



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2023

Wheatley Homes South Limited

(Formerly Dumfries and Galloway Housing Partnership Limited)
(A Charitable Company Limited by Guarantee)

(Company No. SC220297)
(Scottish Housing Regulator Registration No.315)
(Scottish Charity No. SC039896)

STRATEGIC REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the Association is the provision and management of affordable rented accommodation. The Association formally changed its name to Wheatley Homes South (“WHS”) on 27 September 2022. WHS has a significant role in many of the towns and villages in Dumfries and Galloway, owning and maintaining around 10,300 homes in Scotland’s third largest region covering some 2,380 square miles.

OPERATING REVIEW

This year, the second year of our ‘Your Home, Your Community, Your Future’ strategy, saw us consolidate our new operating model and rise to the challenge of supporting our customers through the cost-of-living crisis.

Many of our customers were still coping with the aftermath of the pandemic and the associated financial hardship that it created. We continued to support them in every way we could through the challenges caused by the emerging economic crisis over the year, from the rising price of food to higher energy costs. Our customer-focused way of working, and the range of ways we engage, help us understand the needs of the people we work for and respond to them effectively.

The year saw the launch of our ‘Here for You’ campaign to help alleviate the hardship experienced by so many of our customers delivered on our behalf by the Wheatley Foundation our charitable trust. The campaign brought together our extensive wraparound services under one recognisable banner and also involved signposting customers to help from partner organisations across our communities.

More than 1,800 referrals were made from Wheatley Homes South to ‘Here for You’ over the year, with customers receiving lifeline help with food, fuel, and rent financial support. Overall Wheatley Foundation supported more than 2,700 Wheatley Homes South customers over the year.

This was the first full year of our Customer First Centre, providing 24/7 expert support for customers allowing housing officers to spend more time helping people in our communities. We continued to improve tenant engagement through the introduction of our Customer Voices programme, introducing more ways than ever for customers to help shape our services in ways that suited them best including both in person and online groups. By the end of the year over 1,000 tenants were registered with the programme.

During the year we built 37 new homes over the year and invested £19.2m in planned improvements in existing homes. We also launched our new sustainability framework to set out our approach in our journey towards net zero homes.

Wheatley Group also had an important role in supporting Ukrainian refugees, providing 224 homes to local authority partners to help people fleeing the war, with WHS contributing 13 homes.

STRATEGIC REPORT (Continued)

OPERATING REVIEW (Continued)

Dumfries and Galloway Housing Partnership (“DGHP”) formally changed its name to Wheatley Homes South in September 2022. The name change came about after extensive engagement with tenants and reflects the extra services available to tenants since DGHP joined Wheatley Group in 2019, including employability programmes, environmental services and fuel and welfare advice.

In 2022/23, we consulted with customers and other partners on creating a new, choice-based letting system. A new online housing information, advice and letting service – Homes4D&G – has now launched. Homes4D&G is the common housing register in Dumfries and Galloway in which Wheatley Homes South is the lead partner.

Our enduring commitment to doing all we can for our communities was brought into sharp focus this year as the people we work for faced ever-increasing challenges. There is no doubt teams across Wheatley will continue ‘Thinking Yes Together’ to support our customers whenever they need us.

Here are some of the highlights of the year:

Building new homes

WHS, built 37 homes for social rent over the year – 19 at Nursery Avenue, Stranraer, and 18 at Gillwood Road, Eastriggs.

Work is also underway on 89 new homes at Currie’s Yard in Locharbriggs.

Investing in our homes

We delivered £19.2m of planned improvements to homes and communities over the year.

This included:

- £3.4m on new windows and doors for 353 homes in Annandale and Eskdale, Nithsdale, Stewartry and Wigtown
- £2.2m on new kitchens and bathrooms for 182 homes across Wigtown, Stewartry and Nithsdale
- £2.1m on net-zero technology, including air source heat pumps, solar panels and storage batteries in 96 homes across the region;
- £1.1m on new heating systems for 166 homes in Dumfries;
- £0.7m on external wall insulation and roofing for 28 homes in Stewartry; and
- £0.3m on environmental improvements in Wigtown and Annandale and Eskdale.

We also spent £217k on what customers told us were their priorities through Stronger Voices, including upgrading fencing, paths and retaining walls across the region.

The remaining balance includes £5.9m on void improvements and £2.6m of medical adaptations.

Our repairs service

We renewed our focus on dealing with damp and mould in our homes, shortening our response times and ensuring that reports about damp or mould are investigated within 48 hours with an aim to complete any repairs needed within 15 working days.

STRATEGIC REPORT (Continued)

OPERATING REVIEW (Continued)

Improving our neighbourhoods

We continued our work to create clean and safe neighbourhoods people are proud to live in. Our ongoing partnership with environmental charity Keep Scotland Beautiful saw our communities are inspected and graded to help us drive up standards. In our first year, Wheatley Homes South neighbourhoods achieved the highest five-star rating.

