WHEATLEY HOMES SOUTH LIMITED
BOARD MEETING

Wednesday 5 February 2025 at 10.30 am
Brasswell Office (Dumfries)

AGENDA

1. Apologies for absence

2. Declarations of interest

3. a) Minute of meeting held on 20 November 2024 and matters arising
   b) Action list

4. Chair and Managing Director update

Main business and approvals

5. Strategy 2026-31 pathway

6. Rent setting and service charges 2025/26

7. Financial projections 2025/26

8. Five-year investment plan

9. [redacted]

10. Lochside regeneration

11. [redacted]

Other business

12. Finance report

13. Performance report

14. [redacted]

15. Radio Teleswitch (RTS) switch off update

16. AOCB

Report

To: Wheatley Homes South Board

By: Alex Lamb, Managing Director

Approved by: Pauline Turnock, Group Director of Finance

Subject: Strategy 2026-31 pathway

Date of Meeting: 5 February 2024

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1. Purpose

1.1 To update the Board on the pathway and timings for developing our 2026-2031 strategy.

2. Authorising and strategic context

2.1 Under our Terms of Reference, we are responsible for approving our 5-year strategy, within the strategic context of the overarching Group strategy. We agreed on our Wheatley Homes South ("**WHS**") 5-year strategy in November 2020.

2.2 Our strategic context has changed significantly since the strategy was first agreed. Our annual strategy workshops provide an opportunity to reflect on changes over the previous year and any implications for our strategy.

2.3 The political landscape and policy context, both national and UK-wide, continue to be dynamic. Over the last twelve months, the Scottish Government declared a National Housing Emergency, significantly reduced the Scottish Government budget for the Affordable Housing Supply Programme ("**AHSP**") and published a proposed Social Housing Net Zero Standard ("**SHNZS**"). We have also seen a change in the UK Government and its first Autumn budget.

2.4 The economic landscape has continued to evolve, with inflation having been sustained at lower levels and interest rates beginning to fall, albeit still at 4.75%. In addition to our strategy updates, we take this into account in our business planning, which reflects our financial plans in relation to investment, development, and running costs. The rise in the cost of living continues to have a significant impact on many of our tenants.

3. Background

3.1 In June 2021 the Group Board agreed to a refreshed Group Performance Management Framework alongside a clear methodology for how the Group Board and our Board would measure our progress in delivering the outcomes of our strategy.

3.2 Each year we review our strategic commitments and performance measures in relation to each outcome. It was recognised that the commitments and measures would evolve throughout the life of our strategy as we refreshed and renewed it. It was also recognised that the delivery of some commitments and measures was interdependent on external stakeholders. These will continue to inform our Delivery Plan for 2025/26 and the development of our new strategy.

3.3 In September 2024, the Board considered and approved our Strategic Asset Investment and Management Plan and updated the five-year strategy following the May Board strategy workshop. Similarly, in November 2024, the Group Board considered and approved the updates to the Group strategy and agreed on the proposed approach to developing our Group 2026-2031 family of strategies, including our own strategy.

4. Discussion

Key achievements

4.1 We have made strong progress in the delivery of our strategy, with a significant number of the strategic commitments agreed at the outset either already delivered or in progress. In the previous financial year and through the current penultimate year of our strategy, we have continued to make progress, with particular highlights including:

- **Achieving 95% overall satisfaction** in our independent tenant satisfaction surveys;
- The development of **a new, integrated neighbourhood management approach** bringing clarity in how we are addressing local priorities;
- **A new** Group Asset Strategy and our **Strategic Asset Investment and Management Plan** which support the **linking of asset investment to neighbourhood priorities** as well as meet our current and future compliance obligations;
- Creating nearly 120 training places or apprenticeships opportunities in 2023/24 and a further 35 to quarter 3 of 2024/25;
- **Successful migration to a cloud telephony platform** within our Customer First Centre **ahead of schedule**. The platform has enhanced our ability to communicate with tenants in responding to events such as severe weather, increased our business continuity resilience;
- **Continued improvement of our repairs service**, introducing new ways of working to provide greater in-house capacity;
- **Significantly expanding the level of real-time customer feedback** through our My Voice and Localz platforms to provide instant customer satisfaction ratings within the CFC, NETs, Allocations and repairs. These tools have enabled the collection of feedback which is now regularly reviewed by frontline teams and managers to drive continuous improvement in service delivery;
- Working alongside tenants, communities and partners **progressed major regeneration projects** at Lochside; and
- Continued to contribute to the Group leading the way nationally in alleviating homelessness, exceeding our target by **providing homes to 400+ homeless** households in 2023/24 and a further **350+** to quarter 3 of 2024/25.

