WHEATLEY HOMES EAST
BOARD MEETING

Thursday 8 February 2024 at 5pm
New Mart Road, Edinburgh

AGENDA

(scrutiny panel present to discuss repairs thematic review)

1. Apologies for absence
2. Declarations of interest
3. a) Minute of 23 November 2023 and matters arising
   b) Action list
4. Chair and Managing Director update

Main business and approvals

5. Repairs update
6. Rent setting and service charges 2024/25
7. Financial projections 2024/25
8. [redacted]
9. Five-year capital investment plan
10. Neighbourhood approach (presentation)

Other business

11. [redacted]
12. Finance report
13. Performance update
14. Governance update
15. AOCB

Report

To: Wheatley Homes East Board

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

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

Subject: Repairs update

Date of Meeting: 08 February 2024

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1. Purpose

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

2. Authorising and strategic context

2.1 Under its Terms of Reference the Board is responsible for the oversight and scrutiny of service delivery and monitoring of performance. Repairs are a key driver for our overall tenant satisfaction and a key priority for our tenants.

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

3. Background

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

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

4. Discussion

Service enhancements

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

Our response to this focused on two areas:

- The introduction of a new digital communication tool, "Book It, Track It, Rate It" to improve communication;
- Better monitoring of customer experience, to identify areas for improvement; and
- Reducing repairs timescales.

Customer communication and satisfaction

4.2 As noted in previous updates to the Board, Book It, Track It, Rate It has now extended to all appointed repairs. The feedback to date on the 'Track It' functionality has been positive, with customers indicating that the text message reminders and updates are a positive improvement in communication.

4.3 The 'Rate it' element seeks customer feedback on a scale of 1-5 and includes the option for customers to receive a call back. Since Book It, Track It, Rate It went live we have received 2,412 customer ratings with an average score of 4.3/5, the equivalent of 86%. The response rate to 'Rate It' is 16.22%.

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

4.5 To provide additional insight, we have continued to undertake call backs on a random sample of completed repairs via the CFC. We have completed 474 surveys year to date and achieved an average satisfaction level of 94%.

4.6 Our Annual Return on the Charter repairs satisfaction levels remains high and has increased further to 94.79% for the rolling 12-month period, from 326 responses.

Service Enhancements

4.7 We are continuing with the preparation work needed in advance of bringing in a new job management system (Servitor) by the end of the March 2024. As well as improving the management and delivery of the repairs service this aligns us to the same platform as the other parts of Group which will enhance performance management and reporting and which will also assist in delivering further service improvements particularly around job completion timescales through a removal of manual processes.

4.8 We have focussed on reducing non-emergency repairs timescales which had risen to an average of 8.84 days in June 2023. Actions were identified to improve the completion timescales, particularly in relation to the improved monitoring and managing of sub-contractors and closing down repairs timeously on completion. There has also been a focus on reducing overdue repairs. The average completion timescale is now 7.89 days as a result of this reducing slightly in each of the 6 months following the high in June 2023. We will continue to work towards reductions in this timescale as a priority.

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

4.10 To address this issue we have now assigned all complex repairs to the area Team Leader to plan, communicate and follow through with the customer and trades and will monitor the impact of this on customer feedback on the service.

Damp, Mould and Condensation

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

4.12 In response to the tragic death of 2 year old Awaab Ishak, in Rochdale on 21 December 2020, a campaign was launched for Awaab's Law which would require landlords to investigate and fix hazards, including damp and mould, in their properties within strict new time limits.

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

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

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

Customer engagement and insight

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

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

Demand and budget position

4.18 Levels of customer demand for repairs has continued to remain high throughout 2023/24. Job numbers increased significantly over 2022/23 and have continued to increase in 2023/24 with a reported increase for the year to 31 December 2023 of 5% compared to the same period in 2022/23.

4.19 Due to the continued increased demand of the repairs service in the first quarter of this financial year has contributing to the increase of £116k spend. The demand and complexity of jobs continued to December 2023 with a reported total additional spend of £28k for responsive repairs only for the 9 months.

4.20 The positive impact following the implementation of additional measures can be seen in Q3 of 2023/24 with a decrease in the responsive repairs spend as the measures were fully embedded. The repair/renewal principle has started to generate savings compared to earlier financial periods. To accommodate the additional repair costs in 2023/24 some items in our core capital programme has been deferred, as well as utilising forecast underspends in other budget lines.

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

4.22 The investment programme has included the reprofiling of the spend, following the deferment in 2023/24 to accommodate the increase in responsive repairs.

5. Customer Engagement

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

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

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

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

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

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

8. Financial and value for money implications

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

8.2 The additional £167k provision for responsive repairs only in 2023/24 can be contained within the context of the overall RSL borrower group budget following the implementation of a number of mitigating measures including the deferral of core investment projects.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

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

11. Equalities implications

11.1 Equalities was a key theme from the thematic review of repairs as customers identified the importance of: having a clear and consistent mandate process; the comprehensive and effective use of preference notes by staff to ensure any required reasonable adjustments are followed; and staff being appropriately trained in terms of equality, diversity and inclusion.

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

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

12. Key issues and conclusions

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

12.2 Book it, Track it, Rate it has been implemented, improving communication and providing excellent information and feedback. This has made a positive impact on the level of customer service and has increased customer satisfaction.

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

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

13. Recommendations

13.1 The Board is asked to:

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

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: **2024/25 rent and service charges**

Date of Meeting: **8 February 2024**

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2024/25 rent, service and other charges increase; and
- Seeks Board approval for the 2024/25 rent, service and other charges increases.

2. Authorising and strategic context

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

3. Background

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

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

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

4. Discussion

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

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

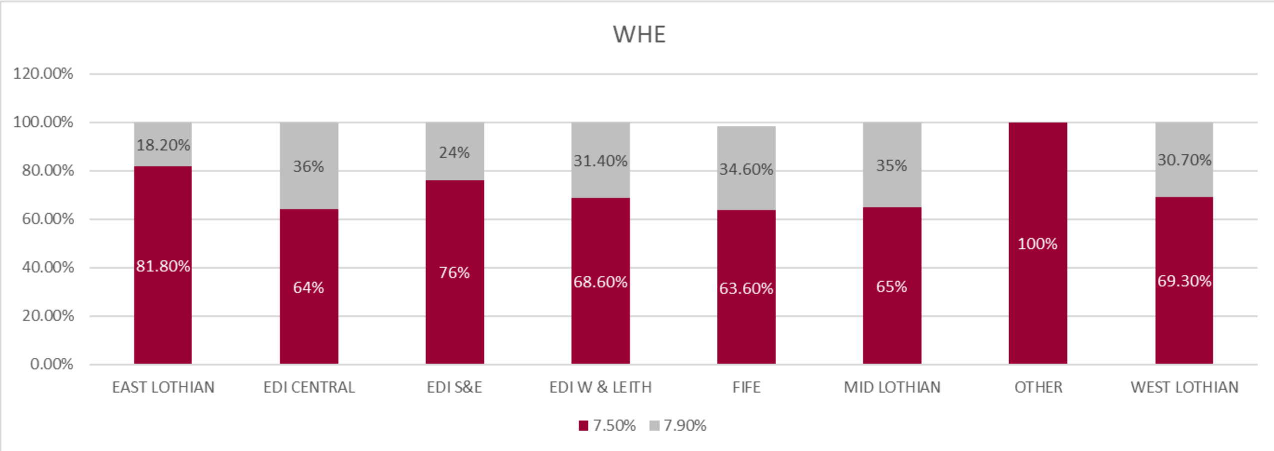
4.3. The consultation maintained the relatively high response rate from last year, with **over 880** valid responses received as detailed below:

Table 1: WHE results

Rent options	Responses
7.5%	**618 (69.5%)**
7.9%	**271 (30.5%)**
Total	**889 (2023 – 1116)**

4.4. A further breakdown is set out below:

Chart 1: WHE responses



<u>Qualitative feedback</u>

4.5. We invited respondents to provide feedback on why they elected to choose the option they did or where they did not wish to support any options, feedback as to why. We received written feedback from nearly 240 customers regarding the proposals.

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

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

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

4.7. Of the 239 respondents, a very small proportion, 22 in total, suggested that we should, or should consider, a rent freeze or no increase.

Ex-West Lothian Housing Partnership

4.8. In September 2022, West Lothian Housing Partnership Limited (WLHP) joined Wheatley Homes East. As part of the ballot proposal for this partnership, a commitment to cap rent increases at no more than 2.5% was made for two years. This is the second year and final year of that commitment.

4.9. As such, on our behalf, Civica wrote to ex-WLHP properties informing these customers of the proposed 2024/25 rent and service charge increase of 2.5% to allow us to keep repairs and building safety spending at current levels and deliver our planned investment. Customers of ex-WLHP properties were invited to provide feedback on this.

4.10. 29 customers provided feedback; of these, 8 customers provided feedback specifically suggested they would have preferred we consider a rent freeze or no increase and 14 indicated a desire for investment and improvement to existing homes.

Summary

4.11 Taking into account the feedback from the consultation, it is proposed that we apply a 7.5% rent and service charge increase. As previously discussed by the Board this increase, when set within the context of the cumulative increase over 2021,2022 and 2023 being just over 13% below inflation, still would maintain us at the lower end of our comparator group. The proposed 7.5% increase would also still see us below the cumulative inflation for the last three year by nearly 10%.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The level of rent increase proposed during the consultation included detailed analysis in areas such as affordability and comparability. We know that overall rent levels are an element of how tenants perceive value for money. This is however set within the context during a period of pressure on household budgets, the preservation of appropriate levels of investment in our homes, services to tenants and the financial viability of the business.

8.2 The separate paper with our financial projections confirms that, based on the proposed rent uplifts, we will have robust financial plans which will have the necessary 30 year provisions to continue to maintain our stock in line with all legal and regulatory requirements such as Scottish Housing Quality Standard, electrical inspections and fire safety.

9. Legal, regulatory and charitable implications

9.1 Consultation with tenants on any increases in rent or service charges is a requirement of the Housing (Scotland) Act 2001. The approach set out in this paper therefore discharges our requirement to consult under the Act.

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

10. Risk appetite and assessment

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

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

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

11. Equalities implications

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

12. Key issues and conclusions

12.1 Our consultation attracted nearly 900 pieces of feedback/consultation responses from tenants. The proportion of respondents, at over 30%, indicating a preference for the higher rate of 7.9% on the basis of additional investment affirms the qualitative feedback that investment in existing homes is a priority for tenants.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2024/25 +rent, service and other charges increase; and
2) Approve a 7.5% rent, service charges and other charges (including garages and lock ups) for 2024/25 for all original WHE tenants effective from the first Monday in April (1 April 2024); and
3) Approve the 2.5% rent, service charges and other charges for 2024/25 for all ex-WLHP properties effective from the first Monday in April (1 April 2024)

Wheatley Homes East

Report

To: Wheatley Homes East Board

By: Lyndsay Brown, Director of Financial Reporting

Approved by: Pauline Turnock, Group Director of Finance

Subject: Financial Projection 2024/25

Date of Meeting: 8 February 2024

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1. Purpose

1.1 The purpose of this report is:

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

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, we are responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances.

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

3. Background

3.1 Inflation remains high and continues to have an impact on the business and our customers. The economic outlook in the UK remains uncertain and inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices for a longer period. The latest figures for CPI show an annual rate of 4.0% (December 2023) which in general terms has shown a slow downward trend from its peak of 11.1% in October 2022. Most market commentators do not expect inflation to reach the Bank of England target until the first half of 2025. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases.

3.2 Forecasts for interest rates do not anticipate any reduction in the current rate of 5.25% until the second half of 2024. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure on these amounts.

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

3.4 Our Group funding arrangements have allowed us to grow our development programme to 10 years and increase the number of new homes delivered. Our financial projections include provision for 1,854 new homes over the first five years, increasing to 3,685 homes over a 10 year period with 2,571 for social rent. Our new build programme goes towards the completion of 5,196 new homes across the Group by 2029 and over 8,700 over the 10 years.

4. Discussion

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

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

- Over the five year period the business plan includes provision for investment of £42.9m in our existing housing stock;
- Our new build programme includes gross development spend of £424.4m projected over the five year period and the completion of 1,315 social rent and 539 mid-market rent properties; and
- Operating costs decrease over the 5 year period from £3,181 per unit in 2024/25 to £2,874 in 2028/29. These efficiencies create capacity within WH East to fund the debt required to meet our new build ambitions and invest in services for our customers.

