centre professional with over 30 years' experience, operating at an Executive level for the last 10 years across both the public and private sectors. Ennovate aims to work with clients to drive sustainable improvements aligned with their specific corporate goals.

4. Discussion

4.1 Ennovate began its review at the end of March 2023. The review was structured and included an assessment of operational data, with multiple interviews and focus groups with a range of CFC staff and senior leaders across the Housing and Property Directorate. The evaluation report contains a wide range of both strategic and detailed operational points, with the key issues summarised in this report. Recommendations for improvement from the evaluation are summarised across each key focus area and are also detailed below. A copy of the full report is available on request.

4.2 Overall, Ennovate assessed that there has been significant progress in developing the CFC in its first 12 months of operations. **‘Overall, a very strong first year, implementing and embedding new people, new processes and systems in a relatively short space of time.’**

4.3 The report outlines that robust foundations have been laid that will pave the way for further evolution of the CFC including the significant strengthening of the senior team and investment in the operational leadership team. **‘Over the last 6 months the Leadership Team has been strengthened, with key appointments and some strong hires bringing a broad and deep Contact Centre experience, putting the CFC in a position to further maximize the opportunity to continuously improve and develop the CFC offering.’**

4.4 Performance was outlined as having been strong, with marked improvements across all key metrics and in some areas, bucking the national trends for Contact Centres. Nationally Contact Centres are reporting an increase to c9% of calls being abandoned and Average Wait Times increasing to 100 seconds with some organisations reporting Average Wait Times of 350 seconds.

4.5 Since the CFC is a group-wide service, performance is measured at that level. Key group-wide performance highlights include:

- 8% increase on calls being offered and overall, a 23% increase in inbound calls handled.
- 18% increase in the number of calls being answered in 30 seconds.
- c75% reduction in Average Wait Times to <60 seconds.
- c75% reduction in calls being abandoned to 4.7%.

Metric	2022/23	2021/22
Call volume (inbound)	854,527	793,751
Grade of Service	77%	58%
Average Wait Time	58 seconds	216 seconds
First Contact Resolution	89%	n/a
Average Handle Time	509 seconds	499 seconds
Webchat	15,578	12,196
Headcount	147	68

4.6 The evaluation assessed performance in key focus areas across the CFC functions with relevant recommendations for improvement included in each section. Overall, there are 17 recommendations for improvement, all without exception which are already being addressed or are detailed in the CFC or wider business improvement plans for 2023/24. The key areas in focus are outlined and the findings are summarised below:

- The Operating Model.
- Demand and Capacity Planning.
- Customer Insight and Quality.
- Reporting, Analytics and Metrics.
- Channels and Self-serve.

The Operating Model

4.7 The new Advisor and Specialist model and increased headcount of advisors was viewed as a real positive change which is making a difference to the CFC's ability to respond to customer demand, resolve customer issues promptly and improve the customer experience. ***'The Specialist Teams… has really helped to get more complex customer issues resolved, more quickly.'*** This is not only improving the customer experience and the time taken to resolve their issues but also supporting a reduction in the average time taken to handle a call and as such freeing up advisors to answer calls more quickly.

4.8 Stakeholder feedback was cited as being almost universally positive with senior leaders and frontline staff clear about the benefits the operating model gives while noting that there is an opportunity for further support to be offered to frontline teams as the CFC develops and methodically and systematically drives out waste demand or service inefficiency.

4.9 This section recommended 4 key areas for improvement which centred on:
- Continued investment in staff development.
- Knowledge Management.
- Review of the hybrid working arrangements.
- Approaches to customer resolution and continuous improvement.

4.10 The report highlighted the high degree of complexity that has arisen from the changes within the Group RSLs and other subsidiaries over time (such as our partnership with WLHP), along with the pace of change in the organisation and the scope of service offering, meaning that the breadth of knowledge and skill required to be able to successfully respond and resolve 90% of customer issues is a constant challenge. It is therefore critical that staff are appropriately multi-skilled and supported to continuously develop their knowledge while having robust tools in place to support them in their daily interactions with customers.

4.11 In the last year an enhanced learning and development programme for the CFC teams with dedicated CFC Academy specialists has been introduced, working hand in hand with the leadership team to ensure this continues to develop and flex to meet staff needs. We have commenced work to fully review the end-to-end learning and development programme from induction to exit, across all roles in the CFC to ensure that it is effective and fit for purpose while balancing the need for staff to be available to interact with customers for the majority of their working day.

4.12 Knowledge Management systems across the Contact Centre industry are considered essential in minimising training effort and providing advisors with clear direction on the range of customer issues. CFC staff have a number of ways that they access knowledge when interacting with a customer including:

- knowledge articles on ASTRA
- the intranet
- our website
- sharing knowledge and experience through teams
- specific project guidance; and
- written daily briefing by leads.

4.13 While this works in the main, as reflected in Customer Satisfaction with CFC interactions across Group at 4.3/5 a Knowledge Management Framework is under development which will set out our approach to managing knowledge within the CFC, including: how it is received and shared from across the business; how we ensure that knowledge can be easily accessible and succinct yet sufficient; and the processes for maintaining and updating this knowledge. The first iteration of the framework will be concluded and implemented in the Autumn with a full review of our approach as we implement our new Contact Centre Platform in 2024 which has specific knowledge functionality within it.

4.14 The CFC (in its previous iteration) successfully worked from home throughout the pandemic with staff appropriately equipped to do their role from their home. As we established the new operating model including the revised CFC, hybrid working was adopted full time. This, along with the suite of terms and conditions, has allowed us to recruit with ease. The approach to hybrid working to date has been on a demand-led basis with staff coming to the office when there is a specific need such as collaboration, training, or staff events. We will review this approach to ensure that the CFC performance is not being hindered in any way.

4.15 The evaluation highlighted the need for further strengthening the resolution pathways that have been established in the first year of operations to ensure that the correct staff are dealing with the most relevant service queries at all times. A review of the guidance outlining what should be handled by different roles within the CFC is currently being carried out and will be revised further following work with Vanguard – expert consultants in business processes and productivity – which is planned during the Summer to review customer journeys within the CFC.

4.16 While our housing and property teams were very positive about the CFC, the evaluation highlighted the opportunities to continue to work together to ensure there is a clearly defined set of joint priority activities to ensure the CFC continues to evolve in the right way. Our senior housing staff work closely with the CFC daily and meet more formally with them on a monthly basis at a minimum to discuss areas for improvement and agree on priority actions.

4.17 CFC staff, both advisors and specialists, have attended our staff events in recent months to build relationships and gain a deeper understanding of the importance of their respective roles in supporting our ambitions.

<u>Demand and Capacity Planning</u>

4.18 The report highlighted the critical nature of the resource planning functions to the smooth running of any Contact Centre. It is crucial that customer demand is understood across every operating hour so that we can have the right people in the right place at the right time. There are several contributing factors to good resource planning as highlighted in the evaluation including:

- Appropriate resource
- Skilled planners
- Appropriate planning processes
- Robust workforce management systems; and
- Processes for managing and controlling business activity that is likely to create a short-notice influx in demand.

4.19 The report draws attention to the need to develop the resource planning function across all these areas further to allow for a more robust approach to resource planning generally and maximise the efficiency of resources. Allowing for medium to long-term forecasts of service levels whilst resourcing anticipated peaks in demand. In the last 6 months, the resource and planning team has expanded. This includes the appointment of an experienced Head of Resource and Planning which the evaluation acknowledges as a positive move to boost this discipline further within the CFC.

4.20 Within the first weeks of the expansion of the Resource and Planning team they have already made strides towards a more solid approach to resource planning including but not limited to:

- A deep dive into call demand profile and reviewed against staff shift profile making alterations to patterns of work to better reflect demand requirements.
- Developing a performance metric scorecard relating to all channels within the contact centre. This means they are no longer reviewing and talking about just voice, but digital channels also.
- Creating a system that more easily monitors day to day performance, freeing up valuable resources to focus on longer term planning and analysis.
- Setting up a planning process for the team to analyse the previous day's performance and link with operational leads daily on this and any actions required.
- Identifying development opportunities for the resource and planning team through membership of the Contact Centre Forum.

4.21 A formal Resource and Planning Strategy is being developed for the CFC with the first draft being prepared now. This will consider the year-round need in the CFC and what approaches can be developed to ensure the CFC can continue to meet demand across all channels when it fluctuates. This will include a cross-divisional approach to managing and monitoring business activity which impacts demand in the CFC. Discussions exploring potential solutions to maximise resources have included options such as annualised contracts, an outsourcing partnership, or the use of other teams within and out with the CFC for periods of exceptional demand. Agreed approaches will be reflected in the strategy.

4.22 The evaluation highlights that the current Workforce Management (WFM) tool currently used by the resource planners is both limited and is approaching the end of life. While the WFM tool works, it is frequently augmented using spreadsheets, has no self-serve function for staff to manage their own work schedule and does not support planning for channels other than telephony. A new Contact Centre Platform is now being procured and over the next 18 months will address all the areas highlighted throughout this section of the report.

Customer Insight and Quality

4.23 In the Contact Centre setting Quality Management (QM) is crucial to delivering consistently high standards of service and supporting staff and the leadership team to identify key learning needs for individuals and as a collective team in addition to evidencing potential issues with processes. A key part of this entails listening to call recordings to review staff performance against clearly set out criteria and expectations. The evaluation report notes that the mechanisms for Quality Management within the CFC have been limited until recently but highlights that progress has been made with agreed Quality Assessment Criteria now set and levels of monitoring agreed and in place.

4.24 Quality Management is the direct responsibility of the 8 Team Coordinators who line manage the Customer Service Advisors and as described above, the process of monitoring quality is manual. Further improvements to Quality Management will be implemented through the introduction of the new Contact Centre Platform. This includes the ability to transcribe call recordings to pull out customer sentiment through the mining of natural language and issuing quality scorecards to ensure advisors hit the same consistently high standards of customer experience. This will mean better reporting on trends and bespoke training and development plans for individual advisors based on the information gathered.

4.25 The evaluation assessed that there has been a significant step forward in customer insight in the CFC since the introduction of My Voice – the customer sentiment tool. After a successful 12-week pilot early in 2023 the tool is routinely being used to survey customers who contact the CFC and gather levels of satisfaction and comments on the service from those customers. A healthy 23 – 25% response rate has remained steady across the wider Group throughout the last 4 months with satisfaction levels a strong 4.3/5. The CFC will continue to build the sentiment dashboards within the tool which will assist them in clearly identifying the overall sentiment of our customers and where we need to target improvements. The dashboards are deemed unreliable until approximately 6,000 individual pieces of feedback have been received. We expect to reach this throughout the second quarter.

4.26 The review highlights the need for clear structures across the organisation as we widen the use of My Voice for collecting customer insight, analysing this, and ensuring it is used routinely to inform service improvements. The approach for analysing and assessing customer insight has been established with business leads identified to take responsibility for turning insight into actionable improvement plans across each pillar of insight. The Customer Experience Team within the CFC have responsibility for the process of coordinating the management of the CFC specific sentiment and feedback. As the tool is expanded across different pillars, they will also have responsibility for overseeing the collection and dissemination of insight across the organisation and for retaining an overview of overall customer sentiment gathered through My Voice.

Reporting Analytics and Metrics

4.27 The evaluation assessed that there is currently a comprehensive suite of reporting tools that are used within the CFC to enable Operational Leads and Team Coordinators to review and understand the performance of the CFC and individual teams within it.

4.28 A number of actions were recommended to improve and enhance reporting including; evolving performance dashboards to include all channels used within the CFC, creating a scorecard that brings all business intelligence together in one place for CFC leads and harnessing opportunities being presented by the replacement of the telephony platform.

4.29 As described earlier in the report the expanded Resource and Planning team have already developed a wider set of reporting to routinely include digital channels. The new platform currently being purchased already has a built in suite of 40 reports that CFC will be able to use, with an ability to build as many bespoke reports as is required using the data within the platform. As part of the project to replace the current platform we have appointed an additional CFC data analyst to bolster capacity in this area. As we implement the new platform, we intend to revise our CFC Performance Framework overall based on new capabilities within the system.

Channels and Self-serve

4.30 The vast majority of our customers contact into the CFC continues to come via the telephony channel with a relatively small increase in the use of emails, webchat and self-serve throughout the last year. The evaluation report highlights that the time is right to define and agree a target operating model and associated channel strategy for the organisation more clearly. This would focus on providing our customers with choice and helping to drive successful outcomes for both the customer and the business and the need for a robust marketing programme which reflects the agreed strategy.

4.31 Our Group 2021-2026 strategy already has a suite of targets linked to increasing the use of digital services by 2026 while ensuring none of our customers are left behind, and as such this has been an area of focus for the business over the last 9 months. A number of actions have been taken throughout this time with additional actions planned for the coming 12 months to reflect our agreed targets.

4.32 Key actions taken already include:

- Improvements to the email routing and inboxes available and publicised for customers with dedicated staff managing email to have a more consistent and improved customer experience.
- Review of webform categorisation to direct customers to the most appropriate channel.
- Reintroduction of the use of web self-service for specific service requests including repairs.
- Improved navigation within web self-service for ease of use.
- 2500 Group customers engaged to garner insight and drive priority for improvements across our digital services offering.
- A small-scale test of change of a dedicated digital team within the CFC has commenced. The impact and outcomes from this will be monitored over the next 12 weeks with a final review at the end of the test period towards the end of October.

4.33 The implementation of the new Contact Centre Platform throughout 2023/24 will pave the way to create opportunities to improve customer contact options and steer our channel strategy as we further develop this.

4.34 As outlined at the start of the report the overall assessment one year on is that the CFC has had a strong start in its first 12-18 months of operations. There are a number of actions recommended that will strengthen and enhance the CFC performance, all of which have already been addressed or are part of the wider CFC annual improvement plan for 2023/24.

4.35 As the CFC matures and evolves the introduction of the new Contact Centre Platform is an opportunity to leverage additional capabilities to realise the full potential of the CFC in offering exceptional customer experience.

5. Customer Engagement

5.1 Customer feedback from our "My Voice" electronic feedback tool informed the findings of the report and helped to demonstrate the current levels of satisfaction with the service offered by the CFC. Customer engagement has been carried out recently on Digital Services and will continue to inform the development of digital services within the CFC.

6. Environmental and sustainability implications

6.1 The CFC is based across Lipton House in Glasgow and Brasswell in Dumfries, with staff working from home and office as part of our hybrid operating model. Vicarious carbon targets of home working are also considered when Planet Mark assesses the carbon footprint of our corporate estate. Overall, the carbon footprint from our corporate estate is on an improving trend.

6.2 Both Brasswell and Lipton House offices have recently been transferred over to 100% renewable energy supplies alongside the remainder of our corporate estate. This has been achieved by working with EDF energy. Four electric vehicle charging outlets have recently been installed at Lipton House.

6.3 The eventual move to a cloud-based telephony platform (Storm) by Q1 of 2024/25 will mean that we will expend less energy by ceasing to operate the current on-premise telephony platform at Lipton House.

7. Digital transformation alignment

7.1 Our Strategy sets a clear direction and is underpinned by digital progression. The CFC currently manage contact with customers across emails, webforms and webchat as part of their daily interactions.

7.2 The evaluation sets out recommendations to leverage digital and self-service interactions through harnessing the opportunities presented by the new CFC Platform and the development of a clear channel strategy for the CFC and the wider organisation.

8. Financial and value for money implications

8.1 The review acknowledges that the investment in staff resources has delivered improved customer metrics such as Grade of Service and Average Handle Time and Average Wait Time. This makes for a quicker and more efficient service to our customers.

8.2 The upcoming Contact Centre Platform will further improve upon these metrics and offer an increasingly personalised, effective, and efficient service.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The independent evaluation of the first year of the CFC supports our ambitions across the Strategic Theme of Delivering Exceptional Customer Experience. Our risk appetite in relation to operational delivery for these themes is hungry.