Pathway to our 2026-2031 strategy

4.2 At the strategy session the Board discussed the overarching approach to developing our next strategy and an indicative timescale for doing so. The Board agreed that staff and customer engagement should be a strong feature in the development of our next strategy. The Group Board considered this in November 2024. A summary timetable of the proposed development phases and timing is set out in the table below, with further detail of each phase set out in more detail thereafter.

Strategy development phase	Timing
Staff engagement phase 1 - key priorities	Underway through February 25
Customer engagement phase 1 - key priorities	March-April 25
Board strategy workshops	May-June 25
Staff and customer engagement phase 2	July-September 25
Board review of draft strategies	November-December 25
Board approval of new strategies	January-March 2026
Strategy launches	April 2026 onwards

Staff engagement

4.3 We have commenced the initial staff communication and engagement programme. The central element of this will be staff participation in '*Shaping our Future*' sessions seeking their feedback and views on what priorities should be reflected in our 2026-2031 strategy.

4.4 These are primarily mixed sessions with staff from across Neighbourhood Environmental Teams, Stronger Voices, Repairs, Customer First Centre and Wheatley Solutions staff to support wider workforce engagement and encourage attendees to think beyond functional roles. The sessions will run through February.

4.5 In preparation for this, we have begun providing staff with regular updates through our established communications channels during this period. This has started with a CEO update and team briefings. It will continue with further video updates and blogs. We will also provide a final summary of the feedback to staff along with details of how staff will continue to be updated and involved as the strategy is further developed and ultimately agreed upon by the Board.

Customer engagement – phase 1

4.6 Our existing strategy places customers at the heart of shaping our priorities intend to initially engage with a small sample of customers.

4.7 To ensure we are hearing a wide and diverse range of perspectives, we will also include a sample of customers not registered with our Customer Voice programme. This engagement is likely to include around 50 customers. This initial phase will be supplemented by detailed customer engagement in the Summer.

4.8 To provide support and expertise to this element of the strategy development it is intended that the first phase of customer engagement will follow a similar approach to that for rent setting. It is intended that focus groups will be arranged geographically for in person events, supplemented by online sessions. These will help ensure we understand local issues and drivers of satisfaction for customers. We have engaged an independent research firm, which has supported our recent rent focus groups and customer satisfaction surveying, to facilitate discussions and synthesise these into a customer view of our key priorities.

Board strategy workshops

4.9 Our Board will have our strategy workshops in May 2025. We will be updated on the relevant themes and priorities identified during staff and customer engagement and proposals on how they are reflected in the future strategy.

4.10 At these, we will consider the development of our strategy, any additional priorities we want to be reflected and what we consider the Group Board needs to reflect in the wider Group strategy. The Group Board will consider the full range of staff, customer, and subsidiary Board feedback and how this can be reflected in our future Group strategy.

4.11 A key outcome of the workshop will be for the Board to agree an outline structure of the future strategy, including key strategic themes, overarching outcomes and priorities within each theme and any high-level strategic measures.

Staff and customer engagement – phase 2

4.12 We will take the key elements agreed by the Board at the strategy workshops and undertake a second phase of engagement with staff and customers. The approach will, however, be adapted to recognise that the strategy will be taking shape.

4.13 For staff, we will create a strategy microsite within our staff intranet to seek feedback as well as have discussions with staff at the subsidiary and team level as part of our ongoing engagement. The focus will be on soliciting feedback on the Board's agreed key strategic themes, overarching outcomes and priorities as well as beginning to shift the conversation to how they envisage their own role in delivering them.

4.14 For customers we would seek feedback through a digital survey and potentially some targeted focus groups. The intention is that around 200 customers will have contributed to the development of the WHS strategy the Board will be asked to approve, contributing to 1000 customers across Group feeding into our Group strategy.