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

Delivering Exceptional Customer Experience

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

- Feedback from tenants continues to emphasise how important the repairs service is for our customers and the additional capacity included in the plan highlights our commitment to meeting expectations;
- A new telephony system was introduced in 2023/24 across our Customer First Centre with further functionality planned to be developed in 2024/25. This will increase the automation of call handling and enable more analytical information to be gathered to help further improve the customer experience;

- These projections include funding to support our contribution of £4.7m over the next five years towards the Group's IT capital programme, which is aligned to 6 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. The workstreams are:
  - Digital Workplace, Workflows and Automation, including technology in hubs and support of the hybrid working model;
  - Customer Digital and Self Service, including the review and replacement of our current customer self service platforms;
  - Housing and Care, supporting the new housing operating model through ongoing investment in staff mobile applications and services;
  - Digital Repairs includes ongoing programme of redevelopment of online repairs services for customers, aligned to ongoing improvement to support the evolution of 'Book-it, Track-it, Rate-it';
  - Core Architecture and CyberSecurity, ongoing maintenance and improvement to Group technology platforms to ensure ongoing security, stability and support of critical business operations; and
  - Data, AI and Innovation, including projects ensuring the delivery of Group Data Strategy and improved analytics.

Making the most of our homes and assets

4.4 The projections include funding to deliver 1,315 new homes for social rent and 539 homes for mid-market rent over the five years. A total of £424.4m of gross funding for the new build programme has been reflected over the period 2024 to 2029. This is assumed to be supported by grant income of £225.1m.

4.5 In our existing homes, total investment of £42.9m (including inflation) has been included. This funding will ensure that our properties remain in a good state of repair and sufficient provision is available for all compliance requirements. Included in our investment programme are projects which will help improve the energy efficiency of our homes aligned with our fabric first approach in our sustainability strategy.

4.6 During the first five years of the plan £36.9m has been earmarked for responsive and planned repairs, which takes cognisance of the increased costs of repairs driven by higher demand and price inflation. This funding will assist with the upkeep and maintenance of our stock.

4.7 The financial projections include a provision of £1.1m of funding in years 1 – 5 for customer identified investment priorities, "Customer Voice" and "Think Yes for Investment". Engaging with customers will ensure investment work streams will be better directed towards what customers want.

Changing lives and communities

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

- Funding of £1.4m to the Wheatley Foundation ("The Foundation") over the first 5 years of the financial projections.

The Foundation use this to deliver services to our customers including welfare benefits advice, group protection and community policing to tackle anti-social behaviour and crime in our communities, employability advice and the Helping Hand Fund to support customers facing financial hardship; and

- As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been assumed to extend the Helping Hand Fund. This fund provides assistance to our customers who are facing financial hardship with rent.

Developing our shared capacity

4.9 Over the next five years, we will continue to invest in our staff to ensure they have the exceptional skills, attitude, engagement and influence to excel in this hybrid working environment. Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development in a technology enabled workplace, in our leadership and graduate programmes.

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

Enabling our ambitions

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

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

Figure 1: Statement of comprehensive income

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

4.13 Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections for 2024/25 incorporate the proposed 7.5% increase in rent and service charge levels, with ex WLHP tenants seeing an increase of 2.5% as per prior ballot commitments. The projections also assume a reduction to our operating cost base, with efficiency savings of 9.7% in the cost per unit over the five-year period.

4.14 Management and overhead costs decrease over the 5 year period from £3,181 per unit in 2024/25 to £2,874 in 2028/29. These efficiencies create capacity to fund the debt required to meet our new build ambitions and invest in services for our customers.

4.15 Over the five-year period presented, our Total Comprehensive Income fluctuates due to property valuation movements and grant recognition on completed units. Total comprehensive income of £30.9m is projected.

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

Figure 2 shows the projected change in the Statement of Financial Position over the five-year period to 2028/29.

Figure 2: Statement of Financial Position

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

4.17 The value of housing assets increases by £189.3m over the five years from 1 April 2024. The new build programme is funded by debt (and grant subsidy) which increases by £123.4m over the same period. This additional debt and asset value results in a growth in net assets of £30.9m (equal to total comprehensive income) over the period.

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

Figure 3: Cash flows generated

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

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

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

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

Figure 4: [redacted]

- As shown above, we will generate sufficient income from operating activities to fund investment and finance costs. The level of cover fluctuates over the period due to the timing of significant new build activity with interest costs increasing before the benefit of rental income is earned from completed new build properties; and
- [redacted]

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 the Finance Report.

8. Financial and value for money implications

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

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

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for 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".

11. Equalities implications

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

12. Key issues and conclusions

12.1 This report presents the financial projections for the five year period to 31 March 2029.

13. Recommendations

13.1 The Board is requested to:

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

LIST OF APPENDICES

Appendix 1: Wheatley Homes East 2024/25 Financial Projections

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

Wheatley Homes East Financial Projections
2024/25

Classified as Internal

1. Headlines

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

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

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

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

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

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

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

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

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

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

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

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

2. Key assumptions

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

2.1 Stock Numbers

Social Housing

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

Table 1 – Opening Social Housing Stock

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

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

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

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

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

Other Affordable Housing
[redacted]

2.2 Rental and Service Charge income

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

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

Table 4 – [redacted]

2.3 Other Income

Other rental income

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

Supporting People Grants

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

Wheatley East Property Services – Net Surplus

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

Other income

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

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

Table 5 – Other Income (including inflation)

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

2.4 Cost inflation

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

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

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

Table 6 – [redacted]

2.5 Operating Performance

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

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

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

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

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

2.6 Management Costs

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

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

Table 8 – Management cost assumptions (excluding inflation)

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

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

2.7 Asset Management and Growth

a) Repair & Maintenance Costs

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

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

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

b) Capital Investment

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

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

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

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

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

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

c) IT Capital Investment

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

Table 11 – IT Capital Contribution (including inflation)

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

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

The workstreams are:

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

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

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

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

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

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

- **[redacted]**

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

d) New Build Programme

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

Table 12 – New build funding profile (including inflation)

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

2.8 Initiatives and Other Provisions

a) Initiatives

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

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

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

Table 13 – Initiatives (excluding inflation)

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

2.9 Operating Cost Per Unit

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

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

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

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

2.10 Interest Rate Assumptions

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

Table 15 – Interest Rate Assumptions

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

3. Financial projections – next 5 years

a) Statement of Comprehensive Income

Table 16 –Statement of comprehensive income (including inflation)

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

Rental income

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

Grant income

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

Expenditure

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

Finance Costs

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

Investment Property Valuation Movement

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

Housing Property Valuation Movement

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

Loss on Sale of Property

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

Total Comprehensive Income

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

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

b) Statement of Financial Position

Table 17 – Statement of Financial Position

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

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

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

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

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

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

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

c) Cashflow

Table 18 – Cashflow Projections

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

Net Cash from Operating Activities

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

Net Cash used in Investing Activities

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

Finance Costs

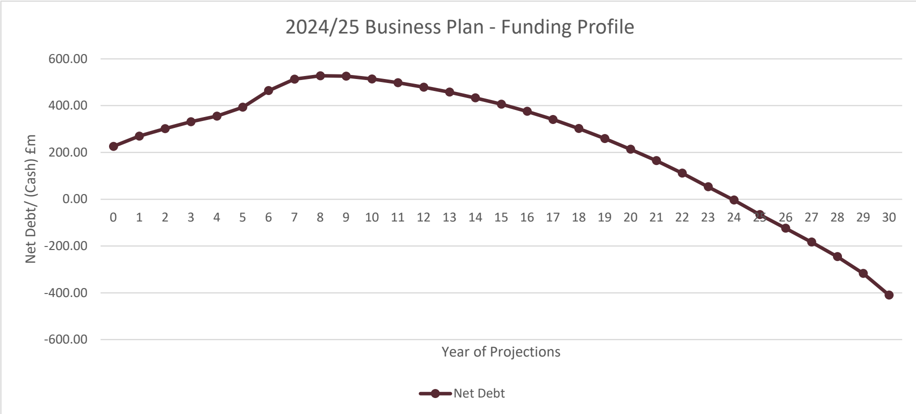
This reflects the interest due on our loans with WFL1, THFC, and Allia. As expenditure is incurred to pay for our new build programme, WH East will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2032/33, while core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

Net Movement in Cash

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

4. Funding and debt profile

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



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

5. Key Parameters

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

5.2 Operating margin generation

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

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

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

5.3 Cashflow strength

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

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

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

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

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

5.4 Asset cover

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

[redacted]

6. Risk analysis

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

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

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

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

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

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

Report

To: Wheatley Homes East Board

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

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

Subject: Five-year Capital Investment Plan

Date of Meeting: 8 February 2024

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1. Purpose

1.1 To seek approval of our five-year plan for capital investment in our existing homes for the period 2024-29.

2. Authorising and strategic context

2.1 Under our Terms of Reference, we are responsible for approving our five-year capital investment plan ("investment plan").

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

3. Background

3.1 Our investment plan details our ambition to deliver improvements in our existing homes and environments over the next five years. The plan is informed through data on our assets from our stock condition survey as well as intelligence from our response repairs programme, customer priorities via local engagement activities and knowledge of our stock from housing and asset management staff.

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

4. Discussion

Overall programme

4.1 Our five-year plan includes a core programme budget of £23.7m, which will be directed towards major property and environmental improvement works. This includes £6.1m of additional core programme funding facilitated by the rent increase to deliver customer priority investment and to help support our net zero ambitions.

4.2 Our 2021-26 strategy committed to improving our existing homes through our capital expenditure and we remain on track for delivering this commitment. The 2024-29 programme also includes £11.8m for improvements and capitalised repairs to void properties and £1.1m to support the delivery of major medical adaptations to help customers remain independent in their homes for longer. Grant applications are submitted for major adaptions to The City of Edinburgh Council for our Edinburgh properties and to the Scottish Government for other Local Authority areas. The total capital expenditure programme over the next five years equates to £42.9m. This is inclusive of inflation and an allocation of on-costs for our technical RIC asset staff, who play a key role in delivering our investment programmes.

4.3 Our core investment activities over the next five years will continue to focus on the delivery of regulatory/best practice compliance activities and improvements which provide the greatest value to our customers. Our ongoing customer engagement and locality planning activities tell us that customers want modern, energy efficient homes and safe neighbourhoods. Our investment plan outlines our commitment to deliver on these priorities with the programme content falling within three broad themes:

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

Further details of the programme that make up these themes is provided at Appendix 1.

Warm, high-quality homes

4.4 This theme encompasses our energy efficiency and internal modernisation programmes. We plan to invest £6.5m over the next five years in improving the energy efficiency of our homes. These measures will include heating renewals, window life cycle replacements and wall insulation.

4.5 Our planned programme of energy efficiency improvements will not only benefit our customers in terms of reducing heat demand and fuel poverty but will also assist in relation to the objectives of our sustainability framework and delivering the regulatory objectives that the Scottish Government is consulting on at present through its planned Social Housing Net Zero Standard. this standard will replace the current Energy Efficiency Standard for Social Housing (“EESSH2”).

4.6 The proposals in SHNZS (Social Housing Net Zero Standard) include separate fabric efficiency measures and requirement for properties to have net zero heating sources by 2045.

Quality Homes

4.7 Maintaining excellent internal housing quality standards is essential in ensuring that our homes are modern and desirable. Our investment plan includes for the installation of over 400 new kitchens. This programme will include a combination of reactive replacements in voids and life cycle replacements within occupied properties.

Wheatley Care Portfolio

4.8 Our updated Asset investment plan includes £250k of improvements to Wheatley Homes East core stock assets where Wheatley Care services are provided. This five-year programme has been informed by a condition survey undertaken by our Investment Team in the summer of 2022. This was further supplemented through engagement with the site-based care teams to understand staff and customer priorities and the sequence of the programme has been profiled on that basis.

4.9 The planned work will focus on the improvement of communal areas and community spaces including redecoration, new flooring and furniture, improved lighting and the upgrade of communal kitchen and bathroom facilities. Environmental improvements will also feature with new bin storage provision and new fencing and paths included.

Safe Homes

4.10 Our investment Plan places a strong emphasis on ensuring our homes remain safe and secure, supporting Group’s Fire Prevention and Mitigation Framework. Over the five years of our investment plan, we will deliver over £3.6m of improvements across a range of Home Safety related programmes encompassing:

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

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

Great Neighbourhoods

4.12 We are committed to investing in our wider communities through the improvement of our communal areas and environments. Maintaining the “kerb appeal” of our environments is an integral part of our asset management approach to ensure that our neighbourhoods are secure and desirable for both existing and prospective customers. We will invest £3.6m in our customers environments over the next 5 years.