An environmental week of action in March 2023 saw us tackle bulk uplift, and fly tipping, upgrade community spaces and join community groups, schools, and other partner organisations in litter picks, helping us improve neighbourhoods and engage with our customers.

Wheatley's Community Improvement Partnership ("CIP") – a specialist team of seconded police and our own frontline staff – continued to work with communities to tackle anti-social behaviour and crime. At the end of 2022-23, more than two thirds of Wheatley communities were classified as 'peaceful'.

The CIP worked with 150 Wheatley customers over the year to create our 'Neighbourliness Charter' to help create thriving, peaceful communities. The 'Keep the Peace' campaign, which promoted community engagement activities and highlighted support around anti-social behaviour, reached almost 118,000 social media accounts over the year.

In 2022/23, the CIP team worked with partners to tackle drug dealing in Sanquhar and anti-social behaviour in Dumfries, leading to a 50% reduction in reported incidents of anti-social behaviour in Lochside and Lincluden.

We helped protect customers from the risk of fire by carrying out 89 person-centred fire risk assessments – formerly known as home fire safety visits – in Wheatley Homes South homes.

In the past year, we delivered fire safety products to 52 Wheatley Homes South customers, including 25 stove guard devices. We also carried out 22 fire safety improvements and upgraded fire alarms in 99 homes.

The number of accidental fires in Wheatley homes fell for the third consecutive year, amounting to a 32% reduction over that same period.

Letting homes

We have a key strategic objective around the alleviation of homelessness, and we allocated 409 homes to homeless people over the year. This included 8 homes let through Housing First, a multi-agency partnership to tackle rough sleeping in which Wheatley Group plays a leading role. We also provided 13 homes to Dumfries and Galloway Council to house Ukrainian refugees.

STRATEGIC REPORT (Continued)

OPERATING REVIEW (Continued)

Engaging with customers

We helped more of our customers get online this year and encouraged them to engage with us through our digital channels.

More than 61,000 people used the Wheatley Homes South website, over the year. The number of followers on our social media channels, was 7,203, an increase of 238 from the year before.

A total of 633 WHS customers were involved in our Customer Voices programme this year, joining focus groups and surveys to shape Group policies on homelessness and sustainability, as well as equality, diversity and inclusion, and strategies on sustainability, among others.

Customers also took part in a range of activities including neighbourhood walkabouts, panel discussions and local events.

Supporting our customers

Almost 35% of WHS customers are now on Universal Credit, a decrease of 2% from last year.

Our welfare benefits advisors supported over 850 WHS customers this year and helped them claim more than £1.6m in benefits and tax credits they were entitled to. Across Wheatley Group, we helped over 7,000 customers this year and helped them claim back over £13m.

Our fuel advisors helped 550 WHS customers save almost £60k on their bills this year. We also issued more than 1,700 fuel vouchers to WHS customers to help alleviate fuel poverty. Across Wheatley, we issued almost 10,000 fuel vouchers worth more than £480k.

Over the year, we:

- created 128 opportunities for our customers to get into work or training;
- helped 886 households put food on the table by distributing 1,224 supermarket vouchers through our EatWell service;
- helped 839 households with their rent payments;
- helped 79 new tenants with household budgeting, running a home and settling into their community through 'My Great Start';
- gave 33 households upcycled furniture through our Home Comforts service;
- awarded eight people from our homes a bursary to go to university or college;
- provided 2,830 free books every month to 247 children under five in our homes through the Dolly Parton Imagination Library initiative;
- delivered 'wonderbox' educational activity packs to 360 children in our communities through the Curiosity Collective; and
- provided starter packs for 218 tenants who need support moving into their home.

Independent Auditor

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

STRATEGIC REPORT (Continued)

OPERATING REVIEW (Continued)

FINANCIAL REVIEW

Income

WHS generated an operating surplus of £14.2m (2022: £20.7m) after a £0.8m valuation loss on investment properties (2022: £1.3m gain), relating to the valuation of mid-market rent and commercial units. In 2021/22, WHS also recognised a one-off gain on the transfer of pension scheme obligations of £3.1m.

Total comprehensive surplus for the year of £1.8m (2022: £18.5m loss) includes a decrease in valuation of social housing properties of £7.0m (2022: decrease of £34.5m).

Valuation losses in the social housing stock valuation at 31 March 2023 are linked to the completion of new homes during the year. These are initially valued at a loss under the EUV-SH basis and when compared to the gross construction cost by virtue of the FRS 102 requirement to recognise new build grant funding for the construction cost as income through the Statement of Comprehensive Income report an initial loss on first valuation following completion.

Grant income attributable to social letting activities reported through the Statement of Comprehensive Income was £7.0m (2022: £7.4m), which includes the recognition of New Build Grant on the completion of 37 new build properties in Easttriggs and Nursery Avenue. In addition, the Group recognised £2.1m for aids and adaptations grant funding and £1.0m for funding received towards the installation of energy efficient heating systems.