Board review of draft strategies

4.15 It is intended that the Group Board will be asked to consider a draft Group strategy at its November meeting in 2025, with our Board considering our individual strategy at our next scheduled meeting thereafter. The draft will reflect the second phase of staff and customer engagement. The final version will be agreed upon in early 2026 with the new strategy taking effect from April 2026.

5. Customer Engagement

5.1 Customer engagement will be a core element of the development of our 2026-2031 family of strategies. The proposed approach is noted above.

6. Environmental and sustainability implications

6.1 There are no direct environmental or sustainability implications associated with the strategy development. However, as we develop the strategy any environmental and sustainability impact will be considered.

7. Digital transformation alignment

7.1 There are no direct digital transformation implications associated with this report.

8. Financial and value for money implications

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

9. Legal, regulatory, and charitable implications

9.1 The Scottish Housing Regulator ("SHR") Regulatory Standards of Governance sets out a number of requirements which are relevant for the development of our strategy, including that every RSL:

- *"Governing body sets the RSL's strategic direction";*
- *"Tenants, service users and other stakeholders information that meets their needs about the RSL, its services, its performance and its future plans"; and*
- *"Actively seeks out the needs, priorities, views, concerns and aspirations of tenants"*

9.2 The proposed approach would support us in being able to clearly demonstrate our compliance with these requirements.

10. Risk Appetite and assessment

10.1 As part of the strategy development process we will consider how the strategy both reflects our existing risks and our future risk appetite in relation to how it is delivered.

11. Equalities implications

11.1 As part of our customer engagement and the development of our strategy we will take into account the key principles in our Equity, Diversity and Inclusion and Human Rights policy and associated action plan. In particular, we will seek to ensure our engagement represents a diverse range of customer voices and perspectives.

12. Key issues and conclusions

12.1 We want our next strategy to reflect the priorities and aspirations of our customers and staff. The proposed approach for developing our strategy will allow us to have a clear understanding of both when, at the Board workshop, we consider our next strategy.

12.2 When combined with consideration of local and national policy contexts, our financial framework and current organisational performance it will support us in developing a strategy which is grounded in our operating context, something that our customers and staff can connect with and will see us be an ever stronger organisation by 2031.

13. Recommendations

13.1 The Board is asked to note the proposed approach to developing our 2026-2031 strategy.

LIST OF APPENDICES:

NONE

Report

To: **Wheatley Homes South Board**

By: **Alex Lamb, Managing Director**

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

Subject: **2025/26 rent and service charges**

Date of Meeting: **5 February 2024**

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2025/26 rent, service and other charges increase; and
- Seeks Board approval for the 2025/26 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 to their own rent increase within the agreed parameters. The Group Board agreed on rent setting parameters at their meeting on 19 December 2024. The Board agreed that increase options of 6.9% 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:

- Financial viability;
- Affordability;
- Comparability; and
- Consultation with tenants and service users.

3.2 The Board considered the first three principles as part of agreeing on the baseline consultation levels. This year, our customers received the consultation brochure with more tailored investment information than prior years.

4. Discussion

4.1 We formally consulted tenants on our rent setting proposals from 13-27 January 2025. Our formal consultation was independently managed by Civica.