4.13 Our Investment Programme will help to support the delivery of our ‘Keep Scotland Beautiful’ environmental quality standard through works to improve controlled entry, communal areas, and environments.

Mechanical & Electrical Infrastructure Upgrades

4.14 Our investment plan recognises the importance of our M&E infrastructure in ensuring our homes function correctly. This is particularly important in flatted complexes where vital services are required such as ventilation, water supply, CCTV, and lifts. Our five-year plan includes over £1.8m for planned improvements to critical M&E components including the lifecycle replacement of pump sets and water storage tanks and ventilation plant and lifts.

Mould and Damp

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

4.16 Our investment plan includes for a number of energy efficiency measures including new heating systems, energy efficient door and window installations, smart technology and targeted mechanical ventilation upgrade works all of which will help reduce the opportunity for damp and mould to form in our homes.

External Funding Opportunities

4.17 We will continue to explore external funding opportunities to help support and maximise the value of our investment programme for tenants and factored homeowners alike. This is demonstrated by completing energy efficiency works, internal wall insulation and heating replacements to 26 Pre 1919 tenemental properties funded via a grant of £330,00 from The Social Housing Net Zero Fund. We will continue to explore further opportunities in 2024/25 to access any available funding to support energy efficiency programmes for eligible stock.

Year 1 programme (2024/25)

4.18 Our capital programme in Year 1 (2024/25) of the five-year plan has a total value of £5.775m. This includes almost £3.322m for major property improvements, £2.243m for capitalised repairs and improvements in void properties and £210k for major medical adaptations.

5. Customer Engagement

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

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

5.3 Over the next five years, we propose to go further, through our 'Stronger Voices, Stronger Communities' framework. This framework:

- Gives customers greater control of their home by choosing how and where investment is delivered;
- Uses both online and offline approaches to make it easier for customers to engage and to share their priorities; and
- Adopts new technologies to enable interactive engagement e.g., voting on investment proposals, ordering improvements for their home, making choices, and providing feedback on our investment and asset services.

Stronger Voices Investment Programme

5.4 Our investment plan includes our 'Stronger Voices' budget in support of this framework, which will deliver £900k of customer driven investment over the next five years. This budget will be used to deliver an enhanced programme of local priority investment work over and above existing planned investment commitments. The content of this programme will be informed exclusively by our tenants working with our frontline housing teams. This programme is in addition to over £11m already allocated to deliver current customer priority investment work programmes such as new windows, heating, kitchens, bathrooms, communal area improvements and environmental improvements.

6. Environmental and sustainability implications

6.1 The Scottish Government have set ambitious targets to be net-zero. We plan to deliver £6.5m of energy efficiency improvements over the life of the five-year plan, focused on investment which also responds to priorities raised by customers.

6.2 The investment plan will help to support the ambition set out in our sustainability framework to replace heating systems that rely on natural gas and other fossil fuels with zero-carbon alternatives. We will review options including new emerging technologies as part of assessing the implications of the proposed SHNZS.

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

6.4 Year 1 (2024/25) investment work has an anticipated carbon reduction value of 141 tonnes CO_2, which contributes to the overall group annual target of 6000 tonnes CO_2 resulting from investment in our homes. Based on analysis using the Energy Saving Trust Carbon Calculator, Energy Performance Certificate Emissions Factors and OFGEM Typical Domestic Consumption Values. This analysis shows the below table of anticipated CO_2 reduction impacts across core programme investment activities in 2024/25. Each new energy efficiency measure installed also provides an uplift to the property EPC (Energy Performance Certificates) score, which helps towards compliance with the success of EESSH2, currently under consultation but referred to as SHNZS.

Element of Programme	CO_2 reduction in tonnes	EPC score improvement
Gas Heating	1.66	+ 0 points
Windows	10.66	+ 9 points
EWI	138.71	+ 10 points

7. Digital transformation alignment

7.1 We will look to align our investment services with our digital transformation strategy. Historically we asked our customers to make a visit – often at a time of our choosing - to an office to view investment plans and make choices. Now, we will look to provide more interactive and convenient methods for the customer to inform investment in their homes. An example of this will be developing tools that make kitchen design and colour choices of a digital experience.

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

8. Financial and value for money implications

8.1 In accordance with the Group's Value for Money statement the investment programme will deliver value for money in several ways including:

- **Meeting customer aspirations** - Our investment plan supports the delivery of customer investment aspirations with our locality planning process and Stronger Voices approach helping to inform the development and content of our investment programmes;
- **Quality of life** - Our investment plans help to improve our customers' quality of life and tackle fuel poverty through the provision of warm and affordable homes, which meet SHQS and improve energy efficiency. Our investment planning also recognises the importance that a good quality environment can have on the desirability of our communities and on quality of life, with significant funds committed to deliver improvements in these areas;
- **Environmental maintenance** - Our approach to the delivery of environmental improvements, designed with input from our NETS service, will help to build capacity by reducing the maintenance burden on this service, enabling resources to be focussed on other key service priorities;
- **Factored homeowners** - Our five-year plan demonstrates a commitment to seeking innovative solutions to assist factored homeowners to participate in our investment programme, helping to reduce the financial burden where possible, whilst also benefitting our tenants living in mixed tenure stock;

- **Joint Venture with City Building Glasgow** – our relationship facilitates a more efficient approach to investment planning and delivery, maximising our buying power with suppliers to drive value for money and deliver wider community benefits and apprenticeships; and
- **Asset sustainability** - By continuing to deliver investment in our existing assets we ensure the long-term sustainability of our assets, helping to drive down the frequency of response repairs, whilst giving assurance to our lenders that we have a robust approach in place to manage and maintain our assets.

8.2 The core investment programme of £23.7m is contained within the overall £36.6m five-year capital investment programme as set out in the 2024/25 financial projections. All amounts include irrecoverable Vat where appropriate.

9. Legal, regulatory, and charitable implications

9.1 There are no specific implications arising from the creation of the Investment Programme.

10. Risk Appetite and assessment

10.1 Our agreed risk appetite for investing in existing homes and environments is "open." This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level." This risk appetite is mirrored here in relation to the Investment programme.

11. Equalities implications

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

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

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

12. Key issues and conclusions

12.1 Our core investment programme will deliver over £23.7m of planned improvements in our property portfolio over the next five years.

12.2 The continuing focus of our programme is on delivering improvements that contribute the greatest value to our tenants and communities, with over 60% of our core programme geared towards known customer priority investment.

12.3 Customers will continue to shape our investment plans through our £900k Stronger Voices programme and we will empower housing officers to make investment decisions at the front line that delight our customers through our £245k Think Yes for Investment programme.

12.4 Safety remains a key priority for us with over £1.9m earmarked for property compliance and fire safety related works over the next five years.

12.5 Our investment programme will support the objectives of our sustainability framework, specifically around reducing carbon emissions and improving the fabric energy efficiency of our homes.
We will continue to explore external funding opportunities such as from Scottish government and ECO to bolster our existing programme and further support the delivery of our sustainability ambitions. Our plans will remain agile to react to the outcome of the consultation on SHNZS.

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

13. Recommendations

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

LIST OF APPENDICES:

Appendix 1: Wheatley Homes East Five-Year Investment Plan 2024-29

Appendix 1: Wheatley Homes East Five-Year Investment Plan 2024-29

WHE Investment 5 Year	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Work Group	YEAR1	YEAR2	YEAR3	YEAR4	YEAR5
Gas Heating	190	200	226	200	500
Net Zero/Low Carbon Heating (ASHP, District Heating etc.)	0	0	0	0	0
Electric Heating Renewals	177	150	100	282	400
Low-rise Fabric	150	200	150	400	481
Pre-1919 Tenements (Major Fabric Repairs)	600	750	950	1200	1200
Kitchen	250	300	300	400	500
Bathroom	300	370	405	400	500
Rewire	0	0	0	300	450
Windows & Doors	350	400	400	400	500
Environmental	90	150	150	200	500
Common Work	180	271	200	400	500
Mechanical & Electrical	0	150	200	300	400
High-rise Fabric	0	0	0	0	0
EESSH/Archetype Specific Energy Measures	100	100	100	180	200
Lift Replacements	80	100	150	200	300
Fire Safety	110	355	250	250	250
Stronger Voices	100	100	200	200	300
Think Yes for Investment	49	49	49	49	49
Central Contracts (Non JV)	0	0	0	0	0
District Heating Component Replacements (Non JV)	0	0	0	0	0
Capital Contingency	0	0	0	0	0
Minibems	425	0	0	0	0
Core Programme Total	3151	3645	3830	5361	7030
Emergency Lighting installations	0	0	0	0	100
Smoke/Heat Detector Installs	50	50	51	150	200
TMV Taps	121	0	0	0	0
Core Programme & Capital Compliance Total (inc VAT)	3322	3695	3881	5511	7330

Over the next five years **£23.7m** will be invested in our homes and communities. Output projections for some of the **key** investment work streams **over the next five years** are shown below:

Heating

The Central Heating programme has a total value across the five years of **£2.425m**. The programme consists of **£1.316m** for reactive gas boiler replacements where existing boilers breakdown and cannot be repaired. New Boilers being installed are Hydrogen ready, meaning that they will accept up to a 20% blend of hydrogen should this been introduced into the gas network in the future. A further **£1.109m** will be invested to continue our delivery of our intelligent Quantum heating program. We expect around 50 homes to benefit from these improvements during 2024/25. The intelligent Quantum heaters provides the customer with greater control of when they heat their homes, whilst also saving money of their energy tariffs with 22% less energy use than existing storage heating.

Pre 1919 Tenements

Our 5-year plan includes **£4.7m** for the refurbishment of our Pre 1919 tenemental stock within the city centre. This programme will support the delivery of sandstone and roof repairs to mixed tenure blocks within our Gorgie, Dalry, Fountainbridge and Granton localities. This work has enhanced the reputation of Wheatley Homes East as an enabler within mixed tenure, helping to protect the long-term future of these historic and culturally important buildings.

Low-rise fabric

The Low-Rise Fabric (LRF) programme consists of roof and fabric repairs to our Post 1990's stock. We have made provision of over **£1.4m** over the next 5 years to accommodate the delivery of drone surveys and roof refurbishments to our properties with historic water ingress that will provide a permanent solution for our customers. In 2024 we will continue the roof renewal project to our Morrison Crescent developments.

Kitchen, Bathroom and Rewire (KBR)

We plan to invest over **£4.48m** in new kitchens, bathrooms and rewiring over the next 5 years. **£1.75m** will be allocated to delivering kitchen installations on a planned and hoc basis. A further **£1.98m** will be allocated to the early commencement of life cycle bathroom replacements, which is high investment priority for our customers. During 2024/25 we will commence kitchen and bathroom replacements to Elm Court, Skibo Court, Caledonian Crescent, Slateford Green and Rowan Street, North Fort Street, Dunn Street and West Park.

Windows and Doors

We plan to spend **£2.05m** on window replacements over the next 5 years, benefitting over 400 customers. The programme will include ad hoc reactive installations where we have previous been refused access and planned lifecycle replacements. 2024/25 will see the replacement of inefficient and obsolete timber windows at our North Fort Street, Skibo Court, Menzies Road and our Sheltered development at Fraser Court. This will help the energy efficiency of these homes.

Environmental

We will invest **£1.09m** in improving the environment within our communities over the next five years. The programme will include common improvements for our tenement stock including rear garden areas, improved drainage, new bin storage provision and paths. In 2024/25 we will commence environmental improvements to the Quarries.

Common Works

We have allocated **£1.55m** to deliver communal area improvements encompassing investment such as improved security via new controlled entry systems, CCTV, new flooring, energy efficient lighting and decoration to our common stairs. In 2024/25 we will complete our Sheltered development at Stenhouse Mill Crescent, Segal Place, Sneddon Court and commence a project of common stair improvements.

Mechanical and Electrical

We will invest **£1.05m** via our Mechanical and Electrical (M&E) programme. The 5-year plan will include for the replacement of vital service components such as communal fans, water tanks, pumps, and CCTV.

EESSH2

Whilst we await the outcome of the Scottish Government's review of the current EESSH2 standard. Our investment plan makes provision of **£0.68m** that will include

EWI for our Steel framed non trad properties at the Frasers & Findlay's, EPCs (Energy Performance Certificates) and data cleansing.

Fire Safety

£1.22m has been allocated over the 5-year plan to fund enhanced safety measures for our most vulnerable customers including stove guards and fire-retardant bedding packs. The programme will also facilitate the delivery of improvements recommended from our FRAs and any reactive investment requirements in the event of major fires.