WHS's turnover for the year ended 31 March 2023 totalled £55.9m (2022: £54.9m). The main source of income for the Company is the provision of social rental of housing property with net rental income of £46.0m (2022: £45.4m).

Expenditure

Operating costs for WHS in the year, totalled £40.9m (2022: £38.7m).

The main items of expenditure were:

- Management and maintenance administration costs associated with affordable letting activities totalling £10.8m (2022: £11.2m).
- Reactive maintenance costs to our social letting properties of £11.3m (2022: £10.3m).
- Planned and cyclical maintenance costs including major repair costs to improve our social housing properties of £3.7m (2022: £3.4m).
- Depreciation expenditure, for social and non-social housing assets of £12.4m (2022: £11.4m).
- Donations to Wheatley Foundation of £1.9m (2022: nil) associated with our wide role in supporting communities.

Other expenditure in the year includes finance charges of £5.3m (2022: £6.1m).

The housing stock valuation is prepared on an Existing Use Valuation for Social Housing ("EUV-SH") basis which uses a discounted cashflow method to determine the year end valuation and as a result the £19.2m capital investment made in housing properties during the year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

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

The cash flow statement of the WHS is shown on page 19. WHS generated £20.5m from operating activities (2022: £27.3m). At 31 March 2023, cash and cash equivalents were £3.4m; a decrease of £39.1m in the year. This is after the investment of £19.2m in existing social housing properties and a further £12.2m in new build development after the receipt of £7.6m grant income during the year to support the development programme. Cash from operating activities has reduced £6.8m driven by reduction in trade creditors and accruals.

Rental debtors

At the statement of financial position date, the WHS had rent arrears of £3.0m offset by bad debt provisions of £0.9m (2022: £2.8m and £1.2m respectively).

Liquidity

WHS's net current liabilities at 31 March 2023 totalled £8.4m (2022: net current assets of £30.3m). The movement is due to a reduction in cash balances following the novation of debt facilities from WHS into the Group's RSL borrowing arrangements through Wheatley Funding No 1 Limited and the pooling of surplus cash balances in WFL1. Loan arrangements are in place which provide sufficient capacity along with £3.4m cash balances at the year end to allow the WHS to meet liabilities as they fall due and enable further investment in existing stock and the new build programme.

Capital structure and treasury

WHS's activities are funded on the basis of a Business Plan which is updated annually. From 1 April 2022, WHS's funding is administered through the Group's RSL funding vehicle, Wheatley Funding No. 1 Limited. External long-term funding is also provided through access to facilities with The Housing Finance Corporation and Allia, as detailed in note 20.

Investment in tenants' homes

During the year we invested £19.2m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £423.6m (2022: £410.9m).

New Build

During the financial year we completed 37 new properties at two developments at Eastriggs and Nursery Avenue with work also progressing on a further 89 new homes on sites at Curries Yard, Dumfries. Our new build programme invested £12.6m in the year. The Business Plan includes a further projected spend of £96.4m on the new build programme over the next five years.

Reserves policy

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

Revenue reserve

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

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

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

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

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

Revaluation reserve

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

Principal risks facing the Company

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

By order of the Board

DocuSigned by:

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Jo Boaden, Chair
21 September 2023

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

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

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

Name	Appointed	Resigned
Maureen Dowden (Chair to 20 September 2023)	28 March 2018	20 September 2023
Fiona Burden	23 March 2020	-
Michael Greaves-Mackintosh*	28 September 2017	-
Caryl Hamilton	14 June 2021	30 November 2022
John Henderson	27 September 2018	-
Heather Macnaughton	28 March 2018	29 March 2023
Hugh Martin *	30 March 2022	-
John McCraw*	17 September 2019	-
Josephine Boaden (Chair from 20 September 2023)	21 September 2022	-
Karen Hunter	29 March 2023	-

* tenant of the Company

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

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

Creditor payment policy

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

Disclosure of information to auditor

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

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

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

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

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

The key procedures which have been established are as follows:

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

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

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

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

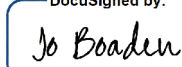
Company and charity law requires the directors to prepare financial statements for each financial year. Under that law they have are required to prepare the group and parent charitable company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting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

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

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

The directors are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the parent charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the parent charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By order of the Board

DocuSigned by:

AA700FA709C74E6...
Jo Boaden, Chair
21 September 2023

Wheatley House
25 Cochrane Street
Glasgow
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Independent auditor's report to the trustees and members of Wheatley Homes South Limited

Opinion

We have audited the financial statements of Wheatley Homes South Limited (“the charitable company”) for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position and the Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the charitable company’s affairs as at 31 March 2023 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Going concern

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

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

Our conclusions based on this work:

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

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

Independent auditor's report to the trustees and members of Wheatley Homes South Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

We did not identify any additional fraud risks.