10.2 This means that we encourage innovation and, in some cases a desire to 'break the mould' and challenge current working practices. The findings and suggested areas for further development outlined in the report are consistent with these risk appetites.

10.3 The key risks arising from this report are:

Failure to progress key areas for improvement impacting customer experience and satisfaction. A CFC Improvement Plan has been developed by the leadership team and will be progressed over the next 12 – 15 months. The plan includes action to address any areas for improvement highlighted within the evaluation.

11. Equalities implications

11.1 There are no equalities implications arising directly from this report. As key actions progress we will consider the need for Equalities Impact Assessment at the appropriate juncture.

12. Key issues and conclusions

12.1 The Customer First Centre was created in December 2021 and launched to customers in April 2022 as a fundamental part of our revised operating model. A key aim of our new operating model was to ensure that our frontline teams were visible and even more present within their local communities by directing everyday interactions with customers to our new specialist and enhanced Customer First Centre ("CFC") with the aim of resolving 90% of all queries and service requests at the first point of contact. The CFC currently offers a service to customers 24/7 across 365 days of the year.

12.2 As the 'front door' for customers to access our wide suite of services, the quality of the CFC operations and performance is of increasing importance in driving overall customer satisfaction.

12.3 An independent evaluation of the CFC was carried out over April and early May. The evaluation outlines that the CFC has had a strong first year with much evidence to support that the new model is helping deliver an improved customer experience across key metrics.

12.4 A number of recommendations were made throughout the report which focus on further evolving and improving the efficiency and effectiveness of the CFC as the first and main point of contact for our customers.

12.5 The areas for improvement were already identified by the leadership team responsible for the CFC and as such many actions are already underway or are planned which reflect the report's findings. The progression and evolution of the CFC are critical to improving the customer experience and customer satisfaction.

13. Recommendations

13.1 The Board is asked to note:

1) the findings of the independent evaluation of the first full year of the Customer First Centre; and
2) the recommendations highlighted in the evaluation report and our response to these.

LIST OF APPENDICES:

None

Wheatley Homes East

Report

To: **Wheatley Homes East Board**

By: **Laura Henderson, Managing Director**

Approved by: **Hazel Young, Group Director of Housing & Property Management**

Subject: **Homelessness Policy 2021-26 – progress update**

Date of Meeting: **17 August 2023**

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1. Purpose

1.1 This report provides an update on the progress of our Group Homelessness Policy and highlights our contribution to the recent Scottish Government strategy – *Reducing the Use of Temporary Accommodation*.

2. Authorising and strategic context

2.1 Under our Terms of Reference contained in the Group Standing Orders the Board is responsible for agreeing matters of strategic significance. Our approach to homelessness, and the contribution we will make in terms of social housing provision, are strategic decisions.

2.2 The Board is responsible for operational delivery and the specific targets for its own services in relation to homelessness. Day to day operational work will be delegated to the Group CEO under the Group Standing Orders.

3. Background

3.1 More than 35,000 homeless applications were received across Scotland in 2021-22. Around half of these households have a support need and many are families. Figures for the first half of 22-23 showed a 6% rise in applications compared to the same period in 2021-22. As a result of the numbers, many households spend considerable time in temporary accommodation often with more than one move. Almost 14,500 households were in temporary accommodation in September 2022 across Scotland, with most being single person or single parent households. Over 9,000 children were in temporary accommodation at that date. The increasing pressures on homelessness due in part to the global pandemic, the cost-of-living crisis and the war in Ukraine make it highly likely that the 2022-2023 homelessness statistics, when published, will show more households in temporary accommodation than in 2021-2022.

3.2 The Scottish Housing Regulator's thematic review on homelessness services in Scotland in February 2023 warned of an emerging risk of systemic failure in homelessness services in some areas. SOLACE Scotland has recently highlighted the unsustainable pressure on local authority housing in their report *Housing in Scotland: Current Context and Preparing for the Future*.

3.3 The Scottish Government have a long-term strategy for tackling homelessness – *Ending Homelessness Together*. Our Group Homelessness Policy which was approved by Group Board in December 2020 and discussed at our Board in February 2021 aligns to these national objectives.

3.4 As a result of the increasing pressures on homelessness and the record numbers of households in temporary accommodation, the Scottish Government published a further strategy on 19 July 2023 specifically on reducing the use of temporary accommodation. The need to reduce both the numbers of households in temporary accommodation and the length of time households spend in temporary accommodation is recognised. They have identified a series of actions to ensure sufficient high quality affordable homes in the areas where they are needed, and to provide targeted support for the local authorities facing greatest pressure.

3.5 The Government has particular concerns over the continued use of unsuitable accommodation in the areas with the greatest temporary accommodation pressures and recognises the detrimental effect this has on the health and wellbeing of homeless households, as do the local authorities operating in these areas. Edinburgh has the highest number of reported breaches in the six months between April and September 2022. Glasgow, West Lothian, East Lothian and Fife also had large numbers of breaches.

3.6 Supporting the alleviation of homelessness is a key strategic objective for us and we provide a significant contribution to this national challenge. Our Group Homelessness Policy already reflects most of the actions identified in the Scottish Government's *Reducing the Use of Temporary Accommodation* strategy, and an update on our progress in relation to these is provided below. The announcement of £60m for a national acquisitions plan as part of the Affordable Housing Supply Programme is a new aspect and our response to this is also discussed below.

4. Discussion

Acquisitions

4.1 The Scottish Government has committed to investing at least £60 million from the Affordable Housing Supply Programme in 2023-2024 to support a national acquisition plan. The intention of this is to enable local authorities and registered social landlords to rapidly acquire properties of the right types and in the right places for use as high quality, affordable, permanent homes. These properties may be purchased from private owners, builders and landlords. Where landlords are choosing to leave the private rented sector with a tenant in situ, the plan can accommodate the purchase of these properties, where this meets a clear strategic purpose and where the tenant is at risk of homelessness. The Government and local authorities are working on further guidance as to how this will work in practice.

4.2 We have had early conversations with our local authority partners as to their intentions regarding the national acquisition plan. Edinburgh City Council already have an acquisition programme and have indicated that their focus will remain on new build homes with the potential for additional acquisitions over and above their existing programme at the end of the year depending on available funds.

4.3 East Lothian Council do not currently have an acquisition programme and are entering into discussions with the Scottish Government. West Lothian Council have indicated that there is potential to consider some open market acquisitions, but their preference is to prioritise new build homes. Mid Lothian Council are willing to discuss and explore opportunities with us.

Housing supply

4.4 Whilst the ringfencing of £60m from the Affordable Housing Supply Programme for acquisitions is welcomed as a short-term measure to increase the social housing stock, increasing the overall housing supply is an essential long-term objective to address issues of homelessness and other pressures on the housing market. The Scottish Government has reiterated its commitment to deliver 110,000 affordable homes by 2032, of which at least 70% will be available for social rent and 10% will be in remote, rural and island communities. Our contribution to this objective is set out in the our 2021-26 strategy *Your Home, Your Community, Your Future* where we commit to deliver 1500 new homes by 2026. To date we are on track to meet this commitment with over 400 already delivered.

Stock management

4.5 The Scottish Government's *Reducing the Use of Temporary Accommodation* strategy covers a number of areas where they consider how improved stock management by local authorities and registered social landlords, supported by the Government, could maximise the contribution of existing affordable homes to increase housing options for homeless households. These approaches include large scale flipping of tenancies, effective void management and greater allocations of social homes to homeless households, as well as homelessness prevention activity. We are already a very strong contributor and sector leader across all of those aspects, as set out in the Group Homelessness Policy 2021-26.

4.6 **Flipping of tenancies** – this refers to the opportunity to convert or 'flip' temporary accommodation to a permanent home to reduce transitions for homeless households where the property is of the right size and in the right location. We had already identified this opportunity within our Homelessness Policy, setting a target of 500 across Group by 2026. The Group is on track to deliver this with 275 delivered by the end of June 2023.

4.7 **Void management** – effective void management has always been a priority for us and our performance on void turnaround is considerably better than the Scottish average. To date this year, we have achieved 17.65 days to relet a property compared to an average of 56 days for members of the Scottish Housing Network in the 2022/23 ARC return. The Government has accepted the argument, made by ourselves and other housing providers, that delays in the reconnection or resetting of energy meters in void properties are negatively impacting on housing availability for occupation and contributing to the backlog in temporary accommodation. They have committed to bringing utility companies round the table to identify ways to improve this situation and we will continue to stay close to these discussions.

4.8 **Allocations** - the Scottish Government wants to see a greater share of allocations of social rented homes to homeless households in order to reduce the pressure on temporary accommodation. We have always been a sector leader in terms of both the number and percentage of properties which we make available to homeless households. Our Group Homelessness Policy commits to delivering 10,000 homes for homeless households by 2026 and the Group is on track to meet this with 5,430 delivered across Group by the end of June 2023. We have committed to delivering 1000 homes for homeless households and to date we have delivered 644 of those.

Prevention of homelessness

4.9 Clearly preventing households from becoming homeless and therefore coming into temporary accommodation in the first place is equally as important as moving people from temporary to settled accommodation. Our Group Homelessness Policy has a strong commitment to tenancy sustainment and homelessness prevention. We have already achieved significant progress in this including a redesigned homelessness response to help end the repeat cycle of ASB, evictions and repeat homelessness. This involves early review of cases by our teams to help ensure appropriate support and discussions at tenancy start. It is supported by our commitment to peaceful communities and employment and training opportunities for customers who have been affected by homelessness, as well as our wider approach to improving tenancy sustainment rates. We have improved our tenancy sustainment rate from 91.23% last year to 92.78% this year to date. This improvement has been achieved while accommodating increasing numbers of homeless households. In fact our tenancy sustainment for homeless households is at 95.06%.

4.10 Our award winning Revive project was launched in 2021 and helps to support women fleeing violence. This project helps women to find accommodation and support in a different local authority areas, where they choose this option. The project includes access to funding, furniture and wraparound support to help ensure the move is as easy as possible. This project won the “Excellence in housing innovation” category at last year’s Chartered Institute of Housing Awards.

4.11 Work to expand MyHousing to all our Lowther properties will be complete by Autumn. This will help to ensure that customers applying for social rented homes can also see availability of other tenures where that might be suitable for them (particularly those who have no priority under our policy). It also provides an accessible route to ensure that those looking for private or mid market rent can see everything that is available.

4.12 There are a number of other aspects of work underway. Across the Group we have a range of nomination and lease agreements with local authorities. During this year these agreements will be reviewed and updated to ensure they provide the best arrangements for the customer, the Group and our partners.

5. Customer Engagement

5.1 The main element of engagement in 2022-23 was around the allocations process. We explored the allocations customer journey during 2022 using an external company and external staff. This evaluated both the general needs customer journey and the homeless customer journey. The next stage will be to undertake further mapping with customers.

5.2 The Group tenant scrutiny panel will shortly be undertaking a "spotlight" session on allocations. This will go through the legal requirements of the process, priorities and performance.

5.3 Finally, MyVoice for allocations is due to go live at the end of this month. This will provide real time feedback from customers as they move through the allocations process – applying for and getting their new home.

6. Environmental and sustainability implications

6.1 There are no direct environmental and sustainability implications from this update.

7. Digital transformation alignment

7.1 Our Group allocations service My Housing is our only fully digital customer service, and the roll-out of this to Wheatley Homes South in April 2023 has enabled our newest partner in Group to take advantage of the benefits of this platform for their customers.

8. Financial and value for money implications

8.1 We have identified £6million in the development budget which will be used to support our acquisition plans across Group and any necessary investment works.

9. Legal, regulatory and charitable implications

9.1 Registered Social Landlords have a legal duty to assist local authorities in their homelessness duties. We are also required to report on a range of related indicators in the Annual Return on the Charter.

10. Risk Appetite and assessment

10.1 Our risk appetite for service improvement is "open". This means we are prepared to take the risk of adopting the approach that is most likely to result in successful delivery of our service objectives.

11. Equalities implications

11.1 An Equalities Impact Assessment has been carried out for the Homelessness Policy. This assessment reviewed the impact of actions against the protected characteristics identified in equalities legislation. It showed that the Policy will have a positive or neutral impact on all characteristics. The Assessment is currently being updated in preparation for the next review of the policy.

12. Key issues and conclusions

12.1 The Scottish Government has recently published a new strategy *Reducing the Use of Temporary Accommodation* which includes a range of approaches to reduce the number of homeless households in temporary accommodation and also the length of time households spend in temporary accommodation.

12.2 We are a strong contributor to the national objective of alleviating homelessness, and most of the approaches outlined in this strategy also feature within our Group Homelessness Policy. We are on track to deliver the 10,000 homes for homeless households which is a key commitment in the Group 2021-26 strategy *Your Home, Your Community, Your Future*.

12.3 As part of their new strategy, the Government has announced a ringfenced fund within the Affordable Housing Supply Programme of £60million for market acquisitions by local authorities and RSLs for social housing. We have been carrying out early engagement with local authorities to understand how we can access this funding to deliver more social rented homes in our areas.

13. Recommendations

13.1 Board is asked to note this homelessness update and make any comment.

LIST OF APPENDICES
NONE

Wheatley Homes East

Report

To: **Wheatley Homes East Board**

By: **Laura Henderson, Managing Director**

Approved by: **Hazel Young, Group Director of Housing and Property Management**

Subject: **Performance Report – Q1 2023/24**

Date of Meeting: **17 August 2023**

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1. Purpose

1.1 This report presents an update on performance delivery against targets and strategic projects for 2023/24 as of the end of quarter one.

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") agreed in June 2021. Given the need to remain agile and flexible through the life of the strategy our PMF is subject to annual review. The Group Board agreed an updated programme of strategic projects and performance measures and targets for 2022/23 at its meeting in April 2023. This Board subsequently agreed our own specific performance measures and targets at our meeting on 25 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. Complaints performance, including Charter and the Scottish Public Sector Ombudsman (SPSO), will be reported bi-annually (at Q2 and Q4).

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 which, as with Book It, Track It, Rate It, asks customers to score the CFC on a 1-5 scale.

3.4 To reflect our differing rent billing cycles, financial rent-based measures in Appendix 1 continue to report legacy properties as “WHE A” and former WLHP properties that transferred in August ‘22 as “WHE B”. The main body of the report uses combined “WHE C” figures.

4. Discussion

Delivering Exceptional Customer Experience

Customer First Centre

4.1 The Customer First Centre (“CFC”) is now firmly established as a core part of our new operating model and has recorded a strong baseline for customer satisfaction through the newly introduced CSAT score. Year to date results for 2023/24 as at the end of Quarter 1 are presented in Table 1.

Table 1

Measure	2022/23	2023/24		
	Value	Value YTD	Target	Status
WHE - CSAT score (customer satisfaction)	New	4.4	4.5	
WHE - % calls answered <30 seconds (Grade of Service)	77.43%	68.60%	Contextual	N/A
WHE - Average waiting time (seconds)	43.76	58	Contextual	N/A
WHE - Call abandonment rate	4.21%	5.71%	5%	
Group - % first contact resolution at CFC (Customer Service Advisors)	88.99%	85.79%	90%	
Group – Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	6.15%	7.07%	<10%	

We now offer customers calling the CFC, with the exception of repairs calls, the opportunity to provide feedback on their interaction. We must hold a mobile number or email address to issue the survey, with customer satisfaction scored out of 5. Our CFC CSAT score is 4.4 at the end of quarter 1, which is the highest across Group.

4.2 The CFC has a 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.

4.3 At the end of the first quarter, the CFC answered 15,862 calls from our customers, with 68.60% of these answered within 30 seconds. The average wait time was 58 seconds – one of the lowest across the Group –, and calls abandoned was just above the 5% target at 5.71%, still well below the industry benchmark of c9%.