Lifts

We will invest **£0.83m** in new efficient and reliable lifts within our post 1990's stock.

Stronger Voices

We are committed to putting our customers in control of investment decisions, which affect their homes and communities. We have allocated **£900k** to deliver customer driven investment works over the next 5 years. Our dedicated Stronger Voice budget will help our local housing management teams deliver on their customers' investment priorities identified through the ongoing engagement activities.

Think Yes for Investment

We introduced a new staffing facing initiative in 2022/23, which empowers our frontline housing teams to make decisions on investment that will deliver great outcomes for customers. We will continue to support this programme over the next five years with **£245k** allocated to support housing officers in instructing small improvements such as additional kitchen wall units or tiling or painting a stair where they feel the work is justified and is a priority for customers.

Capital Compliance

£722k of capital compliance works will be delivered over the next five-years to ensure our homes are safe and secure and to provide assurance that we are meeting our statutory and regulatory compliance obligations. This programme will encompass, smoke and heat detector lifecycle upgrades across all stock types and the installation of new Thermostatic Mixer Taps in vulnerable tenancies.

Wheatley Homes East

Report

To: **Wheatley Homes East Board**

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

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

Subject: **Finance Report to 31 December 2023**

Date of Meeting: **8 February 2024**

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1. Purpose

1.1 The purpose of this paper is to:

- Provide an overview of the financial results for the period to 31 December 2023 and the Q3 forecast.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between Wheatley Homes East and the Wheatley Group and the Terms of Reference for this Board, we are responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of our finances.

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

3. Background - Financial performance to 31 December 2023

3.1 The results for the period to 31 December are summarised below.

	Year to Date (Period 9)		
£000	**Actual**	**Budget**	**Variance**
Turnover	43,302	44,241	(939)
Operating expenditure	(25,719)	(25,741)	22
Operating surplus	**17,583**	**18,500**	**(917)**
Operating margin	*41%*	*42$*	*(1%)*
Net interest payable	(6,153)	(6,228)	75
Surplus	**11,430**	**12,272**	**(842)**
Net Capital Expenditure	**24,222**	**29,579**	**5,357**

4. Discussion

4.1 Period to 31 December 2023

A statutory surplus of £11,430k for the period to 31 December 2023 is reported, which is £842k unfavourable to budget. The main driver of the variance is lower grant income for both new build and Social Housing Net Zero (“SHNZ”) recognised in the period.

Key points to note:

4.2 Within income, grant income recognised is £716k unfavourable to budget linked to the timing of handovers including the earlier completion of new build properties at Wisp 3C in 2022/23 and delays at MacMerry. Other grant income is £204k adverse to budget linked to reprofiling of SHNZ spend resulting in a corresponding reduction in grant income received.

4.3 Across expenditure, all budget lines are reporting favourable variances to budget with the exception of staff costs and repairs and maintenance. Staff costs include additional costs incurred at the Harbour and retirement accommodation as well as newly created housing officer roles to strengthen our frontline service model. Responsive repairs spend is £368k higher than budget reflecting an increase in demand for repairs compared to last year and also material price increases. This has in part been offset by cyclical maintenance which is £340k favourable, following a reprofiling of the planned works.

4.4 Net capital expenditure is £24,222k for the period, being £5,357k lower than budget. The capital investment programme spend is £157k favourable to budget due to reprofiling of SHNZ and core programme works. New build spend is £18,530k under budget, due to reduced spend relating to the timing of golden brick payments and delayed site starts. There is also compensating reduced grant income of £13,353k.

4.5 Q3 - 2023/24 Full Year Forecast

The Q3 2023/24 Full Year Forecast is summarised below.

	Q3 Full Year Forecast		
£000	**Forecast**	**Budget**	**Variance**
Turnover	59,199	62,129	(2,930)
Operating expenditure	(35,144)	(35,014)	(130)
Operating surplus	**24,055**	**27,115**	**(3,061)**
Operating margin	*41%*	*44%*	*(3%)*
Net interest payable	(8,726)	(8,683)	(43)
Surplus	**15,329**	**18,432**	**(3,104)**
Net Capital Expenditure	**35,263**	**48,683**	**13,420**

The forecast reports a statutory surplus of £15,329k for the year to March 2024, which is £3,104k unfavourable to budget.

Key points to note:

4.6 Net rental income is broadly in line with budget with higher voids at the Harbour and our older persons accommodation offset by earlier new build completions at Raw Holdings. New build grant income recognised is forecast to be £966k unfavourable to budget reflecting the earlier completion of sites in 2022/23. Other grant income and other income are forecast to be £418k and £1,544k unfavourable to budget respectively, due to a reduction in forecast SHNZ grant income and the internal allocation of Wheatley Developments Scotland gift aid.

4.7 Total forecast expenditure is expected to be £130k higher than budget, reflecting increased employee costs across frontline housing, Harbour staffing and retirement complexes, as well as the increase demand for responsive repairs and higher materials costs.

4.8 Forecast net capital expenditure of £35,263k is £13,420k lower than budget. Grant income is £11,187k lower than budget with new build grant income and SHNZ grant income forecast to be lower than budget in line with reduced levels of spend.

4.9 New build expenditure is forecast to be £24,788k lower than budget, due to reprofiled development spend with the larger sites at Wallyford 5, Sibbalds Brae, Deans South and West Craigs driving the variance. Core programme works are forecast to be £210k higher than budget reflecting increased capitalised repairs and voids and agreed reprofiling of the SHNZ works.

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 the Finance Report.

8. Financial and value for money implications

8.1 The statutory surplus for the period to 31 December is £842k 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 31 December 2023 are broadly in line with budget.

8.2 The forecast underlying statutory surplus is £4,337k for the year to 31 March 2024 after adjusting for new build grant income and group gift aid, depreciation and capital expenditure in our properties. While this is £839k adverse to budget, levels of operational surplus are strong. The variance reflects higher levels of spend across repairs, interest payable and investment lines.

Forecast variations to budget are managed within the overall parameters of the RSL Borrower Group budget for 2023/24 of which East is part. The RSL borrower group remains compliant with all covenants.

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 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".

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 period to 31 December 2023 and Q3 forecast for 2023/24.

13. Recommendations

13.1 The Board is requested to:

1) Note the Finance Report for the period ended 31 December 2023 and Q3 forecast at Appendix 1.

LIST OF APPENDICES:

Appendix 1: Period 9 – 31 December 2023 Finance Report with Q3 full year 2023/24 forecast

Period to 31 December 2023
Finance Report

2) Operating Statement – Period to 31 December 2023

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	28,706	28,595	111	38,215
Void Losses	(455)	(357)	(98)	(475)
Net Rental Income	**28,251**	**28,238**	**13**	**37,740**
Grant Income Recognised in the Year	11,784	12,500	(716)	15,847
Other Grant Income	694	897	(204)	1,348
Other Income	2,573	2,606	(32)	7,194
TOTAL INCOME	**43,302**	**44,241**	**(939)**	**62,129**
EXPENDITURE				
Employee Costs - Direct	3,485	3,371	(114)	4,491
Employee Costs - Group Services	2,178	2,233	55	2,978
ER/VR	0	0	0	540
Direct Running Costs	3,196	3,196	0	4,221
Running Costs - Group Services	1,153	1,189	36	1,585
Revenue Repairs and Maintenance	5,365	5,337	(28)	7,164
Bad Debts	230	303	73	404
Depreciation	10,112	10,112	0	13,631
TOTAL EXPENDITURE	**25,719**	**25,741**	**22**	**35,014**
NET OPERATING SURPLUS / (DEFICIT)	**17,583**	**18,500**	**(917)**	**27,115**
Net Operating Margin	*41%*	*42%*	*-1%*	*44%*
Interest receivable	26	9	17	13
Interest payable	(6,179)	(6,237)	58	(8,696)
STATUTORY SURPLUS / (DEFICIT)	**11,430**	**12,272**	**(842)**	**18,432**

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**32,788**	**46,141**	**(13,353)**	**53,717**
Total Expenditure on Core Programme	5,610	5,767	157	7,079
New Build & Other Investment	50,639	69,170	18,530	94,278
Other Capital Expenditure	760	783	23	1,043
TOTAL CAPITAL EXPENDITURE	**57,010**	**75,720**	**18,710**	**102,400**
NET CAPITAL EXPENDITURE	**24,222**	**29,579**	**5,357**	**48,683**

Key highlights year to date:

Net operating surplus of £17,583k is £917k unfavourable to budget. Statutory surplus for the period to 31 December is £11,430k, £842k unfavourable to budget.

Total income of £43,302k is £939k adverse to budget:
- Gross rent is £111k favourable to budget arising from early completions at Raw Holdings as well as higher than budgeted service charges. Void losses are £98k unfavourable to budget, representing 1.59% vs a budget of 1.25%. This is mainly due to reduced demand at sheltered sites and fire safety works/ turnover of rooms at the Harbour.
- Grant income recognised is £716k unfavourable to budget due to the timing of new build handovers including completions delayed to Q4 2023/24 at MacMerry and early completions at Wisp 3C and Raw Holdings in 2022/23. £11,784k of grant income recognised relates to 129 SR and 29 MMR units.
- Other grant income of £694k consists of grants recognised for medical adaptations, Scottish Housing Net Zero (SHNZ) and for the Harbour. The variance relates to a reduction in SHNZ income due to reprofiling of works to be carried out impacting the level of grant to be claimed.

Total expenditure is £22k favourable to budget:
- Total employee costs are £59k unfavourable to budget. Direct employee costs are £114k unfavourable to budget, due to overtime and agency staff costs at the Harbour and the Retirement complexes managed by Wheatley Care, as well as the creation of 4 housing officers to maintain patch sizes within agreed levels.
- Total running costs are £36k favourable to budget with group running costs favourable due to savings being realised in Wheatley Solutions.
- Revenue repairs and maintenance spend is £28k unfavourable to budget with responsive repairs spend £368k higher than budget reflecting continued increased demand (5.0% increase yr on yr) and material price increases offset by cyclical maintenance which is £340k favourable, due to the reprofiling and timing of the planned cyclical works. We continue to comply with our legislative obligations.

Interest payable of £6,179k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is £58k favourable to budget due to the timing of drawdowns vs budget arising from the new build development spend being lower than budget, offset by higher variable interest rates.

Net capital expenditure of £24,222k is £5,357k lower than budget.
- Capital investment income relates to the cash receipt of new build grants, SHNZ funding and medical adaptation grants and is £13,353k lower than budget due to delayed new build spend resulting in slower than anticipated grant claims, including Westcraigs Ph3, Wallyford 5/AB, Blindwells, Deans South Ph2 and Winchburgh BB.
- Core programme spend is £157k favourable to budget, due to the reprofiling of core programme and SHNZ works.
- New build spend of £50,639k is £18,530k lower than budget due to reduced spend relating to timing of golden brick payments as well as delays on sites due to necessary infrastructure works and contractor delays. Sites with reduced spend include Sibbalds Brae, Wallyford 5/AB, Blindswell, Winchburgh BB and Westcraigs Ph3. This is partially offset by accelerated spend at Westcraigs Ph1 & Ph2.

3) Underlying surplus – Period to 31 December 2023

Key highlights:

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The 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 December 2023, underlying surplus of £4,149k is broadly in line with budget.

WH East Underlying Surplus - December 2023				
	YTD Actual £k	YTD Budget £k	YTD Variance £k	FY Budget £k
Net Operating Surplus	17,583	18,500	(917)	27,115
add back:				
Depreciation	10,112	10,112	-	13,631
less:				
Grant income	(11,784)	(12,500)	716	(15,847)
Net interest payable	(6,152)	(6,228)	76	(8,683)
Total expenditure on Core Programme	(5,610)	(5,767)	157	(7,079)
Underlying surplus	**4,149**	**4,117**	32	**9,137**

4) Property Services Operating Statement – Period to 31 December 2023

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Internal Subsidiaries	12,302	11,403	899	14,470
External Customers	196	180	16	240
TOTAL INCOME	**12,498**	**11,583**	**915**	**14,711**
COST OF SALES				
Staff	3,144	3,089	(55)	4,119
Materials	2,006	1,669	(338)	2,049
Subcontractor & Other Costs	4,786	4,611	(174)	5,835
TOTAL COST OF SALES	**9,936**	**9,369**	**(567)**	**12,003**
GROSS PROFIT/(LOSS)	**2,562**	**2,214**	**348**	**2,707**
Margin %	21%	19%	38%	18%
Overheads	2,304	1,960	(344)	2,614
NET PROFIT/(LOSS)	**258**	**254**	**4**	**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 31 December 2023, Property Services is reporting a surplus of £258k, which is £4k favourable to budget.