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

We also performed procedures including:

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

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

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

Independent auditor's report to the trustees and members of Wheatley Homes South Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

Other information

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

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

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

We are required to report to you if:

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

We have nothing to report in these respects.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditor's report to the trustees and members of Wheatley Homes South Limited (continued)

Trustees' responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the charitable company's members and the charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, its members as a body and its trustees, as a body, for our audit work, for this report or for the opinions we have formed.



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

Chartered Accountants

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

319 St Vincent Street,

Glasgow,

G2 5AS

26 September 2023

Wheatley Homes South Limited
Annual Report and Financial Statements
Year ended 31 March 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	<i>Note</i>	2023 £'000	2022 £'000
Turnover	3	55,881	54,909
Operating expenditure	3	(40,913)	(38,659)
Other (losses) / gains	3	(795)	4,463
Operating surplus		<u>14,173</u>	<u>20,713</u>
Finance income	10	22	78
Finance charges	11	(5,307)	(6,095)
Decrease in valuation of other fixed assets	15	<u>(44)</u>	<u>(186)</u>
Surplus for the year		8,844	14,510
Unrealised deficit on revaluation of housing properties		(7,012)	(34,511)
Actuarial gain in respect of pension schemes		-	1,466
Total comprehensive result for the year		<u><u>1,832</u></u>	<u><u>(18,535)</u></u>

All amounts relate to continuing operations.

The notes on pages 20 to 43 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2023

	Revenue Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2021	89,797	185,834	275,631
Total comprehensive loss for the year	(18,535)	-	(18,535)
Transfer of reserves for the revaluation of housing properties	34,511	(34,511)	-
Dividend received from Novantie	596	-	596
Balance at 31 March 2022	<u>106,369</u>	<u>151,323</u>	<u>257,692</u>
Total comprehensive surplus for the year	1,832	-	1,832
Transfer of reserves for the revaluation of housing properties	7,012	(7,012)	-
Dividend received from Novantie	180	-	180
Balance at 31 March 2023	<u>115,393</u>	<u>144,311</u>	<u>259,704</u>

All amounts relate to continuing operations.

The notes on pages 20 to 43 form part of these financial statements.

Wheatley Homes South Limited
Annual Report and Financial Statements
Year ended 31 March 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	<i>Notes</i>	2023 £'000	2022 £'000
Fixed assets			
Social housing properties	14	423,556	410,929
Other tangible fixed assets	15	1,406	901
Investment properties	16	12,154	12,940
		<u>437,116</u>	<u>424,770</u>
Current assets			
Stock	17	954	695
Trade and other debtors	18	8,719	8,765
Cash and cash equivalents		3,405	42,534
		<u>13,078</u>	<u>51,994</u>
Creditors: amounts falling due within one year	19	(21,485)	(21,661)
Net current (liabilities)/ assets		<u>(8,407)</u>	<u>30,333</u>
Total assets less current liabilities		428,709	455,103
Creditors: amounts falling due after more than one year	20	(168,917)	(197,323)
Provisions for liabilities			
Other provisions	22	(88)	(88)
Total net assets		<u>259,704</u>	<u>257,692</u>
Reserves			
Share capital		-	-
Revenue reserve including pension reserve		115,393	106,369
Revaluation reserve		144,311	151,323
Total reserves		<u>259,704</u>	<u>257,692</u>

These financial statements were approved by the Board on 16 August 2023 and were signed on its behalf on 21 September 2023 by:

DocuSigned by:
Jo Boaden
AA700FA709C74E6...

Jo Boaden
Chair

The notes on pages 20 to 43 form part of these financial statements.
Company Registered Number SC220297

Wheatley Homes South Limited
Annual Report and Financial Statements
Year ended 31 March 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 £'000	2022 £'000
Net cash generated from operating activities	24	<u>20,529</u>	<u>27,313</u>
Cash flow from investing activities			
Improvement of properties	14	(19,202)	(38,073)
Construction of new properties	14	(12,202)	(11,706)
Investment properties additions		(9)	(20)
Purchase of other fixed assets	15	(816)	(586)
Grants received		7,575	1,593
Finance income		22	78
		<u>(24,632)</u>	<u>(48,714)</u>
Cash flow from financing activities			
Finance charges	11	(5,747)	(6,087)
Dividend received		180	-
Drawdown of loan		119,500	-
Repayment of loan		<u>(148,959)</u>	<u>-</u>
		<u>(35,026)</u>	<u>(6,087)</u>
Net change in cash and cash equivalents		(39,129)	(27,488)
Cash and cash equivalents at 1 April		42,534	70,022
Cash and cash equivalents at 31 March		<u>3,405</u>	<u>42,534</u>

The notes on pages 20 to 43 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**1. Legal status**

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

Wheatley Homes South Limited is a public benefit entity.