4.4 While we do not have a set target for ‘Grade of Service’ we aim to answer 80% of all calls in 30 seconds. There are 3 factors that have impacted the ‘Grade of Service’ in the first quarter; increase in call demand against forecast at certain periods, an increase in the ‘Average Handle Time’ for calls and a reduced number of ‘call handling’ hours available. CFC performance is monitored and reviewed daily by the resource planning and operations leads, creating relevant action plans reflective of performance with a current focus on (1) reducing Average Handle Times by 60 seconds through increased knowledge and skills development and (2) increasing the amount of ‘call handling’ hours available. There are several factors that impact the call handling hours available including but not limited to, time spent on learning and development, team meetings, group-wide collaboration sessions and assistance time required by call handlers either during or after calls to conclude service queries.

4.5 Across the Group, CFC Customer Service Advisors (CSAs) have resolved 85.79% of calls handled at first contact. In addition, the CFC continue to support Housing and Lowther staff to ensure efficient resolution, passing only approx. one case per Housing Officer each week.

4.6 We have introduced a Digital Team in the CFC to increase our capacity to handle digital interactions and keep customers in digital channels. The purpose of the dedicated team is to improve customer experience across digital channels and determine whether more efficient and effective use of digital channels reduces telephony demand. The role of the test team is to offer and promote webchat services, triage and manage inbound emails and online messages redirecting appropriately where first contact resolution is not possible and encourage customers with Web Self Service (WSS) to make more use of these services. The impact of this team is being monitored and will be formally reviewed at the end of the test period in late October.

<u>Tenancy Sustainment</u>

4.7 We continue to support our customers to sustain their tenancies and to deliver strong performance relative to both the Scottish Housing Regulator’s Charter measure and our revised indicator, which excludes deaths and transfers to other homes in the Group. We have the best sustainment performance in Group.

Table 2

Tenancy Sustainment	Charter YTD	2023/24 Target	Revised YTD	2023/24 Target
WHE	92.78%	90%	94.31%	91%

Making the Most of Our Homes and Assets

<u>New Build Programme</u>

4.8 Our target is to deliver a total of 204 new homes in 2023/24 (156 social and 48 MMR homes). Some handovers which completed at the end of 2022/23 had been anticipated as part of this target but were handed over ahead of schedule.

4.9 Nonetheless, year to date to the end of Q1 we have completed 76 homes. The 76 units were at Penicuik, Raw Holdings, Roslin Phase 2, Wisp 3C and Wallyford 7. Both Roslin Phase 2 and the Wisp 3C are now fully complete.

4.10 While the acceleration of some handovers to the end 2022/23 has impacted on our YTD variance, our overall new build target for 2023/24 is still expected to be met through potential for additional handovers to come forward at Roslin Phase 2.

Table 3

Sites	Handovers (YTD)	Target (YTD)	Difference in handovers to 30 June
The Wisp Phase 3C (Social)	12	35	-23
Roslin Ph 1 (Social)	0	12	-12
Roslin Ph 2 (Social)	6	0	6
Roslin Ph 2 (MMR)	14	0	14
Penicuik (Social)	21	35	-14
Wallyford Area 7 (MMR)	9	15	-6
Raw Holdings (Social)	14	0	14

Planned to Reactive Spending

4.11 We set a strategic result to achieve a ratio of 60% planned to 40% reactive spend on maintaining our properties over the life of our strategy. The business plan assumes a 53% forecast for planned spend in 2023/24. Spend figures are subject to investment programme profiling throughout the year. Planned Spend includes core capital programmes, cyclical maintenance, and compliance.

4.12 As shown in Table 6, our planned spend ratio is now 44.9% year to date to the end of quarter 1. This has reduced from the position to the end of the previous year (50.1%). The increase in variance for planned spend compared to full year 2022/23 is the result of prioritisation of reactive repairs and the ongoing high repairs demand and means that we are unlikely to achieve 60% target or 53% forecast by year end.

Table 4

Percentage Spend	2022/23 Planned spend	2023/24 YTD Planned	2023/24 YTD Reactive
WHE	50.1%	44.9%	55.1%

Volume of Emergency Repairs

4.13 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%.

4.14 Emergency repair numbers are 137 less than the same point in 2022/23, a variance of -6.74% and on target. While customer demand has an impact on this measure, work is continuing with the CFC to ensure emergency repairs are diagnosed appropriately.

Table 5

Completed emergency repairs	YTD 22/23	YTD 23/24	Variance
WHE	2,032	1,895	-6.74%

Repairs Timescales and Right First Time

4.15 Our average time taken for emergency repairs is 3.2 hours at the end of Q1, above the 3-hour target. This is a small increase compared to an average of 3.13 hours in 2022/23.

4.16 The below table also shows the average time taken for non-emergency repairs at 8.84 days, above this year's target of 7 days. This is an increase compared to the 2022/23 average of 6.93 days.

4.17 Several factors have impacted repair timescales this quarter including an increase in the proportion of out of hours emergency repairs and follow up repairs from these, major repair work and void repair work. We are moving from 2 local teams to 4 in September to increase local resource availability and therefore to help improve response times. Also, we will maximise response repairs team resources by passing major repairs to our investment team.

Table 6

Repairs completion timescales (Charter)	Emergency (hours)		Non-emergency (days)	
	Target	YTD Value	Target	YTD Value
WHE	3.00	3.20	7.0	8.84

4.18 The % of Repairs Right First Time year to date to the end of Q1, 90.73%, has reduced from the position reported last year, 94.59%, but is still meeting the 90% target.

Table 7

Percentage of repairs right first time (Charter)	2022/23	2023/24 YTD	Target	
WHE	94.59%	90.73%	90%	

Repairs Satisfaction (postal returns)

4.19 The target for 2023/24 has been increased from 89% last year to 90% this year. We are better than target at 91.38%.

4.20 This is based on a rolling 12-month period and is slightly better than at year end 2022/23 when 91.24%. Satisfaction is based on the paper surveys we issue after repairs, returned via white mail, and have generated 174 survey responses in the 12 months to end of Q1. An issue with sending surveys early in Q1 has now been fixed and completed survey numbers are expected to increase for subsequent quarters.

Table 8

Repairs Satisfaction	Current value	2023/24 Target	
WHE	91.38%	90%	

4.21 As previously reported to Board, there is a range of service improvement activities underway which will in turn lead to improved communication with customers and improvements in service performance and, longer term, satisfaction levels with the service.

Rate It

4.22 Our 'Book It, Track It, Rate It' app aims to improve visibility and communication during the repair journey. The 'Rate It' element was launched in WHE on the 7 June, providing an opportunity for customer feedback on repair appointments.

4.23 In the first part month following launch, the 'Rate It' score was 4.4/5 (from 208 customer responses, representing 20.73% of the completed appointed repairs undertaken). This initial performance is strong and will contribute to establishing a baseline for future monitoring.

Responsive repairs: Damp and mould

4.24 We continue to strengthen and improve our approach to mould related requests from customers. For every case of mould reported an inspector will categorise it as follows:

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

Category 2 – As with category 1 but covering a larger physical area which will require a longer appointment to complete (completed in one appointment)

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

4.25 At 24 July, we had 35 live cases for mould and 16 live damp and rot repairs. A breakdown of the current status of the 90 live mould cases is as follows:

Table 9

Total Live Mould cases	Category 3	Category 2	Category 1	Scheduled for inspection or being rescheduled due to no access
35	34	1	0	0

Medical Adaptations

4.26 Time to complete medical adaptations is well within the 25-day target, with the average days to complete year to date at 11.58, a slight increase from 9.13 for the same quarter last year. We have completed 56 adaptations, a small increase on 54 in the first quarter last year, and currently have 11 households waiting.

Table 10

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD	Target
WHE	11	56	11.58	25

Gas Safety

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

Changing Lives and Communities

Peaceful Neighbourhoods

4.28 The Group strategic measure is that by 2026 over 70% of our customers live in neighbourhoods categorised as peaceful.

4.29 Peaceful communities are defined as communities where customer reported incidents of antisocial behaviour to Police Scotland are reducing and social deprivation indicators (SIMD) in the associated data zone are improving. The most effective way to achieve this target is by reducing the incidence of customer reported antisocial behaviour to Police Scotland.

4.30 As at the end of June, 70% of our communities are categorised as 'Peaceful', meeting the target for this year.

4.31 We are currently resolving 80.69% of ASB cases within timescale. We recognise that there will be some complex cases that take longer to resolve than the 10-day target. We are working with our colleagues in Wheatley 360 to move towards a prevention and solution model to reduce the number of repeat cases and assist with improving the percentage of cases resolved on time.

Accidental Dwelling Fires

4.32 In 2022/23, we had nine accidental dwelling fires. This year we have had two accidental dwelling fires in quarter one, which is slightly higher than the same period last year (1).

Table 11

Number of recorded accidental dwelling fires	2023/24 YTD	2022/23
WHE	2	9

4.33 To support the reduction in accidental dwelling fires, there is an additional strategy measure to ensure 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

Table 12

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

Reducing Homelessness

4.34 The Group continues to be a key contributor to providing homes for homeless households across the sector. We have made 85 lets to homeless applicants in the year-to-date. Our % of relevant lets made to homeless applicants in the first quarter remains at 58.3% (relevant lets exclude mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants).

Table 13

RSL	2023/24 Number of lets to homeless applicants (ARC) - YTD	2022/23 Number of lets to homeless applicants (ARC) – full year
WHE	85	314

Developing our Shared Capability

Sickness Absence

4.35 We are currently above the 3% sickness target at 4.26% year to date.

Table 14

Sickness Rate	Target	2023/24 YTD	2022/23
WHG	3%	4.26%	3.53%

4.36 The top two reasons for absence for us in June were Stress and Anxiety (41%) and Minor illness (26%). Of those reporting stress/ anxiety, 73% was due to Stress (Work related), and 27% Anxiety (Non-work related).

4.37 Analysis of Stress/Anxiety related absence for this period shows that Anxiety (Non work related) was the dominant reason for absence in this category in April accounting for 44% of all Stress/Anxiety related absence in April. Stress (Work related) was the dominant reason in this category in both May (38% of all Stress/Anxiety related absence) and June (73%).

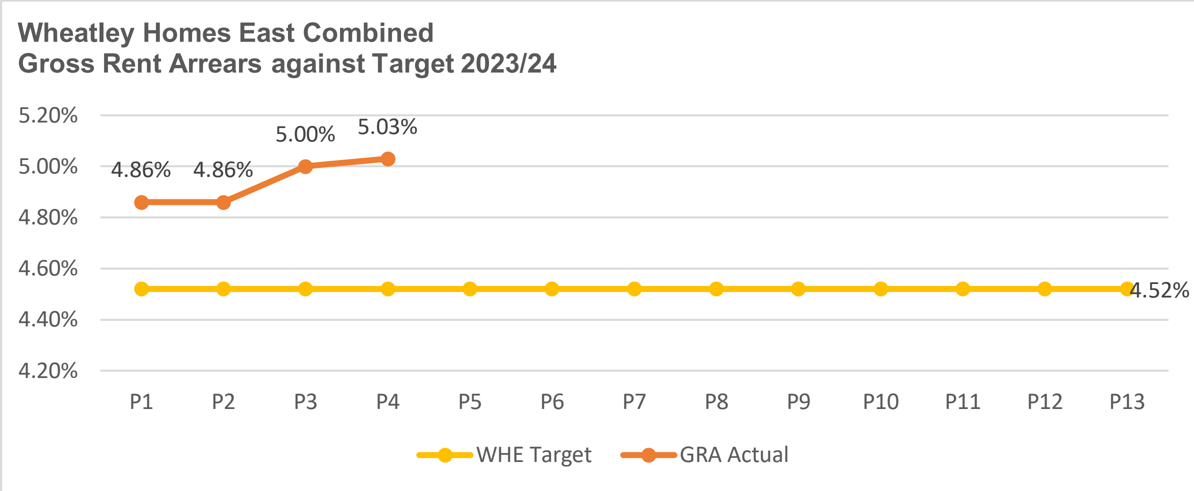
4.38 All reported cases of work-related stress/anxiety are supported via the Individual Stress Risk Assessment ("ISRA") process which provides both employee and line manager a platform to firstly identify the work related elements that are contributing to the stress and then to identify practical ways in which the Group can help to reduce the stress levels. Further support to the ISRA process is also provided by PAM, our Occupational Health providers. All ISRA processes are supported by an Employee Relations Advisor.

4.39 Support for staff experiencing Stress/Anxiety is available via a number of Academy e-learning modules (Resilience, Mental Health) and face to face seminars (Vicarious trauma, Suicide Prevention) with Mindfulness, Mind Matter and "Using CBT for Stress Management" workshops available via the Employee Wellbeing team.

Enabling our Ambitions

Gross Rent Arrears

Chart 1



4.40 Our gross rent arrears (GRA) ended 2022/23 at 4.63%, better than the 4.62% target set for last year. In 2023/24 we have further stretched this target to 4.52%, supporting our strategic aim to reduce gross rent arrears to 4.47% by 2026.

4.41 Our current GRA levels are at 5.03%. This increase is mainly attributed to not receiving Direct Debit payments within the reporting month, these have now been received and are in rent accounts. We are currently working with West Lothian Council to uprate all outstanding Housing Benefit claimants with the new rent charge which has resulted in around £2k increase in our total arrears value.

4.42 We continue to compare favourably to GRA averages, with the Scottish Housing Network (SHN) publishing interim member ARC 2022/23 results at 7.29% for all SHN members. Full ARC results will be published by the Regulator on 31 August 2023.

Average Days to Re-Let (Charter)

4.43 Our average re-letting time in 2022/23 was 18 days. Letting time in this year to date has improved to 17.65 days although remains higher than the 16-day target. Our performance in this Q1 has been impacted by Wheatley Care lets awaiting support packages. In July our days to let have significantly improved reducing our year to date figure further.

Table 15

Average days to re-let (Charter)	2023/24 YTD		2022/22 Target	2021/22 Results
WHE	17.65		16	18.00

Summary of Strategic Project Delivery

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

Table 16

Complete	On track	Slippage	Overdue
0	4	3	0

4.45 The following projects are currently slipping:

- **Group wide implementation of Roll out Book it, Track it, Rate it** - Full implementation in the West and WHE pilot has commenced, however, the WHS pilot is delayed due to a Civica network change blockage. Progress has been made during July and launch of the pilot is anticipated in August.
- **My Voice – real time customer feedback reporting** – While the CFC pilot for My Voice has been concluded, work continues on finalising the operational framework. The team are currently working on structuring the reporting approach, identifying the key audiences, and defining the appropriate sharing frequency. We do not foresee any issues meeting commitments to on-board key service pillars by November.
- **Interest cover covenant revision** - All WFL1 lenders have been requested to make the change, however, slippage has been experienced with the negotiating phase.

5. Customer engagement

5.1 Several strategic projects 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 I.T., digital and data interdependencies a key factor.

8. Financial and value for money implications

8.1 The measures, targets and projects included in this report were agreed as part of the PMF and Delivery Plan for 2023/24. They focus on the most strategically important areas, making sure that financial and other resources are aligned with these priorities. They can be summarised under three broad areas:

- Customer satisfaction, feedback and insight – reinforced as at the heart of our strategy and performance framework;
- Repairs – reaffirmed as customers' top priority;
- Development, regeneration and sustainable neighbourhoods – a continued focus on regenerating and building new and sustainable communities.

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

9. Legal, regulatory and charitable implications

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

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

10. Risk appetite and assessment

10.1 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.

11.2 Our equality, diversity and inclusion policy – revised in 2022/23 – provides a stronger basis on which we can advance our ambitions. The expansion of our Customer Voices, Scrutiny Panel and collation of monitoring information support co-creation and influence which is based on a more diverse range of perspectives.