•Income of £12,498k is £915k favourable to budget, due to higher than budgeted income from Lowther, external customers and WHEast due to increased demand. Owner occupied works have also been carried out which are charged to WHE and subsequently recharged to owners.

•Cost of sales are £567k higher than budget mainly due to higher demand for services arising from internal, external and owner occupied works.

•Gross profit of £2,562k is £348k favourable to budget.

•Overhead expenditure includes vehicle, rent and running costs, rates, insurance and other staff and office related costs. Spend is £344k higher than budget due mainly to higher salary, rent & rates, vehicle running costs & waste disposal relating to void clearances. Vehicle running costs are £110k higher than budget due to an increase in vehicle repairs however a clawback is being sought from Citroen.

5) Wheatley Homes East Harbour – Period to 31 December 2023

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	659	647	12	862
Void Losses	(68)	(14)	(54)	(19)
Net Rental Income	**591**	**633**	**(42)**	**842**
Local Authority Contract Income	297	296	1	394
Other Income	52	33	19	44
TOTAL INCOME	**940**	**962**	**(22)**	**1,280**
EXPENDITURE				
Employee Costs	641	614	(27)	819
Direct running Costs	234	265	31	353
Revenue Repairs and Maintenance	18	49	31	65
Bad Debts and Depreciation	0	0	0	0
TOTAL EXPENDITURE	**893**	**928**	**35**	**1,236**
NET OPERATING SURPLUS / (DEFICIT)	**47**	**34**	**13**	**44**

Key highlights:

- The service is reporting a surplus of £47k which is £13k favourable to budget.
- Net rental income of £591k is £42k unfavourable to budget due to higher void levels than budgeted. This is due to fire mitigation works being carried out in the outbuilding as well as higher turnover of rooms than anticipated.
- Employee costs of £641k are £27k unfavourable to budget due to overtime and relief hours utilised to cover annual leave and 2 members of staff being on sick leave.
- Running costs of £234k include insurance, travel, safety equipment, printing, stationary and mobile costs. Costs are £31k favourable to budget due to managed savings.
- Repairs and maintenance expenditure of £18k is £31k under budget.

6) Repairs and investment – Period to 31 December 2023

Repairs and maintenance	Year to 31 December 2023			
	Actual £ks	Budget £ks	Variance £ks	FY Budget
Responsive Repairs	4,101	3,733	(368)	5,021
Cyclical Maintenance	1,264	1,604	340	2,144
	5,365	**5,337**	**(28)**	**7,165**

WH East Investment Works	Year to 31 December 2023			
	Actual £k	Budget £k	Variance £k	FY Budget
Investment Works Income				
Disabled Adaptions Grant	210	158	52	210
SHNZ	162	411	(249)	700
Investment Works IncomeTotal	**372**	**569**	**(197)**	**910**
Investment Works Expenditure				
Core Programme (excl. SHNZ)	2,734	3,119	385	3,504
SHNZ	162	411	249	650
Capitalised Repairs	937	670	(267)	874
Disabled adaptations	210	154	(56)	197
Voids	884	648	(236)	834
Capitalised Staff	683	765	82	1,020
Investment Works Expenditure Total	**5,610**	**5,767**	**157**	**7,079**
Net Total	**5,238**	**5,198**	**(40)**	**6,169**

Key highlights:

Repairs and maintenance

- Responsive repairs spend is £368k unfavourable to budget, due to inflationary pressures on materials and demand for repairs continuing with completed jobs in the period to date 5% higher than 2022/23.
- Cyclical repairs spend is £340k favourable to budget due to the timing of spend.

Investment

- Investment expenditure is £157k favourable to budget. The variance reflects reprofiling of planned spend on the core programme and timing of the SHNZ works. Void and capitalised repairs spend continues to be monitored, with mitigating plans in place to bring spend in line with forecast.
- Medical adaptation spend and income are both ahead of ytd budget with income and spend being managed in line with forecast.

7) New Build Programme – Year to 31 December 2023

Wheatley Homes East

	Status	Contractor	Period To Date (£'000) Actual	Budget	Variance	FY Budget
BLINDWELLS11	Due on site	Ogilvie Homes	4	3,083	3,079	3,616
BUILYEON PH3A	TBC	Cala	-	-	0	12
DEANS SOUTH	On Site	Springfield	3,646	2,971	(675)	4,676
MACMERRY	On site	Balfour Beatty	1,814	1,915	101	1,915
PENICUIK	Complete	Cala	1,158	560	(598)	560
RIVER GORE PH1	Not Progressing	Persimmon	-	1,233	1,233	1,621
RIVER GORE PH2	Not Progressing	Persimmon	-	6	6	36
ROSEWELL	On site	Barratt	2,661	1,862	(799)	3,063
ROSLIN	Complete	Taylor Wimpey	516	255	(261)	255
ROWANBANK	On site	Artisan	1,228	1,468	240	2,033
SIBBALDS BRAE	Due on site	Taylor Wimpey	12	3,369	3,356	4,055
WISP 3C	Complete	Springfield	102	140	38	203
Total Social Rent			**11,141**	**16,861**	**5,721**	**22,044**
RAW HOLDINGS	Complete	Persimmon	811	860	49	1,146
ROSLIN PH2	Complete	Taylor Wimpey	254	384	130	461
SOUTHFORT	On site	Barratt	601	73	(527)	428
ST CRISPINS	On site	Cala	457	12	(445)	62
WALLYFORD 5 A/B	On site	McTaggart	255	9,622	9,367	11,552
WALLYFORD PH 2	On site	Cruden Homes	2,428	2,593	165	2,593
WESTCRAIGS PH1 & 2	On site	Cruden Building	19,875	10,323	(9,552)	16,475
WESTCRAIGS PH3	On site	CCG	6,411	13,635	7,225	18,161
WINCHBURGH BB	On site	McTaggart	6,791	9,058	2,267	11,459
Total Mixed Tenure			**37,882**	**46,561**	**8,678**	**62,337**
Prior Year			485	380	(105)	380
Feasability Sites			11	4,211	4,201	7,975
Capitalised staff costs			1,121	1,156	35	1,542
Total New Build Investment			**50,639**	**69,170**	**18,530**	**94,278**
Grant Income			**32,416**	**45,573**	**(13,157)**	**52,807**
Net New Build Costs			**18,223**	**23,597**	**5,374**	**41,471**
Grant Income Completions (Recognised in OPS)			**11,784**	**12,500**	**(716)**	**15,847**

Investment spend at 31 December was £50.6m against budget of £69.2m, £18.5m lower than budget.

Completed

- ***Wisp 3C (SR/35)*** May 2023, ***Roslin Phase 2 (MMR/14 and SR/24)*** June 2023, ***Roslin (SR/38)*** July 2023, ***Penicuik (SR/57) -*** *(Overspend in year due to underspend in 2022/23****)*** August 2023 and ***Raw Holdings (SR/38)*** October 2023.

Due on Site/ On Site

- ***Blindwells (SR/23):*** Golden Brick delayed due to legal issue on planning condition. Discussions underway with contractor to overcome this to agree a way forward and conclude contract.
- ***Deans South (SR/65):*** Spend higher than budget as site acquisition took place this financial year, budgeted last year, combined with good progress on site.
- ***MacMerry (SR/36):*** Spend less than budget due to a delay in power being activated on site, caused a delay in construction works. This has been resolved and the next stage of the build is progressing well. Handover of 7 units completed in Q3. Final handovers expected Q4.
- ***Rosewell (SR/25***): On site following Board approval in August 2023. Spend higher than budget due to Golden Brick payments paid in Q3 combined with excellent progress to date.
- ***Rowanbank (SR/33):*** Work on site progressing well, on track to meet revised completion of June 2024.
- ***Sibbalds Brae (SR/29):*** Missives agreed and signed in November 2023. Spend behind budget as further site remediation work has been identified. Workings towards achieving Golden Brick in June 2024, later than budgeted.
- ***Southfort (MMR/14 and SR/11):*** Work on site progressing well and ahead of schedule.
- ***St Crispins (MMR/4 and SR/8):*** Board approval received in June 2023. Work on site progressing well.
- ***Wallyford 5/AB (MMR/61 and SR/29):*** Spend behind budget due to change in contractor. Main site works now commenced after legal contract signed January 2024.
- ***Wallyford Phase 2 (MMR/15 and SR/45):*** MMR units completed July 2023. SR units expected to complete by Q4 23/24.
- ***West Craigs Phase 1 & 2 (MMR/168 and SR/132):*** Budgeted spend at start of year was initially low, based on concerns on ability to progress site due to potential issue with infrastructure works. However, this has now been resolved and site is progressing well, slightly ahead of programme. First phase handovers scheduled Q1 2024/25.
- ***West Craigs Phase 3 (MMR/55 and SR/70):*** Delayed start, now resolved. Under construction with good progress.
- ***Winchburgh BB (MMR/29 and SR/52):*** Under construction with good progress to date.

Feasibility/ Not Progressing

- ***Deans South Ph2 (SR/44):*** Discussions with Springfield and legal team in progress to conclude contracts early 2024/25.
- ***River Gore Ph1 (SR/12):*** Development is not progressing.

8) Balance sheet

	31 December 2023 £'000	31 March 2023 £'000
Fixed Assets		
Social Housing Properties	489,550	443,504
Other Fixed Assets	11,152	10,392
Investment Properties	37,145	37,145
	537,847	491,041
Current Assets		
Stock	849	759
Trade debtors	535	470
Other debtors	2,535	5,689
Rent & Service charge arrears	1,541	1,598
less: Provision for rent arrears	(977)	(997)
Prepayments and accrued income	1,986	790
Intercompany debtors	1,181	416
Total Debtors	6,802	7,966
Cash & Cash Equivalents	4,141	2,566
	11,792	11,291
Creditors: within 1 year		
Trade Creditors	(1,198)	(622)
Accruals	(9,066)	(7,510)
Deferred Income	(63,543)	(42,667)
Prepayments of Rent and Service Charge	(1,744)	(1,512)
Other Creditors	(641)	(1,479)
Amounts due to Group Undertakings	(9,607)	(9,054)
	(85,798)	(62,844)
Net Current Liability	(74,006)	(51,553)
Long Term Creditors		
Loans	(35,084)	(34,675)
Amounts due to Group Undertakings	(181,859)	(169,347)
Pension Liability	(1,284)	(1,284)
Net Assets	**245,612**	**234,182**
Capital and Reserves		
Share Capital	-	-
Revenue Reserve b/f	234,182	221,578
Surplus in the year	11,430	(7,598)
Revenue Reserve transferred from WLHP	0	20,202
Association's funds	**245,612**	**234,182**

Key highlights year to date:

The balance sheet reported reflects the audited statutory accounts to 31 March 2023 and includes year end statutory adjustments, 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 -** have decreased by £1.2m. Prepayments and accrued income of £2.0m has increased by £1.2m mainly due to the timing of payments and receipt of income. Other debtors of £2.5m, decreased by £3.2m from March 2023. This is due to receipt of grant income in 2023/24, claimed from Scottish Government which had been accrued in 2022/23.

•**Cash at Bank** – At 31 December 2023 cash at bank was £4.1m. The £1.5m increase from March relates to timing of receipt of grant income.

•**Short-Term Creditors** – Amounts due within one year of £85.8m includes £9.6m due to other Wheatley entities, £9.1m in accruals and £63.5m 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 (including payroll creditors).

•**Loans** of £216.9m relate to funding drawn down from WFL1 and external funding of £35.1m due to THFC and Allia (inclusive of rolled up interest charges).

9) Quarter 3 Forecast to 31 March 2024

	Q3 Forecast £ks	2023/24 Budget £ks	Variance £ks
INCOME			
Rental Income	38,344	38,215	129
Void Losses	(606)	(475)	(131)
Net Rental Income	**37,738**	**37,740**	**(2)**
Grant Income Recognised in the Year	14,881	15,847	(966)
Other Grant Income	930	1,348	(418)
Other Income	5,650	7,194	(1,544)
TOTAL INCOME	**59,199**	**62,129**	**(2,930)**
EXPENDITURE			
Employee Costs - Direct	4,628	4,491	(137)
Employee Costs - Group Services	2,927	2,978	51
ER/VR	540	540	0
Direct Running Costs	4,220	4,221	0
Running Costs - Group Services	1,562	1,585	23
Revenue Repairs and Maintenance	7,332	7,164	(168)
Bad Debts	304	404	100
Depreciation	13,631	13,631	0
TOTAL EXPENDITURE	**35,144**	**35,014**	**(130)**
NET OPERATING SURPLUS / (DEFICIT)	**24,055**	**27,115**	**(3,061)**
Net Operating Margin	*41%*	*44%*	*-3%*
Interest receivable	33	13	20
Interest payable	(8,759)	(8,696)	(63)
STATUTORY SURPLUS / (DEFICIT)	**15,329**	**18,432**	**(3,104)**

	Q3 Forecast £ks	2023/24 Budget £ks	Variance £ks
INVESTMENT			
Total Capital Investment Income	**42,530**	**53,717**	**(11,187)**
Total Expenditure on Investment	7,289	7,079	(210)
New Build & Other Investment	69,490	94,278	24,788
Other Capital Expenditure	1,014	1,043	29
TOTAL CAPITAL EXPENDITURE	**77,793**	**102,400**	**24,607**
NET CAPITAL EXPENDITURE	**35,263**	**48,683**	**13,420**

Comments

This table shows the Q3 forecast for 2023/24. The forecast out-turn reflects the results for the year to date as well as expected expenditure for the remaining 3 months of the year.