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

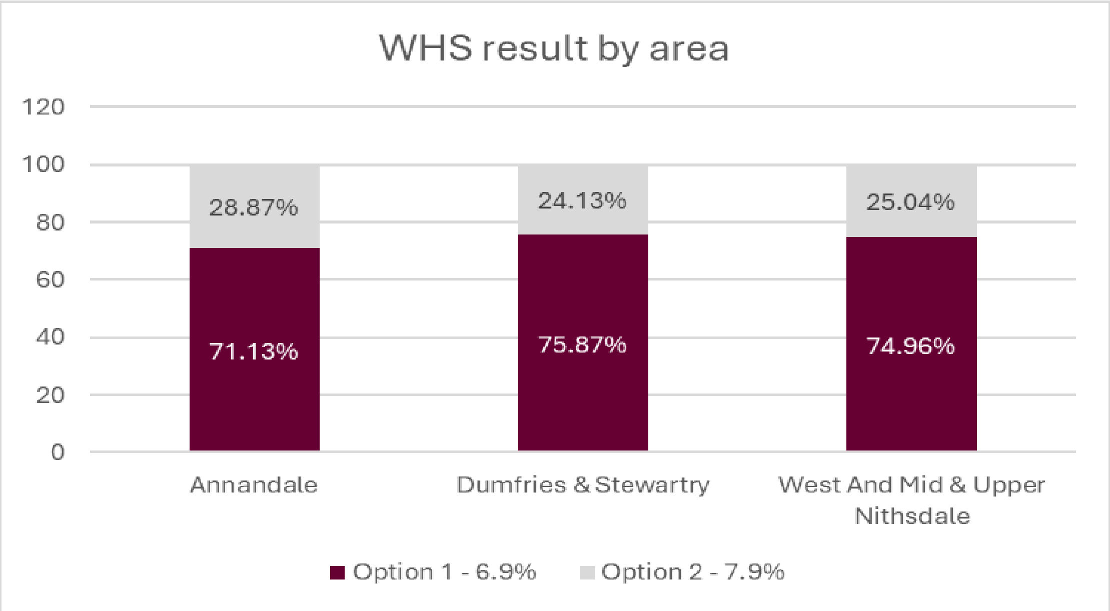
4.3 The consultation received a higher response rate from last year, with **nearly 1850** valid responses received as detailed below:

Table 1: WHS results

Rent options	Responses
6.9%	**1370** (74.2% of returns)
7.9%	**476** (25.8% of returns)
Total	**1846** **(2024 – 1720)**

4.4 This response showed stronger support for the 6.9% option but again demonstrated that there remains some appetite for and even higher rent increase where it will be focused on additional investment and neighbourhoods. A further breakdown of the results by area is set out below:

Chart 1: WHS responses



<u>Qualitative feedback</u>

4.5 We invited respondents to provide feedback on why they elected to choose the option they did. Alternatively, if a tenant did not wish to support any options, they could provide feedback via post as to why (16 returns were received with feedback only). From those who selected an option, we received feedback from over 450 customers regarding the proposals.

4.6 We are continuing to analyse the open text feedback in depth. The key themes were consistent with previous years, specifically:

- A **desire for investment** and improvement to existing homes, and communities;
- The importance of our **environmental services and repairs** as a key driver of satisfaction for customers;
- **Affordability** within the context of the wider economic landscape and the cost of living; and
- Specific feedback about **core service provision** and opportunities for improvement, as related to individual tenant issues and cases.

4.7 As with previous years, where there was feedback on services or individual customer service points, these are being considered by service leads and where sufficient information was provided, we have already taken action.

Summary

4.8 Taking into account the feedback from the consultation, it is proposed that we apply a 6.9% rent and service charge increase. As previously discussed by the Board this increase, is similar to a number of social landlords across Scotland. For example, in West Dunbartonshire, South Lanarkshire, Falkirk and Edinburgh, council tenants are being consulted on 8%, 6.5%, 9.5% and 7% respectively for 2025-26. In addition, Aberdeen have now approved a 7.5% increase for 2025/26. Compounding, since 2021, our aggregate rent increases have been below inflation. This increase brings us back in line with inflation over this five-year period.

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. Our final consultation brochure was informed by customer engagement via rent focus groups prior to the formal consultation, with feedback being considered by the Group Board in December 2024. We have updated rent focus group participants about how their input impacted the final brochure. 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 wide 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 of 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 Our financial projections confirm that, based on the proposed rent uplifts, we will have robust financial plans which will have the necessary 30-year provisions to continue to invest in our stock as per of Strategic Asset Investment and Maintenance Plan, including maintaining 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. Our approach 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 Our customer engagement prior to formal consultation helps ensure a wide range of customer perspectives informs our final consultation approach. Civica issued our consultation material as per communication requirement including large print, braille and audio CD. To support customers whose first language is not English to request a translation, we also included a translation note in the Group's 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 1850 responses, with over 450 respondents also giving qualitative feedback. The proportion of respondents, at just over 25%, indicating a preference for the higher rate of 7.9% on the basis of additional investment is very consistent with the qualitative feedback.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2025/26 rent, service and other charges increase; and
2) Approve a 6.9% rent, service charges and other charges (including garages and lock ups) for 2024/25 for all tenants effective from the first of April.