12. Key issues and conclusions

12.1 Our new apex performance measure for the CFC is now in place and has provided a baseline CSAT score of 4.4/5 at the end of quarter 1.

12.2 The CFC continue to focus on improvements to resource planning, helping to ensure call handlers are available during peak periods of demand. Actions such as this will support progress towards the CSAT target of 4.5/5.

12.3 While we still compare favourably to available comparators, our current GRA levels are at 5.03%. We are currently working with the Local Authority and support services to ensure we maximise our income and manage arrears.

12.4 We continue to have strong performance in several key areas; lets to homeless, tenancy sustainment, right first time repairs and adaptation completion timescales. Days to let, new build handovers, repairs timescales and sickness absence are in focus.

12.5 Good progress has been made with several strategic projects during quarter 1.

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 - WHE Board - Delivery Plan 22/23 - Strategic Measures

1. Delivering Exceptional Customer Experience

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
WHE – CSAT Score (customer satisfaction)	New	4.4	4.5	
Group - % of first contact resolution at CFC	88.99%	85.79%	90%	
Group - Call abandonment rate	4.72%	5.87%	5%	
WHE - Call abandonment rate	4.21%	5.71%	5%	
Group - % calls answered <30 seconds (Grade of Service)	76.79%	67.5%	Contextual	
WHE - % calls answered <30 seconds (Grade of Service)	77.43%	68.6%	Contextual	
Group - Average waiting time (seconds)	57.64	64.91	Contextual	
WHE - Average waiting time (seconds)	43.76	58	Contextual	
% new tenancies sustained for more than a year - overall	91.23%	92.78%	90%	

2. Making the Most of Our Homes and Assets

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
Reduce the volume of emergency repairs by 10% by 2025/26 (target -3.34% for 2023/24)	Apr to Jun 22/23 – 2,023	1,895	-6.74%	
Average time taken to complete emergency repairs (hours) – make safe	3.13	3.20	3	
Average time taken to complete non-emergency repairs (working days)	6.93	8.84	7	

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
% reactive repairs completed right first time	94.59%	94.59%	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	91.24%	91.38%	90%	
Average time to complete approved applications for medical adaptations (calendar days)	14.31	11.58	25	
% Planned repair spending	50.1%	44.9%	60%	
% Reactive repair spending	49.9%	55.1%	40%	
New build completions - Social Housing	36	53	82	
New build completions - Mid-market	25	23	15	
Number of HSE or LA environmental team interventions	0	0	0	
Group - Number of open employee liability claims	13	15	Contextual	
Group - Number of days lost due to work related accidents	464	90.5	Contextual	
Number of new employee liability claims received	1	0	0	

3. Changing Lives and Communities

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
% ASB resolved	100%	80.69%	98%	
% Lets Homeless Applicants (ARC)	47.79%	52.15%	Contextual	
% Relevant lets to Homeless Applicants	58.62%	58.27%	Contextual	
Number of lets to homeless applicants (10,000 for Group by 2025/26)	314	85	Contextual	
Total number of jobs, training places or apprenticeships created including Wheatley Pledge	137	34	6	
Group - % of Communities Classified as Peaceful in period	69.4%	70%	70%	
Group - 100% of relevant properties have a current fire risk assessment in place	100%	100%	100%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue	9	2	Contextual	

4. Developing Our Shared Capacity

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
Sickness Rate	3.53%	4.26%	3%	

5. Enabling Our Ambitions

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
% lettable houses that became vacant	7.37%	7.22%	7.3%	
% court actions initiated which resulted in eviction - overall	26.32%	250%	Contextual	
Average time to re-let properties	18	17.65	16	

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
WHE C - Gross rent arrears (all tenants) as a % of rent due	4.63%	5.03%	4.52%	
WHE A - Gross rent arrears (all tenants) as a % of rent due	4.64%	4.94%	Contextual	
WHE B - Gross rent arrears (all tenants) as a % of rent due	4.59%	5.65%	Contextual	

Appendix 2 - WHE 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		0%	01. Programme of research and engagement with customers on online repairs service to further refine functionality and usability	30-Sep-2023	No	First milestone due end of September.
				02. CBG IT integration – Boxi reporting system implementation	31-Oct-2023	No	
				03. WHS DRS upgrade	31-Oct-2023	No	
				04. CBG DRS upgrade	31-Oct-2023	No	
				05. Servitor and DRS fully implemented in WHE	31-Mar-2024	No	
Group wide implementation of Roll out Book it, Track it, Rate it	31-Aug-2023		50%	01. Pilot commencement in Wheatley Homes East	30-Apr-2023	Yes	Full implementation in the West and WHE pilot commenced, however, WHS pilot delayed due to Civica network change blockage. Progress has been made during July and launch of the WHS pilot is anticipated by the end of August
				02. Pilot finalised in with City Building delivered repairs	31-May-2023	Yes	
				03. Pilot commencement in Wheatley Homes South	31-May-2023	No	
				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	No	
				06. Pilot evaluation, including customer feedback, and agreement to go live -	31-Aug-2023	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				Wheatley Homes South			
My Voice – real time customer feedback reporting	31-Mar-2024		40%	01. MY Voice CFC pilot concluded	30-Apr-2023	Yes	The CFC workflow for MyVoice is now fully operational, with the build continuing for the remaining priority pillars. Although there has been some slippage in the project we do not foresee any issues meeting our commitments to on-board these key service pillars by November. To finalise the operational framework, the team are currently working on structuring the reporting approach, identifying the key audiences, and defining the appropriate sharing frequency.
				02. CFC customer insight operational framework implemented	31-May-2023	No	
				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		40%	01. Group Board approval of contract award	30-Apr-2023	Yes	Contract award approved by Group Board on 26 April 2023 and contact award signed on 14 June 2023.
				02. Vendor Contract Award	31-May-2023	Yes	
				03. Full project delivery plan developed and commenced	31-Jul-2023	No	
				04. Phase 1 launch	31-Dec-2023	No	
				05. Phase 2 launch	31-Mar-2024	No	
Implement Group sustainability framework	31-Dec-2023		80%	01. Sustainability delivery workshop with nominated group leads	30-Apr-2023	Yes	Delivery Plan developed and quarterly sustainability update provided to ET.
				02. Refine sustainability performance monitoring framework	31-May-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				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		33%	01. Deliver workshop with key people involved in Neighbourhood tools and scoring mechanisms to map out roles and remit	31-May-2023	Yes	Integrated neighbourhood planning approach workshop held on 22 May 2023. Work on draft guidance underway.
				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	No	
				04. Based on the neighbourhood assessment, propose an example neighbourhood plan	30-Sep-2023	No	
				05. Provide worked example to WHG Board to review and agree as a model going forward	30-Sep-2023	No	
				06. Draft Neighbourhood approach for wider group to RSL Boards	28-Feb-2024	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
				[redacted]	[redacted]	[redacted]	
				[redacted]	[redacted]	[redacted]	
				[redacted]	[redacted]	[redacted]	
				[redacted]	[redacted]	[redacted]	
				[redacted]	[redacted]	[redacted]	

Report

To: Wheatley Homes East Board

By: Lyndsay Brown, Director of Financial Reporting

Approved by: Pauline Turnock, Group Director of Finance

Subject: 2022/23 Financial Statements

Date of Meeting: 17 August 2023

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1. Purpose

1.1 The purpose of this report is to provide the Wheatley Homes East Board with an overview of the 2022/23 financial statements.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between Wheatley Homes East (WH-E) and the Wheatley Group and the Terms of Reference for this Board, the WH-E Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances and the approval of the statutory financial statements.

3. Background

Financial performance to 31 March 2023

3.1 The financial statements are now complete and have been audited. The financial results for the year are summarised below. They reflect the requirements of the 2014 Statement of Recommended Practice ("SORP 2014") for Social Housing Providers.

	Year ended 31.03.23 £'000	**Year ended 31.03.22 £'000**
Turnover	58,549	41,921
Operating expenditure	(35,503)	(30,634)
Other gains/ (losses)	18,445	(361)
Operating surplus	**41,491**	**10,926**
Gain on disposal of fixed assets	647	1,539
Net finance costs	(7,128)	(6,640)
Property revaluation – housing properties	(21,552)	1,610
Property revaluation – office properties	289	441
Surplus for the year	**13,747**	**7,876**
Actuarial (loss)/ gain in respect of pension schemes	(1,646)	3,249
Total comprehensive income for the year	**12,101**	**11,125**

3.2 The finance reports submitted to the Board during the year formed the basis of these financial statements and were updated to include year-end statutory adjustments.

4. Discussion

4.1 Adjustments from 31 March management accounts

The adjustments made between the WH East period 12 management accounts and the final audited accounts are summarised below:

	Income & Expenditure £'000	Net Assets £'000
P12 management accounts	**14,778**	**256,450**
Revaluation of Properties - Housing	(21,552)	(21,552)
Revaluation of Properties - Office	289	289
Revaluation of Properties - Investment	(1,757)	(1,757)
Gain on Business Combination	20,202	108
Gain on Sale of Fixed Assets	647	647
Pension adjustment	(1,240)	(1,240)
Depreciation and other adjustments	734	734
Statutory accounts	**12,101**	**233,679**

4.2 Revaluation of Properties: Housing, office and investment properties were revalued at the year-end by Jones Lang Lasalle ("JLL"). Our social housing properties decreased in value by £21,552k and our office properties increased by £289k. Investment properties include mid-market rent units and these have reported a decrease in value by £1,757k.

4.3 The completion of the 283 new build properties during the year has had an impact on the valuation result as social housing and mid-market rent properties are initially recognised on the balance sheet at cost of construction, then are written down to tenanted market value on completion. The write-down is, however, offset by the grant received to subsidise their construction also recognised through the income statement.

4.4 West Lothian Housing Partnership (WLHP) gain on business combination: For management accounts purposes the gain as a result of the transfer of the ex-WLHP assets and liabilities was reported in net assets as an increase in reserves of £20,094k. For statutory accounts this requires to be shown through the statement of comprehensive income as a gain of an amount equal to the net assets transferred given there was no consideration payable to WLHP. A further adjustment of £108k was made to recognise statutory accounts adjustments made in WLHP post management accounts completion to a total increase in reserves of £20,202k.

4.5 Gain on sale: Gain on sale of properties, including shared ownership disposals, in the year was £647k. The book value of properties sold were calculated using 2021/22 JLL valuations and depreciating the appropriate amount based on number of months to the point of sale.

4.6 Pension valuation adjustments: The SHAPS defined benefit pension scheme is re-valued on an annual basis by independent actuaries. The 2022/23 valuation resulted in a credit to employee service costs of £430k, interest charge on pension obligations of £24k and an actuarial loss of £1,646k.

4.7 Depreciation and other adjustments: As part of the year end work, depreciation charges were calculated at individual component level and disposals processed. This resulted in a decrease of £110k to the charge provided in the management accounts. Other items finalised after the preparation of the year end management accounts included a review of invoices received after the year end and any resulting adjustment to accruals, as well as additional income released upon completion of new build housing units. This provided a net increase to reported surplus of £624k.

Audit summary

4.8 The external auditors, KPMG have completed their audit of the financial statements and have issued an unqualified audit opinion.

4.9 Through their audit work, no material adjustments were identified. A number of small adjustments were reflected within the financial statements including the updated property valuation received from JLL and depreciation workings.

4.10 As a standard part of the standard audit process, and in line with previous years, KPMG require the Board of each organisation in the Wheatley Group to sign a "letter of representation" in which the Board confirms certain matters in terms of disclosure and record-keeping. As in previous years, a letter from the Chief Executive has been provided to each Board to provide comfort that the officers have complied with the matters stated in this letter. Both these documents are provided along with this paper (Appendix 2 and 3 respectively).

4.11 The Board are asked to confirm in the letter of representation that the financial statements are prepared on a going concern basis. The assessment that the Association continues in business is based on the preparation and approval of the Association's 30-year business plan which includes cashflow forecasts, the certainty of revenue streams from rental income and the assessment of the availability of funding provided to Wheatley Homes East through the RSL borrower relationship with WFL1. The accounts and letter of representation will be signed following the approval of the Wheatley Group accounts at the Group Board meeting on 30 August 2023. A copy of KPMG's audit highlights report will be uploaded to Admin control.

5. Customer Engagement

5.1 This report relates to our financial reporting and therefore there is 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 this report.

8. Financial and value for money implications

8.1 WH East's balance sheet continues to strengthen, with net assets increasing by £12.1m.

8.2 The adjusted operating surplus from core social housing activities moved from £17,748k to £18,874k and after including interest costs and capital expenditure on our existing properties, an underlying surplus of £5,432k is reported. The results show that financial performance continues in line with our business plan. 2022/23 saw us navigate a volatile economic climate and inflationary levels which have not been seen in the UK for 40 years. Despite these external economic factors we have produced a strong and resilient financial performance whilst continuing to deliver all of the services that are so important to our customers.

	2023 £k	2022 £k
Operating surplus	**41,491**	**10,926**
Adjusted for:		
Depreciation	12,248	10,205
Investment property valuation movements	1,757	361
Gain on business combination	(20,202)	-
New build grant income	(16,420)	(3,744)
Adjusted operating surplus	**18,874**	**17,748**
Less:		
Interest costs	(7,126)	(6,640)
Investment in existing social homes	(6,316)	(6,560)
Underlying surplus	**5,432**	**4,548**

9. Legal, regulatory and charitable implications

9.1 Under Section 485 of the Companies Act we are required to appoint an auditor for each financial year. Under the Intra-Group Agreement with Wheatley Housing Group we are required to use the Group Auditors. We require to appoint KPMG LLP as the auditors for 2023/24 at the Annual General Meeting. The appointment will be subject to the Group confirming their reappointment at its Annual General Meeting.

9.2 Following approval and signing of the financial statements they require to be submitted to Companies House and the annual return made to the Scottish Housing Regulator.

10. Risk Appetite and assessment

10.1 Our agreed risk appetite in relation to compliance with laws and regulation is averse. Averse is defined as "Avoidance of risk and uncertainty is a key Organisational objective."

11. Equalities implications

11.1 There are no equalities implications arising from the financial report.

12. Key issues and conclusions

12.1 This paper presents an overview of the statutory accounts for the year to 31 March 2023.

13. Recommendations

13.1 The Board is requested to:

1) Approve the 2022/23 financial statements;
2) Confirm the preparation of the financial statements using the going concern basis;
3) Delegate authority to the Chair and Group Director of Finance to approve any non-material changes to the accounts; and
4) Approve the letter of representation from the auditors and note the related letter of comfort from management.

LIST OF APPENDICES:

Appendix 1 - [redacted]
Appendix 2 - [redacted]
Appendix 3 - [redacted]

All appendices available here

Wheatley Homes East

Report

To: Wheatley Homes East Board

By: Ranald Brown, Director of Assurance

Subject: Internal Audit Annual Report and Opinion 2022/23

Date of Meeting: 17 August 2023

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1. Purpose

1.1. This report provides the Wheatley Homes East Board (the Board) with an update for noting of the Internal Audit Annual Report and Opinion 2022/23, previously reported to the May 2023 Group Audit Committee.

2. Authorising and strategic context

2.1. Under our Terms of Reference, the Group Audit Committee is responsible for monitoring the Group's assurance activities, including results as presented in the internal audit annual report and opinion. The 2022/23 Internal Audit Annual Report and Opinion was approved by the Group Audit Committee on 3 May 2023.

2.2. The Board is responsible for managing and monitoring its compliance arrangements and operational performance. The activities undertaken by the Assurance Team provide the Board with independent assurance to support the Board in this role.