2. Accounting policies

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

Basis of preparation

The financial statements of the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2019, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

WHS has one wholly owned subsidiary, Novantie Limited. WHS has taken the exemption to prepare consolidated accounts for the first time (Appendix 2, S400 Companies Act 2006). Novantie Limited is no longer trading and is consolidated into Wheatley Housing Group Limited.

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

The Group and Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2023 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Company budget for 2023/24 and the WHS’s financial position as forecast in the 30-year business plan is of the opinion that, taking account of severe but plausible downsides, the Company has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)****2. Accounting policies (continued)**

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

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios updated;
- The property market – budget and business plan scenarios have taken account of delays, rising costs, productivity and labour shortages;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of a revised profile of repairs and maintenance expenditure;
- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – access to undrawn loan facilities arranged through WFL1 of £270.3m, which are available to Wheatley Homes South and other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Company's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

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

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

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

Accounting judgements and estimations

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

Judgements have been made in:

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)****2. Accounting policies (continued)****Related party disclosures**

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

Turnover

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

Grant income

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

Bad and doubtful debts

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

Supported housing

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

Financial instruments

Loans are classed as basic financial instruments under the requirements of FRS 102 and are measured at amortised cost.

In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

2. Accounting policies (continued)

Pensions

As part of a Group pension restructure, the assets and obligations of WHS in Dumfries and Galloway Council Pension Fund (“DGCPF”) were transferred on 28 February 2022 to Strathclyde Pension Fund (“SPF”) which is another section of the Local Government Pension Scheme. Wheatley Homes Glasgow Limited, another Wheatley Group subsidiary is a participating employer in SPF. This transfer allowed the Wheatley Group’s participation in the Local Government Pension Scheme to be consolidated within Strathclyde Pension Fund.

Fixed assets - housing properties

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

• **Valuation of social housing of properties**

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

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

• **Depreciation and Impairment**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)****2. Accounting policies (continued)**

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

• New Build

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

The Company's policy is to capitalise the following:

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

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

Non-social housing properties

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

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

New Build Grant and other capital grants

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

2. Accounting policies (continued)

Other tangible fixed assets

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

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

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

Provisions

The WHS only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

Leases

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

Taxation

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

Value Added Tax

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

3. Particulars of turnover, operating costs and operating surplus

			2023	2022
	Turnover	Operating Costs	Operating surplus/ (deficit)	Operating surplus
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	52,992	(38,218)	-	15,999
Other activities (note 5)	2,889	(2,695)	-	251
Gain on transfer of pension (note 9)	-	-	-	3,142
Revaluation of investment properties (note 16)	-	-	(795)	1,321
Total	55,881	(40,913)	(795)	20,713
Total for previous reporting period	54,909	(38,659)	4,463	20,713

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

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

	General Needs £'000	Supported Housing £'000	2023 Total £'000	2022 Total £'000
Rent receivable net of service charges	45,079	1,229	46,308	45,727
Service charges	303	8	311	216
Gross income from rents and service charges	45,382	1,237	46,619	45,943
Less rent losses from voids	(581)	(16)	(597)	(566)
Net income from rents and service charges	44,801	1,221	46,022	45,377
Grants released from deferred income	3,528	96	3,624	4,084
Revenue grants from Scottish Ministers	3,257	89	3,346	3,337
Other revenue grants	-	-	-	24
Total turnover from affordable letting activities	51,586	1,406	52,992	52,822
Management and maintenance administration costs	(10,515)	(287)	(10,802)	(11,220)
Service costs	(137)	(4)	(141)	(124)
Planned and cyclical maintenance including major repairs costs	(3,590)	(98)	(3,688)	(3,448)
Reactive maintenance costs	(10,974)	(299)	(11,273)	(10,308)
Bad debts – rents and service charges	(157)	(4)	(161)	(328)
Depreciation of affordable let properties	(11,830)	(323)	(12,153)	(11,395)
Operating costs from social letting activities	(37,203)	(1,015)	(38,218)	(36,823)
Operating surplus from social lettings	14,383	391	14,774	15,999
Operating surplus from social lettings for the previous reporting period	15,578	421	15,999	

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

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

	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2023 Operating Surplus /(deficit) £'000	2022 Operating Surplus /(deficit) £'000
Wider role	-	190	190	(2,129)	(1,939)	180
Factoring	-	-	-	-	-	20
Investment property activities	-	650	650	-	650	500
Support activities	134	-	134	(78)	56	97
Agency/management services	-	-	-	-	-	6
Organisation restructuring	-	-	-	(221)	(221)	(1,256)
Environmental grants	-	992	992	-	992	471
Other income	-	923	923	-	923	587
Depreciation	-	-	-	(267)	(267)	(354)
Total from other activities	134	2,755	2,889	(2,695)	194	251
Total from other activities for the previous reporting period	121	1,966	2,087	(1,836)	251	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6. Board members' emoluments

Board members received £646 (2022: £681) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties.