LIST OF APPENDICES:

Appendix 1 – 'Investing in Your Community' Rent Setting Consultation Document

Report

To:	**Wheatley Homes South Board**
By:	**Lyndsay Brown, Director of Financial Reporting**
Approved by:	**Pauline Turnock, Group Director of Finance**
Subject:	**Financial Projections 2025/26**
Date of Meeting:	**5 February 2025**

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1. Purpose

1.1 The purpose of this report is:

- To set out the updated financial projections for investment in assets and services over the five year period to 2029, in support of our strategy, *Your Home, Your Community, Your Future*; and
- To seek approval of these updated financial projections, the first year forming the budget for 2025/26.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between Wheatley Homes South ("**WHS**") and the Wheatley Group, as well as the Terms of Reference for this Board, 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 The UK has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation to 2.5% (at December 2024) and while there are now signs of economic stabilisation, and potential for further interest rate reductions, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. Inflation, in line with market predictions, increased slightly at the end of 2024, but forecasts are that it will remain close to the target prompting interest rate reductions from the current rate of 4.75% in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure.

3.2 Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

3.3 While general Consumer Price Index ("**CPI**") inflation has reduced, costs remain higher for key areas of housing expenditure such as repairs and insurance. Interest rate reductions are forecast but rates are unlikely to return to the low pre-2022 levels. We have updated our business plan assumptions to reflect expectations for future inflation and interest rates. After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, as part of our asset strategy discussions, we agreed the investment priorities set out in our neighbourhood plans be reflected in our rent setting proposals together with the creation of a provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard ("**SHNZS**") and we have updated our business plan accordingly.

3.4 The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing group staff costs by £2.8m, and our staff costs by £0.2m, and the costs to provide services such as repairs, environmental services and housing management to tenants. This increase in national insurance contributions was not previously anticipated in our business plan.

3.5 In December 2023 the Scottish Government announced a 26% reduction in funding for the Affordable Housing Supply Programme ("**AHSP**"). While a re-instatement of AHSP grant has been announced for 2025/26 there is no commitment for grant to be held at the same level for later years. New build completions in the early years of the plan have been impacted by the availability of grant which has delayed the approval of new projects in 2024/25. The business plan presented has aligned our new build programme to expectations of future grant availability.

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 and delivery of our programme of operating efficiencies:

- Over the five year period the business plan includes provision for investment of £83.8m in our existing housing stock;
- Our new build programme includes gross development spend of £160.5m projected over the five year period and the completion of 526 social rent properties and 6 mid-market properties; and
- Management and overhead costs decrease over the five year period from £2,686 per unit in 2025/26 to £2,613 in 2029/30. These efficiencies create capacity to fund the debt required to meet our new build ambitions and invest in services for our customers.

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

Delivering Exceptional Customer Experience

4.4 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. Our services will be delivered using a blended approach of face to face and digital and will be easy to access and feel personal to customers. Our financial projections include funding to support:

- Feedback from tenants continues to emphasise how important the repairs service is for our customers. We will continue to seek repairs service improvements through the use of technology following the successful launch of ‘Book-it, Track-it, Rate-it’ in 2023/24. This improves communications around repairs appointments and provides us with the ability to capture real time feedback on service quality from customers;
- Our Wheatley 360 wraparound services with provision of £1.4m in WH South, in addition to the other RSLs, to provide ongoing funding. Wheatley 360 provide additional support and services to our tenants such as housing and money advice, homelessness and customer support; and
- Continuing our commitment to the Community Improvement Partnership (“**CIP**”) with the police and fire services, in addition to Group Protection. These partnerships support communities across several areas, such as fire prevention, and dealing with anti-social behaviour and crime. This work is delivered by Wheatley Foundation and supported through donations from the RSLs.