3. Background

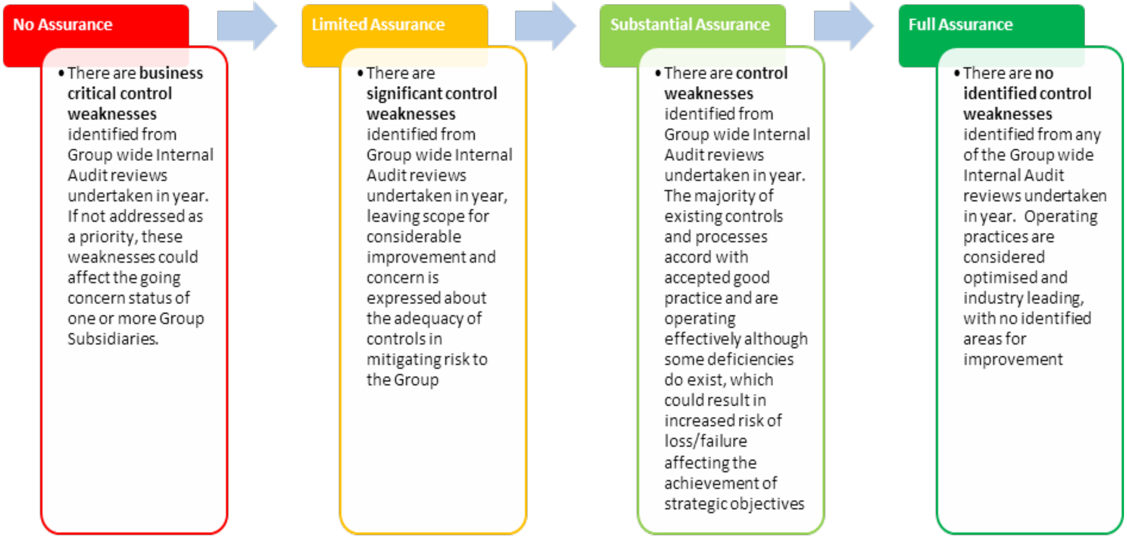
3.1. The Group's Internal Audit team operates in accordance with the Chartered Institute of Internal Auditors' International Professional Practices Framework ("IPPF"), which includes the International Standards for the Professional Practice of Internal Auditing ("the Standards").

3.2. The Group's Internal Audit methodology was assessed against these standards during 2022/23, during an External Quality Assessment overseen by the Group Audit Committee. The approach was found to be "Generally Conformant", which is the highest level of conformance available. Further detail is included within Appendix 1.

3.3. In line with the requirements of the Standards, Internal Audit provides the Board with an Annual Report and Opinion, which summarises the results of the Internal Audit team's work during the financial year and provides an opinion on the Group's internal control, governance, and risk management framework.

4. Discussion

4.1. A copy of the Annual Report and Opinion has been included at **Appendix 1** for the Board's information. The table below shows the different types of Internal Audit Opinion which may be given:



4.2. Following completion of our approved Internal Audit Plan, we can confirm that sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2022/23. In giving this opinion, it should be noted that assurance can never be absolute.

4.3. Section 3 of the Annual Report at Appendix 1 outlines the Internal Audit work performed on a Group-wide basis, along with subsidiary-specific elements.

4.4. During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk except for weaknesses in City Building Glasgow (CBG) processes and controls in relation to governance and compliance matters. The status of all audit actions will continue to be reported regularly to the Board and Group Audit Committee.

Internal Audit Opinion 2022/23

*Based on our Group-wide work undertaken in 2022/23 a **substantial level of assurance** can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives, except for weaknesses in City Building Glasgow processes and controls in relation to governance and compliance matters. The CBG Partnership Oversight Board has been established by the Wheatley Group and Glasgow City Council Chief Executives to review these areas.*

Management has agreed to the improvements to the Group wide control environment arising from our annual work and the progress of implementing these additional controls will be reported to the Group Audit Committee.

5. Customer Engagement

5.1. There are no customer engagement implications arising directly from this report although action owners may engage with customers to inform decision-making arising in the course of completing assigned actions.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1. There are no financial or value for money implications arising directly from this report.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1. This report summarises the internal audit work performed during 2022/23. The nature of the risks arising from each piece of work varies depending on the review and the agreed management actions are designed to help management to mitigate the identified risks.

10.2. Where management considers the risks identified through an internal audit review are sufficiently material to be included in the Group's risk profile, the risk is aligned to a Strategic Outcome and a risk appetite category assigned. This allows management to confirm whether the risk is being managed within risk appetite or if further improvement action is required.

11. Equalities implications

11.1. This report does not require an equalities impact assessment.

12. Key issues and conclusions

12.1. The Internal Audit team has completed its planned work for 2022/23 and the Director of Assurance has issued his annual opinion, as outlined at paragraph 4.3.

13. Recommendations

13.1. The Board is asked to note the contents of this report, including the Annual Internal Audit opinion detailed in Section 4.

LIST OF APPENDICES:

Appendix 1 – Internal Audit Annual Report and Opinion 2022/23

Wheatley Group

Making homes and lives better
wheatley-group.com

Internal Audit Annual Report and Opinion 2022/23

1. Introduction

The purpose of this report is to provide our view on the adequacy and effectiveness of the Wheatley Group's ("the Group") system of governance, risk management and internal control, as assessed through delivery of our rolling Internal Audit Plan during 2022/23.

The Internal Audit Plan is reviewed and approved by the Group Audit Committee ("the Committee") each quarter and progress against this plan has been reported to the Committee throughout the financial year.

Our detailed findings from specific reviews have been reported to Management during the year, with a summary of these findings reported to the Committee at each of its 2022/23 meetings. Summary findings have also been reported to Subsidiary Boards and the Group Board where appropriate.

This Annual Report summarises the Internal Audit activity and therefore does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to Management and the Group Audit Committee during the year.

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Section 3 – Definition of Auditing; Chartered Institute of Internal Auditors' International Professional Practices Framework

Group Assurance Mission Statement

To enhance and protect the Wheatley Group by providing independent, risk based and objective, assurance, advice and insight

2. Annual Internal Audit Opinion

Scope

In line with the International Standards for the Professional Practice of Internal Auditing (“the Standards”), Internal Audit provides the Group Board, Audit Committee and Subsidiary Boards with an Annual Internal Audit Opinion, as a result of the work completed during 2022/23.

Our opinion is subject to the inherent limitations of Internal Audit (covering both the control environment and the assurance over controls) as set out in Appendix 1 (Limitations and Responsibilities).

In arriving at our Annual Internal Audit Opinion, we have taken the following matters into account:

- the results of all Internal Audit work undertaken (including any upheld instances of fraud or whistleblowing) during the year ended 31 March 2023;
- in accordance with the Wheatley Group City Building Glasgow Assurance approach, we have placed reliance on the internal audit work done by the Glasgow City Council’s Chief Internal Auditor in relation to City Building Glasgow;
- the effects of any material changes in the Group’s objectives, activities or regulatory environment; and
- whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the Group’s Internal Audit needs.

Basis of Opinion

Sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2022/23. In giving this opinion, it should be noted that assurance can never be absolute.

During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk *except for weaknesses in City Building Glasgow processes and controls in relation to governance and compliance matters. The CBG Partnership Oversight Board has been established by the Wheatley Group and Glasgow City Council Chief Executives to review these areas.* As reported to the Group Audit Committee.

Internal Audit Opinion 2022/23

*Based on our Group-wide work undertaken in 2022/23 a **substantial level of assurance*** *can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives, except for weaknesses in City Building Glasgow processes and controls in relation to governance and compliance matters. The CBG Partnership Oversight Board has been established by the Wheatley Group and Glasgow City Council Chief Executives to review these areas.*

Management has agreed to the improvements to the Group wide control environment arising from our annual work and the progress of implementing these additional controls will be reported to the Group Audit Committee.

***** See Appendix 2 for definition of levels of assurance.

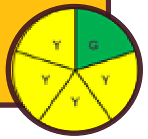
3. Summary of Work Performed

Wheatley Group

This section summarises the results of Internal Audit advisory reviews completed during 2022/23. Each of these reviews included an assessment of the extent to which the control objectives set out in the Terms of Reference were achieved*, as reflected in the charts below.

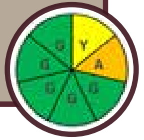
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Cyber security



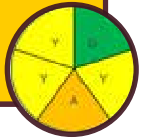
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH – East
- WH- Glasgow
- WH - South
- Wheatley Solutions

IT General Controls



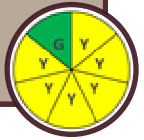
- Wheatley Care

Medication Handling Protocols



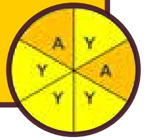
- Loretto Housing
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Scottish Government Net Zero Grant Requirements



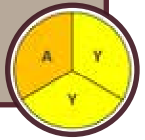
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Digital Strategy Delivery



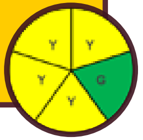
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Digital Maturity Assessment



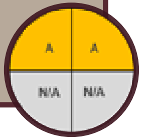
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Lone Working



- Loretto Housing
- WH-East
- WH-Glasgow
- WH-South

RSL Records Management



** See Appendix 2 for control objective ratings.*

3. Summary of Work Performed

The Internal Audit team has completed the following advisory and consultancy reviews, which did not include an assessment of the achievement of control objectives, due to the nature of the work performed.

Cost of Living- wraparound services
- Loretto Housing
- Lowther
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

SHR Assurance Statement
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Lowther Follow Up
- Lowther

Repairs Follow Up
- Loretto Housing
- Lowther
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Damp and Mould
- Loretto Housing
- Lowther
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

In addition, the Internal Audit team has developed and embedded routine data analytics in the following areas.

Payroll — *Payroll exception reporting*

- Loretto Housing
- Wheatley Development Scotland
- WH-Glasgow
- Lowther
- Wheatley Foundation
- Wheatley Solutions
- Wheatley Care
- WH-East
- WH - South

Accounts Payable — *Review of purchase card and faster payment transactions*

- Loretto Housing
- Wheatley Development Scotland
- WH-Glasgow
- Lowther
- Wheatley Foundation
- Wheatley Solutions
- Wheatley Care
- WH-East
- WH - South

“Line 2” support — *Development of reporting to support local management assurance checks*

- SSSC Registration checks: Wheatley Care
- Here for You Fund checks: Wheatley Foundation, Wheatley Solutions

Summaries of the findings of all reviews conducted during 2022/23 have previously been reported to the Group Audit Committee and to Subsidiary Boards.

3. Summary of Work Performed

The Internal Audit team has facilitated an exercise to map legislative compliance requirements in different business areas across the Group throughout 2022/23. Within each business area, the team has worked with management to identify legislative requirements and any detective controls in place that would confirm compliance with those requirements.

The Internal Audit team has used a "show me" approach to confirm control descriptions, for example completing one walkthrough / viewing one instance of a report to confirm understanding of control. This work did not assess i) whether the control is adequately designed to mitigate the identified risk or ii) operating effectively. The purpose of this mapping is to help management determine where additional detective controls may be needed, or reflect on the purpose and value of control activity across lower risk areas. The output of each exercise is a “map”, as shown below.

	Controls in place to detect a compliance breach	Controls to detect a compliance breach are planned but not yet operating	No controls in place to detect a compliance breach
High consequence from compliance failure	*Maintain controls*	*Consider prioritising implementation of controls*	*Consider whether additional controls are required*
Medium consequence from compliance failure	*Maintain controls*	*Rollout controls as planned*	*Consider whether additional controls are required*
Low consequence from compliance failure	*Consider whether controls are required*	*Consider whether planned controls are required*	*Consider whether current position is acceptable*

The business areas mapped during 2022/23 are:

Housing	Care	Technical	Lowther
CFC	NETS	Repairs	Development
W360	Foundation	Assurance	

Work will continue during 2023/24 to map remaining business areas.

3. Follow Up of Management Actions

Internal Audit completes follow up activity to verify that management have implemented actions as agreed in our internal audit reports. The follow up activity is undertaken quarterly, with the results reported to each meeting of the Group Audit Committee.

The information below is a summary of all actions followed up during the course of 2022/23.

Our assessment has included review of each action to determine whether:

a) The action has been completed during 2022/23;

b) The action is no longer relevant or has been superseded;

c) The action is not yet due for completion; or

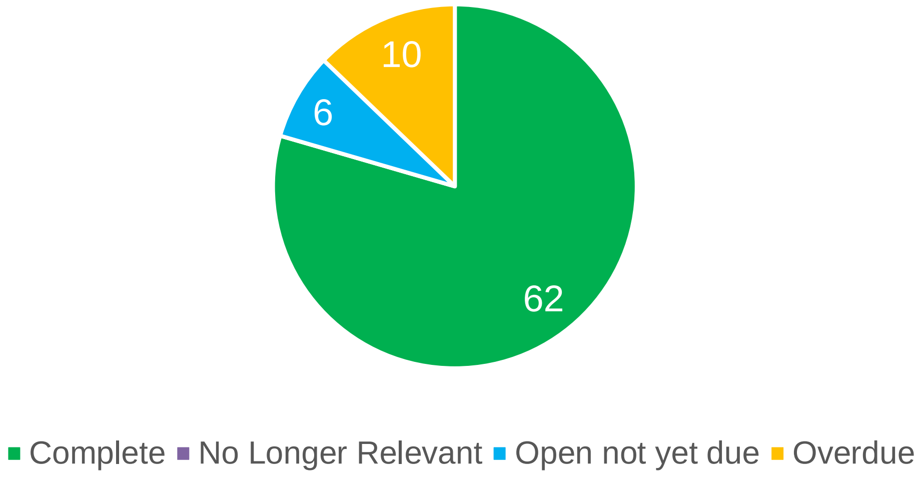
d) The action is overdue for completion.

For the 10 overdue actions, we have discussed the current status with management and identified revised timescales for completion of the original actions. In 8 instances, this is due to the actions being incorporated into projects to be delivered as part of the 2022/23 Delivery Plan. In each case, we are satisfied that the action is in progress and we will continue to monitor full implementation of these actions.

Status	Actions
Actions brought forward from 1 April 2022	17
New actions agreed during 2022/23	61
Total Actions followed up during 2022/23	78

The chart below summarises our assessment of the status of the 78 actions followed up during 2022/23.

Status of Actions at 31 March 2023



4. Internal Audit Team Performance 2022/23

The Internal Audit team's performance against its agreed KPIs for 2022/23 is set out below:

KPI	Target	Actual
Customer Satisfaction: consultation and engagement	*Target Average score: 8 out of 10*	*Actual Average score: 9.7 out of 10*
Customer Satisfaction: delivery of review	*Target Average score: 8 out of 10*	*Actual Average score: 9.3 out of 10*
Customer Satisfaction: Added value of actions	*Target Average score: 8 out of 10*	*Actual Average score: 9.1 out of 10*
Team utilisation on IA activities (based on 200 days)	*Target: 100% utilisation*	*Actual: 100%*
Team operates to IIA Standards	*Target: "Generally Conforms" rating*	*Actual: "Generally Conforms" rating*
CPD/ training requirements met	*Target: 100% of team*	*Actual: 100% of team*
Annual workplan: completed to budget & time	*Target: 100% of audits*	*Actual: 100% of audits*
Annual Report available for Annual Accounts signing	*Target: August GAC*	*Actual: May GAC*

The customer satisfaction measures are based on feedback forms completed by auditees following each review. Performance against target is allocated a Red, Amber or Green rating, as follows:

- Red: More than 15% away from target
- Amber: Within 15% of target
- Green: Target met / on track for year

4. Internal Audit Team Performance 2022/23

The customer satisfaction measures are based on feedback forms completed by auditees following each review. Positive comments received from our customers included the following:

"I have always found the audit team to be very proactive in advising of the scope and timing of any reviews and also on any follow up actions."

"Communication with the team is always great and they are always happy to receive feedback."