7. Key Management Emoluments

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

	2023	2022
	£ 000	£ 000
Aggregate emoluments payable to key management (excluding pension contributions and benefits in kind)	145	148

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

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

The key management are defined for this purpose as the Chief Executive and the Group Executive team in post at 31 March 2023. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff. Pension contributions of £27k (2022: £28k) were paid for the Chief Executive and the Group Executive team in post at 31 March 2023.

Key management personnel in the year were as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

8. Employees

	2023	2022
	No.	No.
The average monthly number of full-time equivalent persons employed during the year was	287	314
The average total number of employees employed during the year was	292	325
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	10,542	10,624
Social security costs	1,098	1,055
Pension costs	932	1,120
Pension service cost	-	1,223
	12,572	14,022

9. Other Gains and losses

Gain on transfer of pension assets and obligations

As part of a Group pension restructure, the employment contracts of WHS staff who were active members of Dumfries and Galloway Council Pension Fund transferred to Wheatley Homes Glasgow Limited on 28 February 2022 and their pension membership was transferred from Dumfries and Galloway Council Pension Fund (“DGCPF”) to Strathclyde Pension Fund (“SPF”) with a corresponding transfer of WHS’s pension assets and obligations from DGPF to SPF.

	2023	2022
	£'000	£'000
Gain on transfer of pension assets and obligations	-	3,142
	-	3,142

10. Finance income

	2023	2022
	£'000	£'000
Bank interest receivable on deposits in the year	22	78
	22	78

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

11. Finance charges

	2023	2022
	£'000	£'000
Interest on loans	2,732	5,895
Interest on intragroup loans	2,509	-
Amortisation of loan premium	(52)	(52)
Other financing costs	118	192
Net interest charges on pension liability	-	60
	<u>5,307</u>	<u>6,095</u>

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

12. Auditor's remuneration

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

	2023	2022
	£'000	£'000
Audit of these financial statements	85	39
Other services	-	-
	<u>85</u>	<u>39</u>

13. Financial commitments

Capital commitments

All capital commitments were as follows:

	2023	2022
	£'000	£'000
Expenditure contracted for, but not provided in the financial statements	22,993	19,187
Expenditure authorised by the Board but not contracted	-	664
	<u>22,993</u>	<u>19,851</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

13. Financial commitments (continued)

Operating leases

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

	2023	2022
	Land and Buildings	Land and Buildings
	£000	£000
Operating lease payments due:		
Within one year	160	127
In the second to fifth years inclusive	23	83
Over five years	-	-
	<u>183</u>	<u>210</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)

14. Tangible fixed assets

Social Housing Properties

	Social Housing Properties £'000	Housing Under Construction £'000	Total £000
Valuation			
At 1 April 2022	396,797	14,132	410,929
Additions	19,203	12,589	31,792
Disposals	(1,812)	-	(1,812)
Transfers	10,033	(10,033)	-
Revaluation	(17,353)	-	(17,353)
At 31 March 2023	<u>406,868</u>	<u>16,688</u>	<u>423,556</u>
Accumulated Depreciation			
As at 1 April 2022	-	-	-
Charge for year	(11,501)	-	(11,501)
Disposals	1,160	-	1,160
Revaluation	10,341	-	10,341
At 31 March 2023	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value - Valuation			
At 31 March 2023	<u>406,868</u>	<u>16,688</u>	<u>423,556</u>
At 31 March 2022	<u>396,797</u>	<u>14,132</u>	<u>410,929</u>
Net Book Value – Cost			
At 31 March 2023	<u>262,639</u>	<u>16,586</u>	<u>279,225</u>
At 31 March 2022	<u>245,557</u>	<u>14,030</u>	<u>259,587</u>

Total WHS expenditure on repairs and capital improvements in the year on existing properties was £34.2m (2022: £51.9m). Of this, repair costs of £15.0m (2022: £13.8m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £19.2m (2022: £38.1m) shown as additions to core stock on the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

14. Tangible fixed assets (continued)

Additions to core stock in the year of £19.2m in the year include:

- £10.7m for component additions including:
- £0.3m on external environment;
- £0.7m on external wall finishes;
- £3.4m on new energy efficient heating systems;
- £1.7m on kitchens;
- £0.5m on bathrooms
- £0.1m on mechanical, electrical and plumbing;
- £0.6m on structure and roofs; and
- £3.4m on windows and doors.

The remaining balance of £8.5m of additions to existing properties not associated with a specific component includes £5.9m on void improvements and £2.6m of medical adaptations.

Additions to housing under construction include capitalised interest costs of £388k (2022: £489k). Interest has been capitalised at the weighted average interest cost for the WHS of 3.90% (2022: 3.23%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Company's demolition programme, as detailed in the Company's 30-year Business Plan for 2023/24. The demolition programme identifies 446 (2022: 529) properties for demolition over the next few years, with no long-term investment expenditure associated with these properties.