The forecast statutory surplus of £15,329k is £3,104k unfavourable to budget mainly due to lower than budgeted income across all income categories.

Income

- Rental Income is forecast to be £2k unfavourable to budget due to early handovers throughout the year at Raw Holdings offset by higher void loss occurring at Harbour and the supported services.
- Grant income recognised of £14,881k is £966k adverse to budget, mainly attributable to the Wisp 3C and Raw Holdings scheduled for 2023/24 which completed in 2022/23, offset partially by delays to handovers at Roslin Ph1 & 2 that moved grants from 2022/23 into 2023/24.
- Other grant income is forecast to reduce by £418k as a result of reduced SHNZ grant funding (with a corresponding reduction in Investment spend).
- Other income is forecast to be £1,544k adverse to budget with a reduction in forecast gift aid income receivable from WDS as well as delayed handovers of MMR units at Wallyford 7 and Roslin Ph2.

Expenditure

- Employee costs are forecast to be £86k unfavourable due to increased agency, relief and overtime costs. There was also an agreed change to budgeted staffing structure resulting in additional 4 housing officers to maintain patch sizes within agreed levels.
- Group services running costs are forecast to be £23k favourable due to savings made in Solutions.
- Repairs and maintenance spend is forecast to be £168k higher than budget. Reflecting the continued increase in demand and material prices, reactive repairs are due forecast to be £446k over budget, with cyclical repairs providing a saving of £279k following the reprogramming of works.
- Bad debts are forecast to be £100k favourable to budget following positive action taken by the debt recovery team in the year.
- Interest payable is expected to be £63k unfavourable to budget linked to a higher variable rates than assumed in the budget.

Investment

- Capital investment income received is expected to be £11.2m lower than budget with reduced New Build spend and grant funded SHNZ project works.
- Investment expenditure is forecast to be £210k higher than budget due to higher spend on voids and capitalised repairs, partially offset by the reprofiling of grant funded SHNZ project works.
- New build expenditure is forecast to be £24.8m under budget mainly relating to reprofiled spend at Wallyford Area 5 (£9.6m) due to delayed start onsite and change of contractor; Westcraigs Ph3 (£6.9m) due to delay in grant funding; Winchburgh BB (£3.1m) due to delays in acquisition of site, Sibbalds Brae (£3.9m) and Deans South Ph2 (£5.4m) due to delayed site starts. This is offset by higher than budgeted spend at Westcraigs Ph1&2 (£6.3m) due to the site progressing ahead of schedule.

3) Underlying surplus – Q3 Forecast 2023/24

Key highlights:

- The forecast Operating Statement (Income and Expenditure Account) is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The 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, group gift aid and depreciation, including capital expenditure on our existing properties.
- The Q3 Forecast underlying surplus of £4,337k is £839k unfavourable to budget. The variance is primarily driven by higher expenditure in repairs, capitalised repairs and voids.

WH East Underlying Surplus - Q3 Forecast

	YTD Forecast £k	YTD Budget £k	YTD Variance £k
Net Operating Surplus	24,055	27,115	(3,060)
add back:			
Depreciation	13,631	13,631	-
less:			
Grant income	(14,881)	(15,847)	966
Net interest payable	(8,726)	(8,683)	(43)
Total expenditure on Core Programme	(7,289)	(7,079)	(210)
Gift Aid	(2,453)	(3,961)	1,508
Underlying surplus	**4,337**	**5,176**	**(839)**

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

Date of Meeting: 8 February 2024

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1. Purpose

1.1 This report presents an update on performance delivery against targets and strategic projects for 2023/24 to the end of quarter 3.

2. Authorising and strategic context

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

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

2.3 The Group Board agreed an updated programme of strategic projects and performance measures and targets 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 ("Charter") 2023/24.

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

3.4 To reflect our differing rent billing cycles, financial rent-based measures in Appendix 2 continue to report legacy properties as "WHE A" and former WLHP properties that transferred in August 2022 as "WHE B". The main body of the report uses combined "WHE C" figures.

4. Discussion

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

Delivering Exceptional Customer Experience

Customer First Centre

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

4.3 The new cloud-based telephone system 'STORM' successfully completed its launch across the CFC in November. As we develop reporting, this will enable us to better understand customer demand and the key areas for improvement. We are already actively exploring how we can harness the potential of the system now that we have completed the first phase of implementation.

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

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

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

Table 1

Measure	2023/24		
	Value YTD	Target	Status
WHE - CSAT score (customer satisfaction)	4.2	4.5	
WHE - % calls answered <30 seconds (Grade of Service)	69.07%	Contextual	N/A
WHE - Average waiting time (seconds)	56.16	Contextual	N/A
WHE - Call abandonment rate	5.22%	5%	
Group - % first contact resolution at CFC (Customer Service Advisors)	85.94%	90%	
Group - Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	7.01%	<10%	
Group - Email % responded to within 48 hours	100%	100%	
Group - Webchat % first contact resolution	100%	Contextual	N/A

4.7 Our overall CFC CSAT score is 4.2 at the end of quarter 3, the same as at the end of quarter 2. However, in December WHE scored 4.4/5 on CSAT. The CFC has been refining the framework for analysing feedback and implementing initiatives to address any areas that may require improvement, informing progress towards the CSAT target of 4.5/5.

4.8 At the end of the quarter 3, there has been an improvement in performance for Grade of Service, abandonment rate and average wait time, and over 69% of our customers still wait less than 30 seconds to have their call answered.

4.9 The CFC aim is to provide quality solutions for our customers, negating the need for them to call again or for enquiries to have to be dealt with elsewhere. We are mindful that a balance has to be struck between our ability to provide a first contact resolution through an appropriate length of call and the time customers are waiting for their call to be answered.

4.10 The Group resolved 85.94% of calls handled at first contact for the year to date, with performance at over 86% for December. In addition, the CFC continue to support Housing and Lowther staff with only 7.01% of customer interactions passed to them for resolution.

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

Complaints Handling

4.12 Our performance on the Charter measure average time for a full response to complaints was within target for both stage 1 and stage 2 complaints. Stage 2 response timescales have significantly improved from 2022/23.

Table 2

Charter - average time for a full response to complaints (working days)				
Subsidiary	**2022/23**		**2023/24 – YTD**	
	Stage 1 (5 day)	**Stage 2** (20 day)	**Stage 1** (5 day)	**Stage 2** (20 day)
WHE	3.89	18.27	3.74	16.78

4.13 We have steadily improved performance on the SPSO indicator 2 and have now reached our target of 95% of stage 1 complaints responded to within 5 days, following improvements in each quarter of the year. The SPSO asks us to split measurement of stage 2 complaints timescales between those that went through a stage 1 complaint first and those that we allocated directly to stage 2. We have responded to 100% of stage 2 complaints in the normal process within timescale. For the small number that were treated directly at stage 2 (normally as a result of the complexity or severity of the complaint) 2 out of 9 were not responded to in time. Both of these were in the first quarter of the year with performance at 100% since then.

Table 3

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales – YTD 2023/24			
Subsidiary	Stage 1 - responded to within 5 working days	Stage 2 - responded to within 20 working days	Escalated complaints - responded to within 20 working days
WHE	95.35%	77.78%	100.00%

4.14 Work done earlier in the year to provide quicker reminder triggers and a more rapid resolution timescale for stage 2 complaints has supported the improvement in performance. Additional training is currently being piloted and will be rolled out in March and April of this year. This will provide Housing Officers and other frontline officers with further tools to help ensure thorough, compassionate and empathetic communication with customers. It will focus particularly on improving our stage 1 responses to customers, helping to ensure that dissatisfied customers get swift resolution of issues.

Tenancy Sustainment

4.15 Tenancy Sustainment is a measure of new tenancies commenced in the previous reporting year where the customer remains in their home for more than a year. As well as new customers benefiting from remaining in their tenancy for longer, improvement in this measure reduces lost rent and resources required for re-letting.

4.16 We continue to support our new customers to sustain their tenancies and to deliver strong performance in both the Scottish Housing Regulator's Charter measure and our revised indicator, the revised measure excludes deaths and transfers to other homes in the Group. We continue to exceed target for both these measures.

Table 4

Tenancy Sustainment	Charter YTD	2023/24 Target	Revised YTD	2023/24 Target
WHE	91.81%	90%	94.38%	91%

Making the Most of Our Homes and Assets

New Build Programme

4.17 Our target is to deliver a total of 204 new homes in 2023/24 (156 social and 48 MMR homes).

4.18 Despite the acceleration of some handovers to the end of 2022/23 impacting on our year-to-date variance in quarter 1, we have completed 158 homes year to date to the end of quarter 3, which is eight less than planned by this point in the year. The 158 units were at Wisp 3C, Roslin Phase 1 and 2, Penicuik, Wallyford 7, Raw Holdings, and Macmerry.

Table 5

Sites	Handovers (YTD)	Target (YTD)	Difference in handovers to 31 December
The Wisp Phase 3C (Social)	12	35	-23
Roslin Ph 1 (Social)	12	12	0
Roslin Ph 2 (Social)	6	0	+6
Roslin Ph 2 (MMR)	14	0	+14
Penicuik (Social)	35	35	0
Wallyford Area 7 (MMR)	15	15	0
Wallyford Area 7 (Social)	22	33	-11
Raw Holdings (Social)	34	0	+34
Raw Holdings (MMR)	0	0	0
Macmerry	8	36	-28
Totals	158	166	-8

4.19 All units at Doctor's Field in Rosewell have achieved golden brick. The final six units at Victory Lane have also reached golden brick stage.

4.20 Missives have been concluded for the development at Sibbalds Brae in Bathgate with Taylor Wimpey. Golden brick applies to this development, with the first tranche of golden brick works expected to be achieved in June 2024. As we are in a concluded contract with grant approval in place and with construction work underway, we have moved this project to on site.

4.21 The legal agreement at Blindwells has been delayed due to late running of upgrade works to the A1 road, which are required by the planning approval to be undertaken by the site-wide landowner, Hargreaves. Preparations for commencement of these works are now underway and we are continuing to review options that would allow the legals to progress.

4.22 28 Social Rent units will be handed of at MacMerry through January to March.

4.23 The final 11 Social Rent units at Wallyford 7 will be handed over in January.

<u>Volume of Emergency Repairs</u>

4.24 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%.

Table 6

Completed emergency repairs	YTD 22/23	YTD 23/24	Variance
WHE	6,553	6,454	-1.51%

4.25 We have carried out 99 emergency repairs less than the same point last year and have a variance of -1.51%.

4.26 While customer demand continues to have an impact on this measure, work is ongoing with the CFC to ensure emergency repairs are diagnosed appropriately. It is useful to also note that complete emergency repairs YTD 2023/24 are 27.56% of all completed repairs (emergency and non-emergency). This is an improvement on 29.42% at the same point last year.

Repairs Timescales

4.27 Our average time taken for emergency repairs is 3.13 hours at the end of quarter 3, above the 3-hour target. This is an improvement on 3.3 hours at quarter 2.

4.28 The below table also shows the average time taken for non-emergency repairs at 7.89 days, above this year's target of 7 days. This is an improvement on 8.56 days at quarter 2.

Table 7

Repairs completion timescales (Charter)	Emergency (hours)		Non-emergency (days)	
	Target	YTD Value	Target	YTD Value
WHE	3.00	3.13	7.0	7.89

Right First Time

4.29 Right first-time repairs performance year to date to the end of quarter 3 is meeting the 90% target at 92.21%, an improvement from 90.67% at quarter 2.

4.30 Timescales to complete non-emergency repairs, in particular overdue repairs, affect the right first-time measure and therefore the actions explained in the above section have potential to support improvement in this measure longer term.