"The team are fantastic, approachable and always more than willing to dedicate time to supporting improvement."

"Engagement with internal audit is always positive and comes from the starting point of business improvement and which as an approach should always lead to improvements in efficiency and/or effectiveness."

The responses also highlighted the following opportunities which have been added to our Internal Audit Improvement Plan.

We will explore opportunities for the team to gain more specialist/technical knowledge (eg shadowing services) in areas which would add demonstrable value to the Group Internal Audit process.	***We will offer different methods of agreeing audit actions to best meet management's individual needs. For example, we could facilitate workshops or cross-departmental meetings to share ideas and identify practical solutions.***
• "There have been occasions when further explanation has been required for team to fully understand the service area, however they are always keen to take on board feedback and upskill where required."	• "Sometimes recommendations can be made that don't fully consider the operational impact, ownership and accountability of all parties involved." • "Actions are focused on the solutions being resourced by the RSLs when we don't have any admin staff anymore and our operating model has changed."

5. IA Compliance with Standards

Internal Audit compliance with professional standards

The Internal Audit team employs a risk-based approach to determine the audit needs of the Group at the start of each year, which is reviewed on a rolling three-month basis throughout the year. The team uses a risk-based methodology to plan and conduct our work, and all Internal Audit activity is performed in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors.

Internal Audit independence

Each member of the Internal Audit team is required to confirm their independence annually. The Independence Statements were last collected in September 2022 and the exercise will be repeated in September 2023.

Conflicts of Interest

The Internal Audit team is led by the Director of Assurance, who reports to the Group Director of Finance and meets regularly with the Chair of the Group Audit Committee.

The Director of Assurance has other operational responsibilities. Consequently, the Group Audit Committee assesses the controls in place to maintain the Director's independence on an annual basis.

There have been no conflicts of interest during the year which have impacted on our independence or our ability to report our findings.

6. IA Quality Assurance and Improvement Programme

As part of the IA Team's Quality Assurance and Improvement Programme, we completed our internal quality assurance during 2022/23, comprising:

Ongoing monitoring	• Day-to-day supervision and review of IA team's work • Key Performance Indicators (KPIs) monitoring and reporting
Annual CPE Completion	• Each IA team member completes training to meet the annual CPE requirement of their professional institute.
Annual self-assessment	• Completed using guidance issued by the CIIA • Results reported within the Annual Report and Opinion

Annual Self-Assessment

The Internal Audit team updated the quality assessment template produced by the Chartered Institute of Internal Auditors (CIIA) in September 2022, in advance of an External Quality Assessment. The internal self-assessment rated performance as:

Generally Conforms

- The evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects.

The results of the External Quality Assessment are set out on the next slide.

6. IA Quality Assurance and Improvement Programme

External Quality Assessment (EQA)

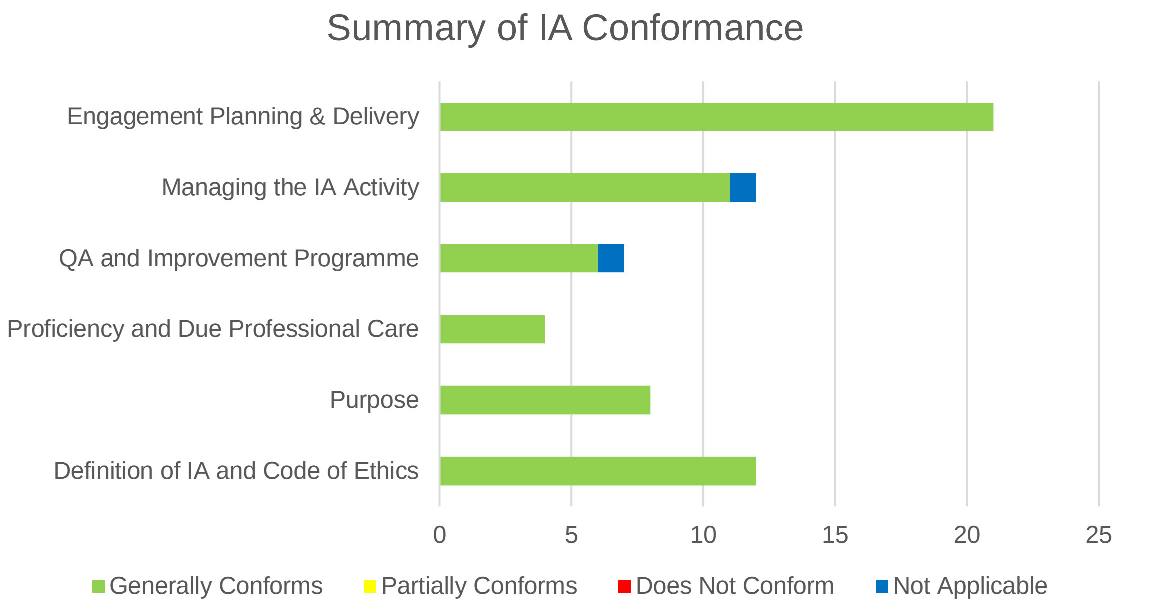
As required by the Group's Internal Audit Charter, the Internal Audit team was subject to an External Quality Assessment during 2022/23. The Group Audit Committee oversaw the appointment of the external assessor, who conducted an independent validation of the team's self-assessment and interviewed a number of the team's stakeholders.

The overall conclusion was:

GENERALLY CONFORMS	THE WHEATLEY HOUSING GROUP INTERNAL AUDIT FUNCTION GENERALLY CONFORMS WITH THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK

This is the highest level of conformance with the Standards, reported by the assessor as being "***an excellent result***".

In total, the assessment reviewed the team's performance against the 64 fundamental principles that make up the Standards.



The two areas marked as not applicable relate to: i) disclosure of non-conformance, which has not occurred and ii) arrangements where an external service provides the internal audit function.

The report contained no formal recommendations for improvement but did set out four areas for future consideration to further enhance the function. Actions to address these areas have been reported to the Group Audit Committee, which will monitor their completion.

Appendix 1: Limitations and responsibilities

Limitations Inherent to the Internal Auditor’s Work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as set out in the Internal Audit Plan, subject to the limitations outlined below.

Opinion

The Annual Internal Audit Statement is based solely on the work undertaken as part of the agreed Internal Audit Plan. The work addressed the control objectives agreed for each individual assignment as set out in our individual Terms of Reference. The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of the individual review, or were not brought to our attention. Our audit plan is based on risk to capture the higher risk areas within the Group. As a consequence, Management and the Group Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal Control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of Management and Internal Audit

It is Management’s responsibility to develop and maintain sound systems of risk management, internal control and governance to ensure the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for Management’s responsibilities for the design and operation of these systems.

Internal Audit endeavour to plan work so that we have a reasonable expectation of detecting significant control weaknesses and if detected, we shall carry out additional work directed towards the identification of consequent fraud or other irregularities. Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as Internal Auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Assurance Opinion definitions

Wheatley Group

Annual Assurance Opinion Definitions

The table below details the different types of Internal Audit opinion which may be given:

No Assurance

- There are **business critical control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. If not addressed as a priority, these weaknesses could affect the going concern status of one or more Group Subsidiaries.

Limited Assurance

- There are **significant control weaknesses** identified from Group wide Internal Audit reviews undertaken in year, leaving scope for considerable improvement and concern is expressed about the adequacy of controls in mitigating risk to the Group

Substantial Assurance

- There are **control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. The majority of existing controls and processes accord with accepted good practice and are operating effectively although some deficiencies do exist, which could result in increased risk of loss/failure affecting the achievement of strategic objectives

Full Assurance

- There are **no identified control weaknesses** identified from any of the Group wide Internal Audit reviews undertaken in year. Operating practices are considered optimised and industry leading, with no identified areas for improvement

Control Objective Classification

Each control objective is assigned a classification based on an assessment of the impact of individual findings within the report, as follows:

Red

- Control objective not achieved. Control weaknesses identified could have a significant and immediate impact on the risks to achievement of the organisation's objectives

Amber

- Control objective not achieved. Control weaknesses identified could have a moderate impact on the risks to achievement of the organisation's objectives

Yellow

- Control objective achieved. Control weaknesses identified could have a minor impact on the risks to the achievement of the organisation's objectives

Green

- Control objective achieved. Any control weaknesses identified could have very limited impact on the risks to the achievement of the organisation's objectives

Wheatley Homes East

Report

To: Wheatley Homes East Board

By: Stephen Wright, Director of Governance

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

Subject: Governance update

Date of Meeting: 17 August 2023

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1. Purpose

To update the Board and, where applicable, seek Board approval on the following governance related matters which are reported to the Board annually in August:

- Final schedule of meetings for the remainder of the 2023 calendar year, including the Annual General Meeting ("AGM")
- Annual Secretary Report
- Board appraisal
- Succession planning

2. Authorising and strategic context

2.1 The Board is responsible for calling meetings, including General Meetings and ordinary Board meetings throughout the course of the year.

2.2 In relation to Board appraisals, under the Group Standing Orders the Group Remuneration Appointments Appraisals and Governance (RAAG) Committee is responsible for determining the approach each year and agreed to the approach used this year.

3. Background

3.1 The matters in this report form part of our annual governance reporting, which precedes the AGM each year.

4. Discussion

Remaining 2023 meetings

4.1 We have two further Board meetings scheduled for this calendar year which would take us to the minimum requirement of 6 scheduled meetings for the calendar year (in addition to the additional meeting that was held in January this year):

- Post AGM on Thursday 21 September; and
- Thursday 23 November at 5pm.

4.2 It is proposed that we call our AGM for 21 September 2023 at 5pm. The meeting and business thereof will be called in line with the requirements of our Rules. This will be followed by the Board meeting at approximately 5.30pm.

4.3 We also have our annual Group Christmas lunch planned for Wednesday 20 December at 1pm (Wheatley House) to which all governing body members across the group are invited to attend.

Secretary's report

4.5 In advance of the AGM, Rule 68 states that:

"*At the last Board meeting before the annual general meeting, the Secretary must confirm in writing to the Board that Rules 62 to 67 have been followed or, if they have not been followed, the reasons for this*".

The Secretary's report in relation to each Rule referred to in Rule 68 is as follows:

Rule	Secretary report
62	Minutes are up to date and are signed digitally via DocuSign.
63	The seal is not routinely used. It is kept at the registered office.
64 and 65	All registers have been checked and maintained throughout the year and are held at our registered office.
66	Our registered name has been displayed at our registered office and at every office where our business is carried out throughout the year (these displays are being updated to reflect our new name) Our name is clearly marked on business letters, notices, adverts, official publications and financial documents.
67	Our books of account, registers, securities and other documents are kept at our registered office.

Appointments and reappointments

4.6 Under our Rules, 'Electing Board Members' 39.1-41, Board members are appointed for three-year terms. At the end of a three-year term Board members can be reappointed for a further two terms. The AGM is the time at which Board appointments are typically made or reviewed and the time when Board members would stand down following the completion of their tenure.

4.7 One Board Member, Heather Macnaughton, previously a Wheatley Homes South Board Member, joined Wheatley Homes East Board on 23 March 2023. Heather is put forward for a formal three-year term appointment on the Board to expire from the conclusion of our AGM in September 2026.

4.8 Three other Board members have each served three-year terms since their last re-election in 2020: Anne McGovern, Helen Howden and Alastair Murray. We will also seek their re-election at the AGM.

Board appraisal

4.9 The Group RAAG committee is expected to approve the appraisal process for this year at its next meeting. The appraisals will likely take place across September and October. As soon as the process is agreed by the RAAG Committee members will receive a briefing and update on the timing.

5. Customer engagement

5.1 The content of the report is reserved to the Board and is of an internal focus and as such no customer engagement has been appropriate.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

7.1 There are no links to digital transformation associated with this report.

8. Financial and value for money implications

8.1 There are no finance and value for money implications contained within this report.

9. Legal, regulatory and charitable implications

9.1 The SHR Regulatory Standards of Governance that all RSLs:

formally and actively plans to ensure orderly succession to governing body places to maintain an appropriate and effective composition of governing body members and to ensure sustainability of the governing body.

9.2 The proposals within this report are consistent with us complying with this requirement.

10. Risk appetite and assessment

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

10.2 Our strategic risk register includes a risk that “*The governance structure is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively. Failure of recruitment / capacity building to tenant board members or failure of other corporate governance arrangements could lead to serious service and financial failures*.”

10.3 We seek to mitigate this risk by reviewing our governance structure on an ongoing basis. In addition to this we review our succession planning arrangements formally as part of our annual appraisal process, including linking this to the wider Group board succession planning where it relates to Wheatley appointees.

10.4 The report sets out the up-to-date position following a review of our three-year succession plan during the 2023 appraisal process.

11. Equalities implications

11.1 There are no direct equalities implications in regard to this report.

12. Key issues and conclusions

12.1 The report covers key standing processes within our governance arrangements. Our refreshed succession plan reflects the Board's recent changes to the Board composition and need to actively oversee its succession planning.

13. Recommendations

13.1 The Board is asked to:

1) Instruct the Secretary to call the Annual General Meeting for Thursday 21 September 2023 at 5pm.
2) Note the Secretary's Report under Rule 68.
3) Note the update on the Board and individual appraisal process.
4) Recommend the appointments and re-appointments of Board Members (Heather Macnaughton, Alastair Murray, Helen Howden and Anne McGovern.

LIST OF APPENDICES:

None

Report

To: Wheatley Homes East Board

By: Lyndsay Brown, Director of Finance

Approved by: Pauline Turnock, Group Director of Finance

Subject: Finance Report to 30 June 2023

Date of Meeting: 17 August 2023

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1. Purpose

1.1 The purpose of this paper is to provide the Board with:

- To provide the Board with and overview of the financial results for the period to 30 June 2023 including the Q1 forecast:
- Seek approval of the proposed new £[redacted]m debt facility with [redacted]
- An update on the review of new build appraisal target return rate and seek agreement this be updated on the new build approval criteria for Wheatley Homes East project approvals by Wheatley Developments Scotland.

2. Authorising and strategic context

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

2.2 The Group Board and the Wheatley Funding No.1 Limited ("WFL1") Board will be asked to approve the proposed [redacted] loan in their meetings on 30 August 2023.

3. Background

Financial performance to 30 June 2023

3.1 The results for the period to 30 June are summarised below.

	Year to Date (Period 3)		
£000	**Actual**	**Budget**	**Variance**
Turnover	15,091	17,205	(2,114)
Operating expenditure	(8,242)	(8,531)	289
Operating surplus	**6,849**	**8,674**	**(1,825)**
Operating margin	*45%*	*50%*	*(5%)*
Net interest payable	(2,050)	(2,055)	5
Surplus	**4,799**	**6,619**	**(1,820)**
Net Capital Expenditure	**7,844**	**7,259**	**(585)**

4. Discussion

4.1 *Period to 30 June 2023*

A statutory surplus of £4,799k for the period to 30 June 2023 is reported, which is £1,820k unfavourable to budget. The main driver of the variance is lower new build grant income recognised in the year.

Key points to note:

- Net rent is £14k unfavourable to budget mainly due to higher than budgeted void losses at Harbour and supported services.

- Grant income recognised is £2,076k unfavourable to budget due to handovers at the Wisp 3C and Raw Holdings completing early in 2022/23, as well as delayed handovers at Penicuik, Roslin Ph1 and Wallyford 7. This is partially offset by delayed completions at Roslin Ph2 due in 2022/23 completing in 2023/24 and accelerated completions at Raw Holdings.

- Operating expenditure is £289k favourable to budget driven by mainly by reprofiling and timing of cyclical repairs work as well bad debts performing £70k favourably to budget.

- Net capital expenditure is £7,844k for the period, £585k higher than budget. The capital investment programme spend is £71k unfavourable to budget due to an overspend on capitalised voids and repairs. Mitigating plans for the overspend has been put in place to bring the spend in line with forecast.