4.5 These projections include funding of £6.1m over the next five years towards the Group’s IT capital programme, which is aligned to 7 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 Self Service, including the review and replacement of our current customer self-service platforms;
- Housing and Care Transformation, supporting the new housing operating model through ongoing investment in staff mobile applications and services; and
- Digital Repairs Transformation including an ongoing programme of redevelopment of online repairs services for customers, aligned to ongoing

improvement to operational analytics and reporting platform and improvements to customer communications supporting the evolution of ‘Book-it, Track-it, Rate-it’;

- Core Platforms supporting the management of current technical estate, upgrades to core platforms, replacement of Group firewalls and cloud connectivity improvements, legacy contract terminations and technology removals;
- Cyber Security including the ongoing investment in core platforms, cloud services, security platforms and software and disaster recovery services, support for delivery of Cyber Essentials certification; 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

4.6 The projections include funding to deliver 526 new homes for social rent and 6 homes for mid-market rent over the five years. A total of £160.5m of gross funding for the new build programme has been reflected over the period 2026 to 2030. This is assumed to be supported by grant income of £93.6m. A provision for the demolition of 224 properties has also been included over a 10 year period to support regeneration of our communities.

4.7 Total investment of £83.8m in our existing homes has been included within our five year forecasts. Included in our investment programme are projects which will help improve the energy efficiency of our homes aligned with our fabric first approach in our sustainability strategy. Our investment programme has been increased by £5.6m over the five year period compared to the previously approved 2024/25 financial projections reflecting the feedback from tenants when consulted on the level of proposed rent increase for 2025/26.

4.8 During the first five years of the plan £66.3m 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.

4.9 Over the five-year period our repairs and investment programme will ensure we:

- Continue to grow the planned funding for our cyclical compliance, with increased provision for fire door safety, asbestos, legionella, and our lifecycle replacement investment programme;
- Create a funding provision of £9.4m to deliver our neighbourhood plans (£5.4m) and a programme of environmental improvements (£4.0m); and
- Create capacity to build a programme of energy efficiency improvements to meet the zero targets in the new SHNZS with a provision of £1.2m over the first five years.

4.10 A key part of our strategy is to continue to develop quality affordable homes for people in the areas in which we operate and to regenerate communities. We completed 109 new homes over the first three years of the strategy and anticipate completing 101 units in 2024/25. Based on the 2025/26 projections a total of 33 homes will be added over the 2021-26 strategy period, all of which are social rent.

4.11 Over the five-year period from 2025 to 2030 our financial projections reflect the delivery of 532 additional new build homes for both social rent (526 units) and mid-market rent (6 units). Over the period to 2034, the projections include provision for the development of around 1,100 new homes. Further details of the five-year development programme are presented separately to this Board.

4.12 This is in the context of a challenging development landscape. The Scottish Government announced in its 2025/26 budget in December 2024 an increase, subject to agreement, in the funding for affordable housing with a budget of £768m for 2025/26, a real term increase from 2024/25. While the budget returns spending in cash terms to a level higher than it was two years ago (£752m), the overall budget in real terms (2024-25 prices) is 3% lower than it was in 2023/24.

4.13 Our future pipeline relies on the availability of Government grant for new projects to start on site over the coming year. Our five year programme reflects discussions with our local authority partners and the Scottish Government on likely AHSP funding availability and our five-year development plan is assumed to be supported by £93.6m of grant income.

4.14 The Scottish Government have not provided a multi-year funding settlement for housing; therefore uncertainty remains around the AHSP for 2026/27 and beyond. As part of our risk analysis, we have modelled a scenario to show the financial impact a reduction in grant funding would have on the projections. Details of this scenario are included in Appendix 1, Section 6 at scenario 7 and show that while less new build grant funding would reduce the size of the programme, the ring-fenced nature of new build projects means that the financial impact on the rest of the business is minimal.

Changing lives and communities

4.15 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 £4.9m to the Wheatley Foundation (“The Foundation”) included in the first 5 years of the financial projections, which is WH South’s contribution to enabling the continued delivery of wide-ranging support by the Wheatley Foundation to customers across the Group including in the key areas of poverty social inclusion, and employability; and
- The Foundation projections extend the Helping Hand fund to March 2026, which provides assistance to our customers who are facing financial hardship with rent.

Developing our shared capacity

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

4.17 Planned investment of £35.4m in IT and £5.1m in premises and service facilities (such as concierge stations, care sites and local staff/community hubs) is included in our group financial projections ensuring all staff are provided with the technology and facilities they need to work effectively and efficiently in our hybrid environment.

4.18 We will open our new office in Stranraer in 2027/28 providing a modern and efficient workplan in the west of the region.