Table 8

Percentage of repairs right first time (Charter)	2022/23	2023/24 YTD	Target	
WHE	94.59%	92.21%	90%	

Repairs Satisfaction

4.31 To the end of December, we are on target at 94.79%. This is a small improvement from quarter 2 (94.41%). This measure covers a rolling 12-month period and is based on the paper surveys we issue after repairs, returned via white mail, and have generated 326 survey responses in the 12 months to end of quarter 3.

Table 9

Repairs Satisfaction	Current value	2023/24 Target	
WHE	94.79%	90%	

Rate It

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

4.33 For the year to date following launch, the ‘Rate It’ score is 4.3/5 (from 2,415 customer responses, representing 16.2% of feedback links shared with customers).

Responsive repairs: Damp and mould

4.34 We continue to monitor repairs related to mould, with updates provided to help facilitate greater scrutiny over these types of repairs. The CFC are now raising every job related to damp, mould, condensation or rot as a mould line. We currently have 35 live cases, 60% are within the 15 day timescale.

Table 10

Area	Total cases completed in month	No mould found	Category		
			3 (mild)	2 (moderate)	1 (severe)
East	102	5	97	0	0

4.35 Our strategic measure is to complete mould repairs in 15 days, 89.24% of completed mould repairs year to date have been completed in 15 days, against a target of 90%.

Medical Adaptations

4.36 Time to complete medical adaptations remains strong at an average of 13.99 days year to date. While this has increased slightly from last quarter, it is well within the 25-day target, is an improvement on 14.56 days for the same quarter last year.

4.37 We have completed 184 adaptations, an increase compared to 174 to the third quarter last year, and currently have 9 households waiting.

Table 11

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD	Target
WHE	9	184	13.99	25

Gas Safety

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

Compliance

4.39 We have made good progress in the second quarter of the year. All of our relevant properties (45) are compliant with Legionella assessment requirements. We have carried out safety inspections on all our passenger and domestic lifts.

4.40 At the end of quarter 3, we have reduced the number of properties without a valid EICR to 6, from 7 last quarter. In addition, we are making excellent progress with inspection of the EICRs due to expire before 31st March 2024 with 90.41% complete at this point.

Changing Lives and Communities

Peaceful Neighbourhoods

4.41 Our Group strategic measure is for over 70% of our customers to live in neighbourhoods categorised as peaceful by the end of the strategy period. Peaceful communities are defined as communities where customer reported incidents of antisocial behaviour to Police Scotland are reducing and social deprivation indicators in the associated data zone are improving.

4.42 As highlighted last quarter, the data from Police Scotland for the “Peaceful Communities” measure was recalibrated, due to the changes in the way Police Scotland produce data on antisocial behaviour incidents.

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

4.44 Consideration will be given to the strategic target in light of the new Police Scotland methodology and resultant positive change to current performance during the 2024/25 measure and target review.

Accidental Dwelling Fires

4.45 As a Group we set a Strategic Result to reduce accidental dwelling fires (ADFs) by 10% by 2025/26.

4.46 This year we have had six accidental dwelling fires to the end of quarter three, a reduction on the eight we had to the same period last year.

Table 12

Number of recorded accidental dwelling fires	2023/24 YTD	2022/23
WHE	6	9

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

Table 13

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

4.48 In addition to HMOs we also undertake fire risk assessments in care premises, workshops & depots, offices and Livingwell sites.

Reducing Homelessness

4.49 We have provided 214 homes to homeless households this year to date. Our % of relevant lets made to homeless applicants to the end of December remains high at 58.25% (relevant lets exclude mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants).

Table 15

RSL	2023/24 Number of lets to homeless applicants (ARC) - YTD	2022/23 Number of lets to homeless applicants (ARC) – full year
WHE	214	314

Jobs and Opportunities

4.50 Over 110 children in our households have now been supported through Foundation programmes so far, this financial year. This significantly exceeds the target.

4.51 The Wheatley Works team has supported 140 jobs, training and apprenticeship opportunities within our households by the end of quarter 3. Mentors will continue to work with staff to encourage tenants to take up the jobs and training opportunities available to them.

Table 16

Indicator	Target (YTD)	Current Performance YTD	2022/23
Number of vulnerable children benefiting from targeted Foundation programmes	53	114	654
Total number of jobs, training places or apprenticeships created by Wheatley Group including Wheatley Pledge	33	140	131

Developing our Shared Capability

Sickness Absence

4.52 We are currently above the 3% sickness target at 3.76% year to date. This is an improved position compared to quarter 2 (4.09%). This is mainly impacted by Care absences; it is worth noting that Wheatley Care's target is 5%.

Table 17

Sickness Rate	Target	2023/24 YTD	2022/23
WHG	3%	3.76%	3.53%

4.53 There was no distinguishable trend in terms of reason for absence in quarter 3 with Accident/Injury – not work related (38%) being dominant reason for absence in October, Musculoskeletal (35%) in November and Minor Illness (60%) being dominant reason for absence in December.

4.54 Ongoing support to help staff members with a range of issues was provided in Q3 via a number of Academy e-learning modules. This included Stress Awareness, Personal Resilience and Mental Health Awareness.

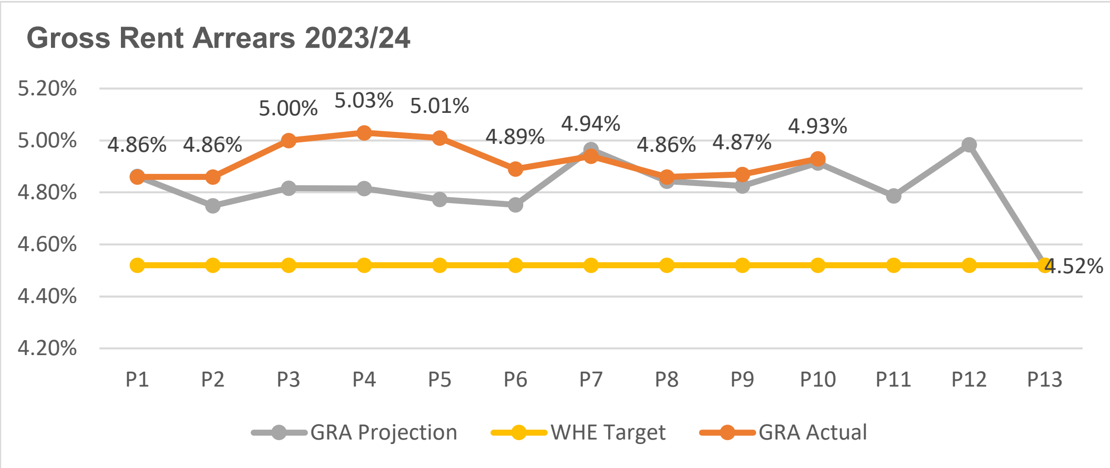
4.55 In December 2023, the Employee Relations team continued to support managers with staff members across the group experiencing stress and anxiety by ensuring staff are being offered all available support initiatives such as PAM-Assist and bespoke counselling.

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

Enabling our Ambitions

<u>Gross Rent Arrears</u>

Chart 1



4.57 Our GRA at 4.93% is only 0.02 above projection for this point in the year, we have shown improvement from 4.94% at quarter 2 and 5.03% at quarter 1.

4.58 To ensure we meet our year-end target and in order to drive the necessary performance improvements, the immediate focus is on the WHE B (former WLHP) area. We have commenced a specialised approach, an individual housing officer has been deployed to focus on arrears management, with targets set down to patch level. We have also put in place joint working with Group Debt Recovery to ensure consistent messaging with customers when contacted by both Housing Officers and Debt Recovery Officers.

4.59 In adopting the WHE B approach, we have developed an action plan for the wider areas, whereby a small team of housing officers has been set up to focus solely on arrears management, with each housing officer taking a lead role for a ‘cluster’ of patches for the final quarter of the reporting year. Our resource of Welfare Benefits Advisors have also been attached to these patch clusters for continuity and to provide support to both the housing officer and customers where identified.

4.60 This approach will allow a sustained focus to our income maximisation as well as ensuring timely intervention, escalation and referring to wraparound support services as quickly as possible where required. Each lead will meet with Head of Housing on a weekly basis to discuss individual cases and report on progress. In parallel, Heads of Housing will continue to review individual patches and cases to identify opportunities for improvement.

4.61 In addition to this refined focus, our Business Improvement Team have commenced further analysis around local assurance, examining individual case status with findings being scrutinised at senior management performance meetings.

Average Days to Re-Let (Charter)

4.62 Our average days to re-let have improved from 14.27 days at the end of quarter 2 to 13.61 days for the current year-to-date.

Table 18

Average days to re-let (Charter)	2023/24 YTD		2023/24 Target	2021/22 Results
WHE	13.61		16	18.00

Summary of Strategic Project Delivery

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

Table 19

Complete	On track	Slippage	Overdue
1	2	2	2

4.64 One project completed during quarter 3:

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

The following projects are currently slipping:

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

The following projects are currently overdue:

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

5. Customer engagement

5.1 We have several strategic projects that facilitate opportunity for customer engagement, as do new customer feedback channels such as MyVoice and Book It, Track It, Rate It. This will directly impact the way we deliver services, the way they can be drawn down by customers and how customers can share their views on these services.

6. Environmental and sustainability implications

6.1 One of our strategic projects for 2023/24 focuses on implementation of the Group sustainability framework. This includes a refined sustainability performance framework and delivery plan which is overseen by the Wheatley Solutions Board.

7. Digital tranformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2023/24 have been developed and prioritised with IT, digital and data interdependencies a key factor.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

9.2 RSLs are also required to involve tenants in the scrutiny of performance, which we do through the Group Scrutiny Panel, and to report to tenants on performance by the end of October each year, which we have done.

10. Risk appetite and assessment

10.1 This report covers performance across each of our strategic themes and as such there is no single agreed risk appetite. Having a strong performance management culture will support our progression from excellence to outstanding for which we have an open risk appetite in relation to operational delivery with cautious appetite in relation to compliance with law and regulation.

11. Equalities implications

11.1 Project monitoring and evaluations consider equalities information and Equalities Impact Assessments are undertaken at the outset of new programmes to ensure compliance with equality legislation, where applicable.

12. Key issues and conclusions

12.1 We have strong performance against our targets for 2023/24 in several key areas including complaint response times, tenancy sustainment, repairs right first time, repairs satisfaction, adaptation completion timescales, new build mid-market, turnover and re-letting times. Areas for continued focus continues included repair completion timescales, sickness absence and arrears.

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 23/24 - Strategic Measures

1. Delivering Exceptional Customer Experience

	2022/23	YTD 2023/24		
Measure	2022	2023		
	Value	Value	Target	Status
Average time for full response to all complaints (working days) - overall	5.29	5.36		
Average time for full response to all complaints (working days) - Stage 1	3.89	3.74	5	
Average time for full response to all complaints (working days) - Stage 2	18.27	16.78	20	
% new tenancies sustained for more than a year - overall (ARC)	91.23%	91.81%	90%	
Group - % of first contact resolution at CFC	88.99%	85.94%	90%	
Group - Call abandonment rate	4.72%	5.43%	5%	
Group - Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	6.15%	7.01%	10%	
Group - % calls answered <30 seconds (Grade of Service)	76.79%	69.17%		
Group - Average waiting time (seconds)	57.64	59.63		
WHE – CFC Abandonment Rate	4.21%	5.22%	5%	
WHE – CFC Grade of Service	77.43%	69.07%		
WHE - Average Wait Time	43.76	56.16		

2. Making the Most of Our Homes and Assets

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
Reduce the volume of emergency repairs by 10% by 2025/26 (target -3.34% for 2023/24)	Apr-Dec 22/23 6,553	Apr-Dec 23/24 6,454	-1.51%	
Average time taken to complete emergency repairs (hours) – make safe	3.13	3.13	3	
Average time taken to complete non-emergency repairs (working days)	6.93	7.89	7	
% reactive repairs completed right first time	94.59%	92.21%	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%	94.79%	90%	
Average time to complete approved applications for medical adaptations (calendar days)	14.31	13.99	25	
% Planned repair spending	50.12%	40.42%	60%	
% Reactive repair spending	49.88%	59.58%	40%	
New build completions - Social Housing	251	129	151	
New build completions - Mid-market	32	29	15	
Number of HSE or LA environmental team interventions	0	0	0	
Group - Number of open employee liability claims	13	12		
Group - Number of days lost due to work related accidents	464	488.5		
Number of new employee liability claims received	1	0	0	