4.2 *Q1 - 2023/24 Full Year Forecast*

The Q1 2023/24 Full Year Forecast is summarised below.

	Q1 Full Year Forecast		
£000	**Budget**	**Forecast**	**Variance**
Turnover	62,129	59,695	(2,434)
Operating expenditure	(35,014)	(34,928)	86
Operating surplus	**27,115**	**24,767**	**(2,348)**
Operating margin	*44%*	*42%*	*(2%)*
Net interest payable	(8,683)	(8,833)	(150)
Surplus	**18,432**	**15,934**	**(2,498)**
Net Capital Expenditure	**48,683**	**37,467**	**11,216**

The forecast reports a statutory surplus of £15,934k for the full year to March 2024, which is £2,498k unfavourable to budget. As detailed in section 8.2 the underlying forecast surplus is £146k favourable to budget.

Key points to note:

- Gross rental income is forecast to be £62k favourable to budget, arising from forecast early completions at Raw Holdings.
- Grant income recognised upon completion of housing units is forecast to be £830k unfavourable to budget due to a reduction in grant income recognised due to early handovers in 2022/23 at Wisp 3C and Raw Holdings offset in part by delays in 2022/23 to handovers at Roslin Ph1 & 2 now moved into 2023/24.
- Other grant income and other income are £460k and £1,206k unfavourable to budget respectively, due to a reduction in forecast SHNZ grant income and the internal allocation of Wheatley Developments Scotland gift aid.
- Expenditure is expected to be £86k lower than budget, reflecting savings in group employee cost recharge and an improved performance in bad debts.
- Interest payable is expected to be £150k higher than budgeted by year end due to rise in Bank of England base rates leading to higher cost of borrowing on our variable rate loans.
- Forecast net capital expenditure of £48,683k is £11,216k lower than budget:
- Grant income received is forecast to be £12,864k lower than budget, arising from reduced grant received at Sibbalds Brae, Deans South Ph2, Westcraigs 1 &13 and Rowankbank. Forecast SHNZ grant income is also expected to be £440k less than budget, associated with reduced levels of work carried out on this programme.
- Core programme works are forecast to be £629k lower than budget due to deferrals in the core programme and SHNZ grant funded project.

- New build expenditure is forecast to be £23,451k lower than budget, due to reprofiled spend at the above mentioned sites, mirroring the reduced grant income.

4.3 *New* [redacted] *Funding*

- We most recently arranged a £[redacted]m loan with [redacted] with funds drawn in February 2023 in the name of Wheatley Funding No.1 Limited ("WFL1"), the treasury funding vehicle for the Group RSLs. [redacted] provides financing to the Scottish social housing sector, acting as an intermediary for the Scottish Government's 'charitable bond' programme to fund the construction of affordable homes. Loans are arranged on a fixed rate basis plus margin.

- A funding update paper was presented to Group Board in June 2023. This set out the RSL Borrower Group's requirement to raise additional funding to support the delivery of our new build programme. [redacted] debt is provided on an unsecured basis with interest payments deferred until maturity, conferring a cashflow benefit during the term of the loan.

- Group Board will be asked to approve an additional £[redacted]m to be drawn under the £[redacted]m Master Facility Agreement with [redacted] in their Board Meeting on 30 August 2023. The interest rate and term of the loan will be subject to agreement by Group Board. Current indicative rates are [redacted]%, inclusive of margin, for a 10-year term.

- As a Guarantor to the WFL1 facilities, this Board is requested to approve the proposed loan facility. The associated loan documentation is appended to this paper. This includes a copy of the Master Facility Agreement from February 2023, a specimen board minute and officer certificate.

4.4 *Review of New Build Appraisal Target Return Rate*

- The new build appraisal target return rate was reviewed in October 2022 in response to the uncertainty caused by the emergency rent legislation announcement and a period of volatility in financial markets in September 2022. At that time, we increased the rates to [redacted]% for social rent and [redacted]% for mid-market rent properties. More detail on this background is available in the November 2022 board paper.

- Inflation has remained stubbornly high inflation and since the last return rate review the market outlook for peak interest rates has risen from 4.50% to and expectation of a peak around 6.00% with rates also remaining higher for a longer period. The Bank of England's most recent increase of 0.50% took rates up to 5.25% in August.

- While the majority ([redacted]) of the Group's drawn debt is arranged on a fixed rate basis, we have several loans on a floating rate basis, including our Revolving Credit Facilities, and future fixed rate funding will be drawn at higher prevailing rates. As such, we need to increase our minimum appraisal rates for social and mid-market developments to ensure new build activity is not being cross subsidised by existing tenants.

- The Chief Executive approved the following minimum rates in early July 2023, and Group Board will be asked to ratify this decision in their August 2023 meeting. Any new build projects which do not have full board approval (including grant awards in principle) are now subject to these new rates with immediate effect:

Wheatley Subsidiary	Tenure	Appraisal Rate	Appraisal period
WH-Glasgow Loretto WH-East	Social	[redacted]	[redacted]
	Mid-Market	[redacted]	[redacted]
WH-South	Social	[redacted]	[redacted]
	Mid-Market	[redacted]	[redacted]
Lowther Homes	Mid-Market	[redacted]	[redacted]

- The actual impact will depend on property size, rental income and other scheme specific factors but as an indication, to meet the proposed target IRR of [redacted]% social rent developments will require an additional £[redacted]of grant per unit and for a target of [redacted]% on MMR schemes, an additional £[redacted]per unit.

5. Customer Engagement

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

6. Environmental and sustainability implications

6.1 The [redacted] loan does not have a direct sustainability link, however, it is a requirement from Scottish Government that the funding is used for the supply of new social rent homes which meet stretching energy efficiency standards.

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 30 June is £1,820k unfavourable to budget. After adjusting the net operating surplus for new build grant income, depreciation and capital expenditure in our properties, the underlying results for the period to 30 June were £184k favourable to budget, demonstrating strong financial performance in core operations.

8.2 The forecast underlying statutory surplus for the year to 31 March 2024 after adjusting the for new build grant income and group gift aid, depreciation and capital expenditure in our properties, is £146k favourable to budget due to reprofiling of the Investment programme and recognition of operational efficiencies.

8.3 Within the context of the RSL borrower group, financial performance is being managed within the overall budget parameters and covenants and golden rule headroom continue to be met.

9. Legal, regulatory and charitable implications

9.1 We have been advised by Brodies in respect of the [redacted] funding agreement. The [redacted] agreement is unsecured which results in a more efficient legal exercise than is the case where security is required.

9.2 The Scottish Housing Regulator is no longer required to provide consent for new debt facilities for RSLs, although they will be updated about our new [redacted] loan in our regular quarterly meetings.

9.3 There are no charitable implications arising from the new [redacted] facility.

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for financial performance 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 The Group's 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". The Group's risk appetite in respect of governance is "cautious" which is defined as "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

10.3 Raising funding to support our ambitions is a Strategic Outcome under the Theme of Enabling our Ambitions. Our agreed risk appetite for the operational delivery of raising funding is cautious, preferring safe delivery options that have a low degree of inherent risk. The previous track record of dealing with Allia, the associated pricing and the unsecured nature of the loan meets this risk criteria. The facility will be arranged at the Group treasury vehicle level (WFL1) which means it can be on-lent to any of the Wheatley RSL's, with all parties benefitting from the strong negotiating power of the wider Group for pricing and other terms & conditions.

11. Equalities implications

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

12. Key issues and conclusions

12.1 This paper presents the financial performance position for the development programme and the management accounts and Q1 forecast for the company for the period to 30 June 2023. It also includes details of a new loan to be delivered through WFL1 from [redacted]. An update on the review of our target internal rate of return (IRR) to be used for appraising new build projects is also provided.

13. Recommendations

13.1 The Board is requested to:

1) Note the management accounts for the period to 30 June 2023 and Q1 forecast at Appendix 1
2) Approve the new £[redacted]facility to fund new affordable homes
3) Note the revision to the target return rate for new build social and mid-market rent developments and agree the criteria for Wheatley Development Scotland approving projects on our behalf is updated to reflect this.

LIST OF APPENDICES:

Appendix 1: Period 3 – 30 June 2023 Finance Report with Q1 full year 2023/24 forecast
Appendix 2: [redacted]
Appendix 3: [redacted]
Appendix 4: [redacted]

Period to 30 June 2023
Finance Report

2) Operating Statement – Period to 30 June 2023

	Period to 30 June 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	9,494	9,483	11	38,215
Void Losses	(143)	(118)	(25)	(475)
Net Rental Income	**9,351**	**9,365**	**(14)**	**37,740**
Grant Income Recognised in the Year	4,770	6,846	(2,076)	15,847
Other Grant Income	169	166	3	1,348
Other Income	801	828	(27)	7,194
TOTAL INCOME	**15,091**	**17,205**	**(2,114)**	**62,129**
EXPENDITURE				
Employee Costs - Direct	1,139	1,131	(8)	4,491
Employee Costs - Group Services	723	744	21	2,978
ER/VR	0	0	0	540
Direct Running Costs	1,069	1,085	16	4,221
Running Costs - Group Services	383	396	13	1,585
Revenue Repairs and Maintenance	1,596	1,773	177	7,164
Bad Debts	30	100	70	403
Depreciation	3,302	3,302	0	13,631
TOTAL EXPENDITURE	**8,242**	**8,531**	**289**	**35,014**
NET OPERATING SURPLUS / (DEFICIT)	**6,849**	**8,674**	**(1,825)**	**27,115**
Net Operating Margin	*45%*	*50%*	*-5%*	*44%*
Interest receivable	8	3	5	13
Interest payable	(2,058)	(2,058)	0	(8,696)
STATUTORY SURPLUS / (DEFICIT)	**4,799**	**6,619**	**(1,820)**	**18,432**

	Period to 30 June 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**9,914**	**13,858**	**(3,944)**	**53,717**
Total Expenditure on Core Programme	2,164	2,093	(71)	7,079
New Build & Other Investment	15,433	18,763	3,330	94,278
Other Capital Expenditure	161	261	100	1,043
TOTAL CAPITAL EXPENDITURE	**17,758**	**21,117**	**3,359**	**102,400**
NET CAPITAL EXPENDITURE	**7,844**	**7,259**	**(585)**	**48,683**

Wheatley Homes East

Key highlights year to date:

Net operating surplus of £6,849k is £1,825k unfavourable to budget. Statutory surplus for the period to 30 June is £4,799k, £1,820k unfavourable to budget. The main driver of the variance is lower than budgeted grant income recognised on new build completions offset by lower levels of spend across expenditure.

Total income of £15,091k is £2,114k unfavourable to budget:

- Gross rent is £11k favourable to budget due to early completions at Wisp 3C and Raw holdings in 22/23, partially offset by delayed handovers at Penicuik and Roslin, as well as higher than budgeted service charge income. Void losses are £25k unfavourable to budget, representing 1.51% vs a budget of 1.25% . This is mainly due voids at sheltered sites and voids at the Harbour relating to fire safety works.
- Grant income recognised is £2,076k unfavourable to budget due to early handovers in 22/23 at the Wisp 3C & Raw Holdings and delayed handovers YTD at Penicuik, Roslin Ph1 & Wallyford. This is partially offset by delayed handovers from 22/23 at Roslin Ph2 completing in May and also accelerated completions at Raw Holdings.
- Other income of £801k is £27k unfavourable to budget with the main variance attributable to delayed tenancies at Almondvale, Wallyford 7 and Roslin MMR units. WHEPS is reporting in line with budget

Total expenditure is £289k favourable to budget:

- Total Employee costs are £13k favourable to budget. Direct employee costs are £8k unfavourable to budget due to overtime at the Harbour to cover for staff vacancies, illness and holiday cover.
- Total running costs are £29k favourable to budget. A number of departments are currently reporting lower costs across Wheatley Solutions contributing to the underspend against budget.
- Revenue repairs and maintenance spend is £177k favourable to budget with responsive repairs £21k adverse and cyclical maintenance £198k favourable due to the reprofiling and timing of works.

Interest payable of £2,058k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders.

Net capital expenditure of £7,844k is £585k higher than budget.

- Capital investment income relates to the cash receipt of new build grants, SHNZ funding and medical adaptation grants and is £3,944k lower than budget due to delayed new build spend resulting in slower than anticipated claims on new build sites, including Westcraigs13, Wallyford 5/AB, Rowanbank, Blindwells and Sibbalds Brae.
- Core Programme spend is currently £71k adverse to budget, due to higher spend on capitalised repairs and voids. This is currently under review with plans being put in place to bring spend in line with budget by year end.
- New build spend of £15,433k is £3,330k lower than budget due to reduced spend at Blindwells, Sibbalds Brae, Wallyford 5/AB & Ph2 and Westcraigs Ph3. This is partially offset by accelerated spend at Westcraigs Ph1 & Ph2, Winchburgh BB, Raw Holdings and Deans South.
- Other Capital Expenditure includes IT, furniture & office costs and is currently £100k lower than budget due to the timing of IT projects resulting in lower recharge costs.

3) Underlying surplus – Period to 30 June 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 table 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, including capital expenditure on our existing properties.
- In the period to June 2023, underlying surplus of £1,166k is £184k favourable to budget. The variance is driven by lower levels of spend across expenditure.

WH East Underlying Surplus - June 2023			
	YTD Actual £k	YTD Budget £k	YTD Variance £k
Net Operating Surplus	6,849	8,674	(1,825)
add back:			
Depreciation	3,302	3,302	-
less:			
Grant income	(4,770)	(6,846)	2,076
Net interest payable	(2,051)	(2,055)	4
Total expenditre on Core Programme	(2,164)	(2,093)	(71)
Underlying surplus	**1,166**	**982**	**184**

4) Property Services Operating Statement – Period to 30 June 2023

	Period to 30 June 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Internal Subsidiaries	4,191	3,732	459	14,470
External Customers	68	60	8	240
TOTAL INCOME	**4,259**	**3,792**	**467**	**14,711**
COST OF SALES				
Staff	983	1,030	47	4,119
Materials	669	528	(141)	2,049
Subcontractor & Other Costs	1,727	1,529	(198)	5,835
TOTAL COST OF SALES	**3,379**	**3,087**	**(292)**	**12,003**
GROSS PROFIT/(LOSS)	**880**	**705**	**175**	**2,707**
Margin %	21%	19%	37%	18%
Overheads	828	653	(175)	2,614
NET PROFIT/(LOSS)	**52**	**52**	**(0)**	**93**

Key highlights:

•Wheatley Homes East Property Services provides in house repairs and maintenance services to Wheatley Homes East and Lowther Homes. In the period to 30 June 2023, Property Services is reporting a surplus of £52k, which is in line with budget.

•Income of £4,259k in the year is £467k favourable to budget.

•Correspondingly, cost of sales are £292k higher than budget with higher levels of subcontractor work and material costs due to the increased demand for investment work carried out YTD.

•Gross profit of £880k is £175k favourable to budget.

•Overhead spend is £175k higher than budget due to increased waste disposal in line with increase in work levels as well as higher salary, rent & rates and vehicle running costs. Vehicle running costs are £75k higher than budget due to an increase in vehicle repairs however a clawback is being sought from Citroen due to the increase in costs.