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the date of the Statement of Financial Position to provide for these costs. Retained stock for letting has been valued at £406.8m. Housing under construction, with a NBV of £16.7m, is not included within this total.

Social housing properties have been valued by JLL, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2023 on an Existing Use Valuation for Social Housing ("EUV-SH").

Included in core stock are 966 garages and 1,200 parking sites owned by WHS held at a value of £3,875k (2022: £3,990k). These have been valued at market value subject to tenancy ("MV-T"), the Directors consider the difference between EUV-SH and MV-T for these properties to be immaterial.

Discount rates between 5.75-7.00% have been used depending on the property archetype (2022: 5.75-7.00%). The valuation assumes a real rental income growth of 0.5% for the first two years, followed by long-term real rental growth of 1.0% per annum, in line with the Association's 30-year Business Plan (2022/23). Both mid-market and full market rent properties are assumed at a long term real rental income growth of 0.5% throughout. The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

14. Tangible fixed assets (continued)

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

	2023	2022
Social Housing		
General needs	9,790	9,842
Supported housing	272	272
Housing held for long-term letting	<u>10,062</u>	<u>10,114</u>
Housing approved/planned for demolition	185	179
Total Units	<u>10,247</u>	<u>10,293</u>

15. Other Tangible Fixed Assets

	Office Property £'000	Furniture, fittings & Equipment £'000	Total £'000
Valuation			
At 1 April 2022	300	4,380	4,680
Additions	60	756	816
Revaluation	(60)	-	(60)
At 31 March 2023	<u>300</u>	<u>5,136</u>	<u>5,436</u>
Accumulated Depreciation			
At 1 April 2022	-	3,779	3,779
Charge for year	16	251	267
Revaluation	(16)	-	(16)
At 31 March 2023	<u>-</u>	<u>4,030</u>	<u>4,030</u>
Net Book Value			
At 31 March 2023	<u>300</u>	<u>1,106</u>	<u>1,406</u>
At 31 March 2022	<u>300</u>	<u>601</u>	<u>901</u>
Net Book Value - cost			
At 31 March 2023	<u>789</u>	<u>1,106</u>	<u>1,895</u>
At 31 March 2022	<u>744</u>	<u>601</u>	<u>1,345</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

16. Investment properties

	Properties held for market rent £'000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2022	12,390	550	12,940
Additions at cost	-	9	9
Revaluation taken to operating surplus	(786)	(9)	(795)
At 31 March 2023	11,604	550	12,154
Net Book Value			
At 31 March 2023	11,604	550	12,154
At 31 March 2022	12,390	550	12,940

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, JLL on 31 March 2023.

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

	2023	2022
Mid Market Rent Properties		
Total Units	101	101

17. Stock

	2023 £'000	2022 £'000
Materials on site	414	253
Van stocks	540	442
	954	695

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

18. Debtors

	2023	2022
	£'000	£'000
Arrears of rent & service charges	3,022	2,813
Less: Provision for bad and doubtful debts	(930)	(1,228)
	<u>2,092</u>	<u>1,585</u>
Prepayments and accrued income	3,360	648
Other debtors	3,199	5,776
Due from other group companies	68	756
	<u>8,719</u>	<u>8,765</u>

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

19. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	967	10,047
Accruals	7,458	36
Deferred income	6,599	4,161
Rent and service charges received in advance	884	567
Tax and social security	417	262
Other creditors	138	3,101
Due to other group companies	5,022	3,487
	<u>21,485</u>	<u>21,661</u>

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

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

	2023	2022
	£'000	£'000
External loans	78,772	191,783
Due to other group companies	83,500	-
Deferred income	6,645	5,540
	<u>168,917</u>	<u>197,323</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

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

Bank lending facility

Following a legal process to novate debt facilities from WHS into the Group's RSL debt arrangements, the borrowing is in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £685.0m from a syndicate of commercial banks, two committed facilities totalling £270.8m from the European Investment Bank, £300.0m raised through the issue of a public bond, £264.0m private placement loan notes with BlackRock Real Assets and M&G Investment Management, a £50.0m facility with Barclays, a £35.0m facility with RBS, and a £35m charitable bond via Allia Social Impact Investments. This provided total facilities of £1,639.8m for RSLs within the Wheatley Group to develop new housing.

This facility is provided through Wheatley Funding No. 1 Ltd, a wholly owned subsidiary of the Wheatley Housing Group Limited, with WHS having access to an intra-group facility of £83.50m, secured on its housing stock. Interest in the year has been charged at 4.15% (2022: 4.15%).

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

Wheatley Homes South has secured a portion of its housing stock (£259.2m) against this facility. At 31 March 2023, 46% (£223.1m) of WH Glasgow's housing properties remained unsecured.