3. Changing Lives and Communities

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
% ASB resolved	100%	96.32%	98%	
% Lets Homeless Applicants - overall (ARC)	47.69%	50.12%		
% Relevant lets to Homeless Applicants	58.62%	58.25%		
Number of lets to homeless applicants	314	214		
Total number of jobs, training places or apprenticeships created including Wheatley Pledge	131	140	53	
Group - % of our customers live in neighbourhoods categorised as peaceful	68.5%	76.38%	69%	
Group - 100% of relevant properties have a current fire risk assessment in place	100%	100%	100%	
Group - The percentage of non-relevant properties that have a current fire risk assessment in place	100%	100%	100%	
Number of accidental fires in workplace	0	0	0	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue	9	6		

4. Developing Our Shared Capacity

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
Sickness Rate	3.53%	3.76%	3%	

5. Enabling Our Ambitions

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
% lettable houses that became vacant	7.37%	6.49%	7.3%	
% court actions initiated which resulted in eviction - overall	26.32%	57.14%		
Average time to re-let properties	18	13.61	16	
WHE C - Gross rent arrears (all tenants) as a % of rent due	4.63%	4.93%	4.52%	
WHE A - Gross rent arrears (all tenants) as a % of rent due	4.64%	4.80%		
WHE B - Gross rent arrears (all tenants) as a % of rent due	4.59%	5.89%		

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 (b)	31-Mar-2024		60%	01. Programme of research and engagement with customers on online repairs service to further refine functionality and usability	30-Sep-2023	Yes	WHE Servitor migration is proceeding on target for end March 2024.
				02. CBG IT integration – Boxi reporting system implementation	31-Oct-2023	Yes	
				03. WHS DRS upgrade	31-Oct-2023	Yes	
				04. CBG DRS upgrade	31-Oct-2023	No	
				05. Servitor and DRS fully implemented in WHE	31-Mar-2024	No	
Group wide implementation of Roll out Book it, Track it, Rate it (b)	31-Aug-2023		100%	01. Pilot commencement in Wheatley Homes East	30-Apr-2023	Yes	Complete
				02. Pilot finalised in with City Building delivered repairs	31-May-2023	Yes	
				03. Pilot commencement in Wheatley Homes South	31-May-2023	Yes	
				04. Pilot evaluation, including customer feedback, and agreement to go live - City Building	30-Jun-2023	Yes	
				05. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes East	31-Jul-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				06. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes South	31-Aug-2023	Yes	
My Voice – real time customer feedback reporting (b)	31-Mar-2024		60%	01. MY Voice CFC pilot concluded	30-Apr-2023	Yes	Key service pillars being onboarded to complete end Feb 2024 with project on track for 31 March.
				02. CFC customer insight operational framework implemented	31-May-2023	Yes	
				03. Implementation plan for key service pillars developed and approved by ET	31-May-2023	Yes	
				04. On-board key service pillars to MY Voice customer insight platform	30-Nov-2023	No	
				05. Implement operational frameworks	31-Mar-2024	No	
Migration to new cloud telephony platform (b)	31-Mar-2024		80%	01. Group Board approval of contract award	30-Apr-2023	Yes	The CFC and all specialist teams are now live on Storm. Work Force Management went live in January with reporting expected to be fully operational by the end of February. Work to migrate all Care, Concierge and remote sites under way and due to be complete for 31 March 24.
				02. Vendor Contract Award	31-May-2023	Yes	
				03. Full project delivery plan developed and commenced	31-Jul-2023	Yes	
				04. Phase 1 launch	31-Dec-2023	Yes	
				05. Phase 2 launch	31-Mar-2024	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Implement Group sustainability framework (b)	31-Dec-2023		80%	01. Sustainability delivery workshop with nominated group leads	30-Apr-2023	Yes	Recent proposed revisions to the required energy efficiency of our properties through the social housing net zero standard consultation, make it more appropriate to report on progress against our sustainability strategy after the year end. This reporting is now planned for end June 2024.
				02. Refine sustainability performance monitoring framework	31-May-2023	Yes	
				03. Develop sustainability delivery plan	30-Jun-2023	Yes	
				04. Quarterly sustainability updates to ET	30-Jun-2023	Yes	
				05. Annual sustainability progress report via PNAG to Group Board	31-Dec-2023	No	
Develop a new, integrated Neighbourhood Planning Approach (b)	28-Feb-2024		83%	01. Deliver workshop with key people involved in Neighbourhood tools and scoring mechanisms to map out roles and remit	31-May-2023	Yes	Draft approaches to Neighbourhood for WHE, WHS and Loretto was presented to ET on 16th Jan 2024 with presentations going to each February Board.
				02. Develop a technical guidance document around application of tools and the scoring mechanisms within the neighbourhood assessment	30-Jun-2023	Yes	
				03. Trial and test the neighbourhood assessment, including customer engagement, in one neighbourhood within WHG	31-Jul-2023	Yes	
				04. Based on the neighbourhood assessment, propose an example neighbourhood plan	30-Sep-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				05. Provide worked example to WHG Board to review and agree as a model going forward	30-Sep-2023	Yes	
				06. Draft Neighbourhood approach for wider group to RSL Boards	28-Feb-2024	No	
[redacted]							

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: 8 February 2024

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1. Purpose

1.1 To update the Board, seeking approval where appropriate, on the following governance-related matters:

- Group Code of Conduct;
- Governing Body Member Expenses and Allowances Policy;
- Board Member CPD Programme; and
- Board Agenda Planner 2024.

2. Authorising and strategic context

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

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

3. Background

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

3.2 The Group RAAG Committee oversees the governance arrangements within our group, including the skills mix of Board members and training requirements. The Group RAAG Committee approved a rolling 3-year CPD programme at its meeting on 20 December 2023.

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

4. Discussion

Group Code of Conduct for Governing Body Members

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

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

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

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

Governing Body Member Expenses and Allowances Policy

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

Board Member CPD Programme

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

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

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

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

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

4.11 The CPD programme for 2024 is set out in Appendix 3b and will focus on the subject areas set out below. Details about each of the events are provided in the appendix, including a recommendation about which are mandatory. Given the subject matter, in most cases, we have recommended making these mandatory and to support attendance, we have also proposed to either hold them at the time of our Board meetings or offer date or venue options.

4.12 The programme includes:

- Role of a non-Executive (for new and existing Board members who wish a refresher);
- Equality, Diversity and Inclusion (EDI);
- Cyber Security;
- Financial reporting (optional).

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

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

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

<u>Governing our Group</u>

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

4.16 The above reflects the feedback from our Board members, who felt a 'State of the Nation' style event would be most productive. The date of the event will be confirmed as soon as possible. The second event would be our annual social event, the festive lunch, on 18 December 2024.

<u>2024 Agenda Planner</u>

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

5. Customer engagement

5.1 As internal governance related matters, the content of the report is reserved to the Board. As such, no customer engagement has been appropriate.

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 links to the digital transformation programme associated with this report.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

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

10. Risk appetite and assessment

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

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

11. Equalities implications

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

12. Key issues and conclusions

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

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

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

13. Recommendations

13.1 The Board is asked to provide feedback on and otherwise note:

1) The updated Group Code of Conduct and policies approved by the Group Board
2) The 2024 CPD programme and 3-year rolling programme; and
3) Our 2024 annual agenda planner.

LIST OF APPENDICES

Appendix 1a:	Group Code of Conduct
Appendix 1b:	Group Code of Conduct: Guidance
Appendix 1c:	Group Code of Conduct – Breach Protocol
Appendix 2:	[redacted] available here
Appendix 3a:	Rolling Board Member CPD Programme
Appendix3b:	2024 Board Member CPD Programme
Appendix 4:	2024 Board Agenda Planner

Code of Conduct for Governing Body Members

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

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

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1. Introduction

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

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

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

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

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

2. Who the Code applies to

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

3. How the Code is structured

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

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

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

4. The Principles

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

A. Selflessness

B. Openness

C. Honesty

D. Objectivity

E. Integrity

F. Accountability

G. Leadership

A. Selflessness

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

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

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

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

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

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

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

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

B. Openness

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

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

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

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

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

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

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

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

C. Honesty

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

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

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

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

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

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

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

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

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

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

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

D. Objectivity:

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

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

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

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

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

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

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

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

E. Integrity:

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

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

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

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

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

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

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

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

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

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

F. Accountability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Declaring and Managing Personal Interests

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

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

6. Breach of this Code

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

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

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

7. Acceptance

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

Name……………………………………………………………………

Date……………………………………………………………………

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

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

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

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

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

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

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

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

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

Breach of the Code

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

How the Code is structured

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

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

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

The Principles of the Code

The seven principles of the Code are:

A. Selflessness

B. Openness

C. Honesty

D. Objectivity

E. Integrity

F. Accountability

G. Leadership

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

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

A. Selflessness

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

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

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

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

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

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

B. Openness

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

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

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

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

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

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

C. Honesty

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

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

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

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

D. Objectivity

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

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

[4] A6 and B3 are also relevant

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

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

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

E. Integrity

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

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

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

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

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

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

F. Accountability

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

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

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

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

[5] Regulatory Standard 5.6

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

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

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

G. Leadership

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

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

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

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

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

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

G7 echoes provisions regarding bullying and harassment.

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

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

Protocol for Dealing with a Breach of the Code of Conduct

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

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

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

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

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

Conduct at meetings

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

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

Other Complaints

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

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

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

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

Investigation of a potential breach

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

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

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

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

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

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

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

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

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

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

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

Action to Deal with a Breach

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

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

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

Definitions

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

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

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

Approval and Review

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

Wheatley Group

Making homes and lives better
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Competency Fpramework & Continuous Professional Development

A message from the Group Chair

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

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

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

Jo Armstrong
Group Chair

Introduction

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

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

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

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

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

Non-Executive Director Competency Framework

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

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

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

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

<u>Structure of the framework</u>

The Framework is structured on core competencies across three dimensions:

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

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

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

DIMENSION 1 - KNOWLEDGE

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

Corporate Governance

Purpose *Why is it important?*

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

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

Board Leadership

Purpose *Why is it important?*

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

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

Strategy

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

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

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

Finance

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

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

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

DIMENSION 2 - SKILLS

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

Strategic thinking

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

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

Analysis and use of information

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

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

Decision Making

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

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

Communication

Purpose *Why is it important?*

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

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

Leadership

Purpose *Why is it important?*

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

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

DIMENSION 3 - MINDSET

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

Ethical

Purpose *Why is it important?*

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

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

Professional

Purpose *Why is it important?*

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

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

Strategy Orientated

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

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

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

Independent

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

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

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

Aware of Self and others

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

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

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

CONTINIOUS PROFESSIONAL DEVELOPMENT PROGRAMME

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

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

Board induction

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

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

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

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

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

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

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

Ongoing CPD

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

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

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

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

Board appraisal

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

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

TABLE 2 – COMPETENCY FRAMEWORK/CPD PROGRAMME MAPPING

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

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

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

Annual Board Agenda Planner 2024

Meeting date	Items
8 February 2024 (Edinburgh)	Repairs update Rent setting and service charges 2024/25 Finance projections 2024/25 Five-year development programme and new build performance Five-year capital investment plan Neighbourhood approach Property Disposals Fife Care Service Finance Report Performance update Governance update
28 March 2024 (Edinburgh) **Stock Tour**	2024/25 budget Home Safe Building Compliance Update Anti-social Behaviour Policy Framework EDI Action Plan Gender Pay Gap presentation Finance Report Governance update Group Charging Policy Group Engagement Framework Group Procurement – annual strategy and policy updates
23 May 2024 (Edinburgh) **Strategy Workshop**	2023/24 year-end performance and Annual return on Charter return 2024/25 Delivery Plan and performance measures Supporting our customers and communities - Wheatley Foundation Annual Report 2023-24 Fire prevention and mitigation update Health and Safety annual scorecard Customer insight Acquisitions and disposals update Finance Report Risk Register Group Assurance update

Meeting date	Items
	Governance update
22 August 2024 (Edinburgh)	Wheatley Homes East 2021-26 strategy update Performance report 2023/24 Financial Statements Annual Internal Audit Report and opinion Governance Update Finance Report
19 September 2024 (Edinburgh) **AGM & Board Meeting**	New Build development programme: mid-year update Annual SHR assurance report Winter resilience planning Sustainability update Equality, Diversity and Inclusion update Governance update (inc Modern Slavery Statement)
21 November 2024 (Edinburgh)	2025 rent setting Customer insight update Performance and Delivery Plan Governance update (Board appraisal/ updated succession plan) Health and safety update Social Media Policy Finance Report Risk register Assurance update
Unallocated	