5) Wheatley Homes East Harbour – Period to 30 June 2023

	Period to 30 June 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	218	215	3	862
Void Losses	(13)	(5)	(8)	(19)
Net Rental Income	**205**	**210**	**(5)**	**842**
Local Authority Contract Income	89	99	(10)	394
Other Income	17	11	6	44
TOTAL INCOME	**311**	**320**	**(9)**	**1,280**
EXPENDITURE				
Employee Costs	217	205	(12)	819
Direct running Costs	80	88	8	353
Revenue Repairs and Maintenance	3	16	13	65
Bad Debts and Depreciation	0	0	0	0
TOTAL EXPENDITURE	**300**	**309**	**9**	**1,236**
NET OPERATING SURPLUS / (DEFICIT)	**11**	**11**	**0**	**44**

Key highlights:

- The service is reporting a surplus of £11k which is in line with budget.
- Net rental income of £205k is £5k unfavourable to budget due to higher void levels than budgeted. This is due to fire mitigation works being carried out in the outbuilding.
- Local authority income is £6k adverse to budget while we await the outcome of the new tender, which is nearing completion.
- Employee costs of £217k are £12k adverse to budget due to overtime and relief hours utilised. This has been necessary due to annual leave and 2 members of staff being on sick leave.
- Running costs of £80k include insurance, travel, safety equipment, printing, stationary and mobile costs. Costs are £8k favourable to budget due to managed savings across a number of expenditure lines.
- Repairs and maintenance expenditure of £3k is £13k under budget.

6) Repairs and investment – Period to 30 June 2023

WH East	Year to 30 June 2023			YTD
	Actual	Budget	Variance	Budget
Responsive Repairs	1,261	1,241	(21)	5,021
Cyclical Maintenance	335	533	198	2,144
TOTAL	**1,596**	**1,773**	**177**	**7,165**

WH East Investment Works	Year to 30 June 2023			YTD
	Actual £k	Budget £k	Variance £k	Budget
Investment Works Income				
Disabled Adaptions Grant	69	53	16	210
SHNZ	3	3	0	700
Investment Works IncomeTotal	**72**	**55**	**16**	**910**
Investment Works Expenditure				
Core Programme (excl. SHNZ)	1,244	1,268	24	3,504
SHNZ	3	3	0	650
Capitalised Repairs	292	256	(36)	874
Disabled adaptations	69	69	0	197
Voids	319	242	(77)	834
Capitalised Staff	237	255	18	1,020
Investment Works Expenditure Total	**2,164**	**2,093**	**(71)**	**7,079**
Net Total	**2,092**	**2,038**	**(55)**	**6,169**

Key highlights:

Repairs and maintenance

- Responsive repairs spend is £21k unfavourable to budget, driven by a marginally higher cost per job. Completed jobs in the period to date have decreased by 4% on 2022/23 figures, and demand will continue to be monitored over the year.
- Cyclical repairs spend is £198k favourable to budget due to the profiling of the budget.

Investment

- Net investment in our existing homes, after taking account of funded SHNZ energy efficiency works and adaptations, was £2,092k which was £55k higher than budget. The variance mainly relates to higher capitalised repairs and void spend.
- Core programme expenditure of £1,244k is £24k favourable to budget, due to the timing of works carried out.
- Void costs are capitalised in line with Group policy.
- Adaptations spend of £69k has been reported at the end of June with YTD spend fully covered by grant income recognised.
- A reprofiling of core investment projects has been actioned to provide capacity in the year for higher capitalised repairs and void demand accompanied by mitigating actions put in place by the Investment Team to contain spend within the forecast.

7) New Build Programme – Period to 30 June 2023

	Status	Contractor	Period To Date (£'000) Actual	Budget	Variance	FY Budget
BEAVERBANK	Complete	CCG	77	-	(77)	-
BLINDWELLS11	Feasability	Ogilvie Homes	-	884	884	3,616
BUILYEON PH3A	Feasability	Cala	-	-	0	12
DEANS SOUTH	Due on Site	Springfield	1,310	165	(1,144)	4,676
DEANS SOUTH PH2	Feasability	Springfield	-	111	111	5,705
DEANS SOUTH PH3	Feasability	Springfield	-	-	0	6
DIXON TERRACE	Complete	Springfield	1	-	(1)	-
HALMYRE STREET	Feasability	CA Ventures	-	-	0	628
HYVOTS	Complete	Hart	1	-	1	-
JARVEY	Complete	City Building	14	-	14	-
MACMERRY	On site	Balfour Beatty	330	672	342	1,915
MAYBERRY WEST	Feasability	TBC	-	-	0	100
MERCHANT QUAY	Feasability	Barratt	-	-	0	411
PENICUIK	On site	Cala	556	560	4	560
RIVER GORE PH1	Feasability	Persimmon	-	194	194	1,621
RIVER GORE PH2	Feasability	Persimmon	-	-	0	36
ROSEWELL	Feasability	Barratt	-	39	39	3,063
ROSLIN	On site	Taylor Wimpey	388	105	(283)	255
ROWANBANK	On site	Artisan	341	275	(66)	2,033
SIBBALDS BRAE	Approved	Taylor Wimpey	4	1,120	1,116	4,055
SOUTH GILMERTON	Complete	Persimmon	34	-	(34)	84
WISP 3C	On site	Springfield	101	140	39	203
Total Social Rent			**3,128**	**4,265**	**1,137**	**28,977**
ALMONDVALE	Complete	Cruden Homes	117	-	(117)	221
BLACKNESS ROAD	Complete	Cala	-	-	0	76
DALHOUSIE STH	Feasability	Springfield	-	-	0	1,127
GREENDYKES	Complete	Persimmon	21	-	(21)	-
NEWMILLS RD PH2	Complete	Cala	1	-	1	-
NORTH BERWICK PH2	Complete	Cruden	30	-	30	-
RAW HOLDINGS	On Site	Persimmon	787	287	(501)	1,146
ROSLIN PH2	On Site	Taylor Wimpey	247	384	136	461
SOUTHFORT	Approved	Barratt	231	24	(207)	428
ST CRISPINS	Feasability	Cala	1	-	1	62
WALLYFORD 5 A/B	TBC	McTaggart Construction	9	3,439	3,430	11,552
WALLYFORD PH 2	On site	Cruden Homes	1,064	1,131	67	2,593
WESTCRAIGS PH1 & 2	On site	Cruden Building	4,913	2,027	(2,886)	16,475
WESTCRAIGS PH3	On site	CCG	1,710	3,971	2,261	18,161
WINCHBURGH BB	Approved	McTaggart	2,867	2,849	(18)	11,459
Total Mixed Tenure			**11,935**	**14,112**	**2,177**	**63,760**
Capitalised staff costs			370	385	15	1,542
Total New Build Investment			**15,433**	**18,763**	**3,329**	**94,278**
Grant Income			**9,842**	**13,802**	**(3,960)**	**52,807**
Net New Build Costs			**5,591**	**4,961**	**(631)**	**41,471**
Grant Income Completions (Recognised in OPS)			**4,770**	**6,846**	**(2,076)**	**15,677**

Investment spend at the year end was £15.4m against budget of £18.8m, £3.3m lower than budget.

- ***Blindwells (SR/23):*** Board approval received in June 2023. Target date for concluding contract August 2023. Developer start date later than anticipated at budget setting.
- ***Deans South Ph 1B (SR/65):*** Site acquired and building contract in place. Construction underway and monthly certificates now being received. Spend expected to move in line with budget as the year progresses. Allia grant funding has been received.
- ***MacMerry (SR/36):*** Spend less than budget but progressing well with development.
- ***Penicuik (SR/57):*** Spend in line with budget. Final 14 units projected to complete in August 2023.
- ***Roslin (SR/38):*** Slight delay in progress on site on externals, final 12 units now due to complete July 2023. 2023/24 overspend to catch up underspend in 2022/23.
- ***Rowanbank (SR/33):*** Work on site on track to meet revised completion date of May 2024 in accordance with business plan.
- ***Sibbalds Brae (SR/29):*** Site will go to the WDSL board for approval in August 2023
- ***South Gilmerton (SR/52):*** Complete. Final 18 units handed over in September 2022. Final certificate invoiced April 2023.
- ***The Wisp 3C (SR/35):*** Practical completion reached on 18 May 2023.
- ***Almondvale (MMR/26 and SR/120):*** Final units handed in over in March 2023. Final certificate invoiced April 2023.
- ***Raw Holdings (MMR/25 and SR/38):*** 18 units handed over 9 months earlier than forecast. This acceleration has led to overspend vs budget which will move back in line by year end.
- ***Roslin Phase 2 (MMR/14 and SR/24):*** Final units completed in June 2023.
- ***Southfort (MMR/14 and SR/11):*** Work on site ahead of schedule.
- ***St Crispins (MMR/4 and SR/8):*** Board approval received in June 2023. Target date for concluding contract August 2023.
- ***Wallyford 5/AB (MMR/61 and SR/29):*** Approved by WDSL Board Nov 2022. Change of contractor being processed. Enabling works contract approved. Tender negotiation underway.
- ***Wallyford Phase 2 (MMR/15 and SR/45):*** 12 units complete in 2022/23. Further 9 units complete in 2023/24 to date with final handovers programmed for MMR units in July 2023.
- ***West Craigs Phase 1 & 2 (MMR/168 and SR/132):*** Under construction with progress satisfactory with some areas ahead of schedule.
- ***West Craigs Phase 3 (MMR/55 and SR/70):*** Acquisition completed and building contract awarded in March 2023. Under construction with progress satisfactory following initial delay to start date.
- ***Winchburgh BB (MMR/29 and SR/52):*** Under construction with progress satisfactory. Overhead lines now removed from the site.

8) Balance sheet

	30 June 2023 £'000	31 March 2023 £'000
Fixed Assets		
Social Housing Properties	480,603	466,308
Other Fixed Assets	10,400	10,239
Investment Properties	34,860	34,860
	525,863	511,407
Current Assets		
Stock	771	759
Trade debtors	608	539
Other debtors	2,882	5,313
Rent & Service charge arrears	1,716	1,776
less: Provision for rent arrears	(677)	(846)
Prepayments and accrued income	1,340	886
Intercompany debtors	465	428
Total Debtors	6,334	8,096
Cash & Cash Equivalents	4,760	2,666
	11,865	11,521
Creditors: within 1 year		
Trade Creditors	(2,298)	(621)
Accruals	(5,871)	(7,439)
Deferred Income	(48,806)	(43,473)
Prepayments of Rent and Service Charge	(1,951)	(1,757)
Other Creditors	(517)	(1,018)
Amounts due to Group Undertakings	(8,894)	(8,166)
	(68,336)	(62,474)
Net Current Liability	(56,471)	(50,953)
Long Term Creditors		
Loans	(34,809)	(34,675)
Amounts due to Group Undertakings	(173,333)	(169,328)
Pension Liability	0	0
Net Assets	**261,249**	**256,450**
Capital and Reserves		
Share Capital	-	-
Revenue Reserve b/f	256,450	221,578
Surplus in the year	4,799	14,778
Revenue Reserve transferred from WLHP	0	20,094
Association's funds	**261,249**	**256,450**

Key highlights year to date:

The balance sheet reported reflects the 31 March 2023 year end including the revaluation of both housing and investment properties and actuarial valuation of the defined benefit pension scheme.

•The value of our **fixed assets** reflects additions in the year less depreciation.

•**Debtors** include other debtors of £2.9m, which is a reduction of £2.4m from March 2023. This is due to a reduction in grant income claimed from Scottish Government but not yet received. Prepayments and accrued income of £1.3m has increased £0.4m. Rent arrears of £1.0m (after bad debt provision) have increased £0.2m.

•**Cash at Bank** – At 30 June 2023 cash at bank was £4.8m.

•**Short-Term Creditors** – Amounts due within one year of £68.3m includes £8.9m due to other Wheatley entities, £5.9m in accruals and £48.8m in deferred income. The increase in deferred income relates to grants received in advance of new build completions. The remaining balance includes rent received in advance from our tenants, trade and other creditors (factoring deposits and payroll creditors).

•**Loans** of £208.1m relate to funding drawn down from WFL1 and external funding of £34.8m due to THFC and Allia (inclusive of rolled up interest charges).

9) Quarter 1 Forecast to 31 March 2024

	2023/24 Budget £ks	Q1 Forecast £ks	Variance £ks
INCOME			
Rental Income	38,215	38,277	62
Void Losses	(475)	(475)	-
Net Rental Income	**37,740**	**37,802**	**62**
Grant Income Recognised in the Year	15,847	15,017	(830)
Other Grant Income	1,348	888	(460)
Other Income	7,194	5,988	(1,206)
TOTAL INCOME	**62,129**	**59,695**	**(2,434)**
EXPENDITURE			
Employee Costs - Direct	4,491	4,491	0
Employee Costs - Group Services	2,978	2,942	36
ER/VR	540	540	0
Direct Running Costs	4,221	4,221	0
Running Costs - Group Services	1,585	1,585	0
Revenue Repairs and Maintenance	7,164	7,164	0
Bad Debts	404	354	50
Depreciation	13,631	13,631	0
TOTAL EXPENDITURE	**35,014**	**34,928**	**86**
NET OPERATING SURPLUS / (DEFICIT)	**27,115**	**24,767**	**(2,348)**
Net Operating Margin	*44%*	*41%*	*-2%*
Interest receivable	13	13	0
Interest payable	(8,696)	(8,846)	(150)
STATUTORY SURPLUS / (DEFICIT)	**18,432**	**15,934**	**(2,498)**

	2023/24 Budget £ks	Q1 Forecast £ks	Variance £ks
INVESTMENT			
Total Capital Investment Income	**53,717**	**40,853**	**(12,864)**
Total Expenditure on Investment	7,079	6,450	629
New Build & Other Investment	94,278	70,827	23,451
Other Capital Expenditure	1,043	1,043	0
TOTAL CAPITAL EXPENDITURE	**102,400**	**78,320**	**24,080**
NET CAPITAL EXPENDITURE	**48,683**	**37,467**	**11,216**

Wheatley Homes East

Comments

This table shows the 2023/24 budget compared to the Q1 forecast for 2023/24. The forecast out-turn reflects the results for the year to date as well as expected expenditure for the remaining 9 months of the year.

The forecast statutory surplus of £15,934k is £2,498k unfavourable to budget due to lower than budgeted new build grant income recognised, other grant income and other income.

- Rental Income is forecast to be £62k favourable to budget due to early handovers throughout the year at Raw Holdings and the Wisp.
- Grant income recognised of £15,017k is £830k adverse to budget, mainly attributable to the Wisp 3C and Raw Holdings scheduled for 2023/24 which completed in 2022/23 (£2.2m) offset partially by delays to handovers at Roslin Ph1 & 2 now moved into 2023/24 from 2022/23 (£1.4m).
- Other grant income is forecast to reduce £460k as a result of reduced SHNZ grant funding with a corresponding reduction in Investment spend.
- Other income is forecast to be £1,206k adverse to budget at year end as a result of a reduction in forecast gift aid income receivable from WDS as well as delayed handovers of MMR units at Wallyford 7 and Roslin Ph2.
- Employee costs are forecast to be £36k favourable to budget arising from a reduction in staff costs recharged from Wheatly Solution recognising vacancies and structure changes to the budgeted position.
- Bad debts are £50k lower than budget with the forecast taking a conservative approach to future performance.
- Interest is forecast to be £150k higher than budget linked to higher variable interest rates.
- Capital investment income received is expected to be £12.9m lower than budget as a result of the reduced New Build spend and grant funded SHNZ project works.
- Investment expenditure is forecast to be £629k lower than budget due to the reprofiling of core programme and grant funded SHNZ project works.
- New build expenditure is forecast to be £23.4m under budget mainly relating to reprofiled spend at Wallyford Area 5 (£7.1m) due to delayed start onsite and change of contractor being processed; Westcraigs plot 13 (£3.1m) due to delay in grant funding; Winchburgh BB (£3.2m) due to delays in acquisition of site (originally planned in 2022/23 but completed end of P2 2023/24), Sibbalds Brae (£3.9m) due to delayed site start and Deans South Ph2 (£4.1m) also arising due to delayed site start. This is offset by higher than budgeted spend at Westcraigs 4&5 (£3.6m) due to the site operating ahead of schedule.
- Other capital expenditure is forecast to be in line with budget.