Borrowings are repayable as follows

	2023	2022
	£'000	£'000
In less than one year	-	-
In more than one year but less than five years	12,028	5,887
In more than five years	150,244	185,896
	<u>162,272</u>	<u>191,783</u>

Deferred income

Analysis of deferred income

	New Build Grant £'000	Other grant income £'000	Total £'000
Deferred income as at 1 April 2022	9,199	502	9,701
Additional income received	7,558	17	7,575
Released to Statement of Comprehensive Income	(3,530)	(502)	(4,032)
Deferred income as at 31 March 2023	<u>13,227</u>	<u>17</u>	<u>13,244</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

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

Deferred income to be released to the Statement of Comprehensive Income:	2023	2022
	£'000	£'000
In less than one year (note 19)	6,599	4,161
In more than one year but not less than five years	6,645	5,540
In more than five years	-	-
	13,244	9,701

Financial instruments

Financial assets:	2023	2022
	£'000	£'000
<u>Measured at amortised cost:</u>		
Debtors and accrued income	8,719	8,765
Total	8,719	8,765

Financial liabilities:	2023	2022
	£ 000	£ 000
<u>Measured at amortised cost:</u>		
Creditors, accruals and deferred income	28,129	27,201
Bank loans	162,272	191,783
Total	190,401	218,984

21. Pensions

Dumfries and Galloway Pension Fund

As part of a pension restructure, all of WHS's assets and obligations in Dumfries and Galloway Pension Fund were transferred to Wheatley Homes Glasgow Limited through its participation in Strathclyde Pension Scheme, which is also a part of the Local Government Pension Scheme. The transfer took place on 28 February 2022 and WHS's obligations in Dumfries and Galloway Pension Fund have been settled at that date.

WHS Defined Contribution Scheme

The WHS also operates a defined contribution scheme with Scottish Widows. These arrangements are open to all employees of WHS who were not members of the Dumfries and Galloway Pension Fund.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

21. Pensions (continued)

Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation of the Company defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the date of transfer were as follows:

	28 February 2022
Discount rate	2.65%
Future salary increases	2.30%
Inflation (CPI)	3.30%

In valuing the liabilities of the pension fund at 28 February 2022, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2022 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 20.8 years, female 23.3 years
- Future retiree upon reaching 65: male 21.8 years, female 25.2 years

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which the WHS has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	2023	2022
	£'000	£'000
Opening defined benefit obligation	-	23,468
Current service cost	-	445
Past service cost (including curtailments)	-	1,031
Interest cost	-	436
Actuarial losses/(gains)	-	(548)
Contributions by members	-	71
Estimated benefits paid	-	(380)
Transfer of obligations to Strathclyde Pension Fund	-	(24,523)
Closing defined benefit obligation	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

21. Pensions (continued)

Movements in fair value of plan assets

	2023	2022
	£'000	£'000
Opening fair value of plan assets	-	20,143
Expected return on plan assets	-	376
Actuarial gains/(losses)	-	918
Contributions by the employer	-	253
Contributions by the members	-	71
Estimated benefits paid	-	(380)
Transfer of assets to Strathclyde Pension Fund	-	(21,381)
Closing fair value of plan assets	<u>-</u>	<u>-</u>

Expense recognised in the statement of comprehensive income

	2023	2022
	£'000	£'000
Current service cost	-	445
Past service cost	-	1,031
Net interest on net defined benefit obligation (note 11)	-	60
	<u>-</u>	<u>1,536</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is nil (2022: £1,466k gain).

The fair value of the plan assets and the return on those assets were as follows:

	2023	2022
	£'000	£'000
Equities	-	-
Corporate bonds	-	-
Property	-	-
Actual return on plan assets	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Actual return on plan assets	-	1,368

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

22. Provisions for liabilities and charges

	Dilapidations	Total
	£'000	£'000
At 1 April 2022	88	88
Utilised	-	-
Added in the year	-	-
At 31 March 2023	88	88

23. Related party transactions

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

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

Tenant Board Members

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

Mr Michael Greaves-MacIntosh
Mr Hugh Martin
Mr John McCraw

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2023 are as follows:

	2023
	£'000
Rent charged during the year	14
Arrear balances outstanding at 31 March 2023	1

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
(continued)**

24. Cash flow analysis

Cash flow from operating activities

	2023	2022
	£'000	£'000
Surplus for the year	8,844	14,510
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	11,768	10,682
Decrease/ (increase) in trade and other debtors	48	(5,494)
(Decrease)/ increase in trade and other creditors	(2,616)	7,224
(Increase) / decrease in stock	(259)	719
Pension costs less contributions payable	-	1,223
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	(4,032)	(4,359)
Interest payable	5,359	6,147
Interest received	(22)	(78)
Amortisation of loan	(52)	(52)
Loss / (Gain) on investment activities	795	(1,321)
Decrease in valuation of office property	44	186
Loss on component disposals	652	1,068
Gain on transfer of pension obligations	-	(3,142)
Net cash inflow from operating activities	20,529	27,313

25. Ultimate parent organisation

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

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

SUPPLEMENTARY INFORMATION

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Banker

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