Enabling our ambitions

4.19 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.

4.20 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	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Net Rental Income	54,178	56,998	60,763	63,843	67,564
Other Income	7,786	20,266	12,963	31,620	10,363
Grant Income (HAG, Adaptations and SHNZ)	1,162	1,202	1,336	1,371	1,406
	63,126	**78,466**	**75,062**	**96,833**	**79,333**
Management Costs	(14,272)	(14,425)	(14,646)	(14,919)	(15,169)
Repair and Maintenance Costs	(12,496)	(12,748)	(13,205)	(13,678)	(14,166)
Demolition and ER/VR	0	(58)	(215)	(110)	(630)
Bad Debt	(1,119)	(1,173)	(1,239)	(1,289)	(1,347)
Depreciation	(15,693)	(17,091)	(18,587)	(20,002)	(21,635)
Operating Expenditure	**(43,580)**	**(45,495)**	**(47,893)**	**(49,997)**	**(52,948)**
Investment Property Valuation Movement	228	116	117	119	120
Operating (Deficit)/Surplus	**19,774**	**33,087**	**27,287**	**46,955**	**26,505**
Operating Margin (%)	**31%**	**42%**	**36%**	**48%**	**33%**
Finance Costs	(7,221)	(7,380)	(7,750)	(8,476)	(9,701)
Housing Property Valuation Movement	6,894	(13,899)	(7,649)	(34,551)	(7,713)
Total Comprehensive Income	**19,447**	**11,808**	**11,888**	**3,928**	**9,092**

4.21 Over the five-year period presented, WH South’s Total Comprehensive Income fluctuates due to property valuation movements and grant recognition on completed units. Total comprehensive income of £56.2m is projected.

4.22 Our annual rent and service charge consultation exercise is reported to the Board separately. The financial projections incorporate the proposed 6.9% increase in rent and service charge levels. The projections also assume a reduction to our operating cost base of 2.7%, with efficiency savings in the cost per unit over the five-year period.

4.23 Our Statement of Financial Position, set out below, shows a strong net asset position which improves over the first 5 years of the projections. The delivery of new social housing properties will help to strengthen WH South's net asset base. Figure 2 shows the projected change in the Statement of Financial Position over the five-year period to 2029/30.

Figure 2: Statement of Financial Position

Statement of Financial Position	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Housing & Investment Properties	509,144	525,523	565,306	567,049	592,036
Investment Properties	12,142	12,258	12,376	12,494	12,614
Other Fixed Assets	5,180	6,311	6,548	6,859	7,102
Total Fixed Assets	**526,466**	**544,092**	**584,229**	**586,403**	**611,752**
Current Assets	12,094	12,127	12,159	12,193	12,227
Current Liabilities	(32,149)	(26,375)	(45,491)	(23,410)	(36,898)
Net Current Liabilities	**(20,055)**	**(14,248)**	**(33,332)**	**(11,217)**	**(24,670)**
Long-Term Liabilities (includes LT deferred income)	(177,869)	(189,494)	(198,658)	(219,018)	(221,822)
Provisions	(171)	(171)	(171)	(171)	(171)
Net Assets	**328,372**	**340,180**	**352,068**	**355,997**	**365,089**
Total Reserves	**328,372**	**340,180**	**352,068**	**355,997**	**365,089**

4.24 The value of housing assets increases by £82.9m over the five years. The new build programme is funded by debt (and grant subsidy) which increases £44.0m over the same period. This additional debt and asset value results in a growth in net assets of £56.2m (equal to total comprehensive income) over the period.

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

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5 Customer Engagement

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

6. Environmental and sustainability implications

6.1 The business plan allows for the creation of a provision of £1.2m including inflation over the five year period to fund energy efficiency improvements in our homes which will be required to meet the new SHNZS.

6.2 Our planned investment over the next five years will improve energy efficiency measures of £28.4m through the component replacement programme. As part of this investment the business plan includes £3.2m spend in 2025/26 to improve energy efficiency in 637 homes through new windows, doors, external wall insulation and efficiency heating systems.

7. Digital transformation alignment

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

8 Financial and value for money implications

8.1 Revised financial projections and key financial indicators are summarised in section 4 above and in Appendix 1. These financial projections, once approved, will be submitted as part of the wider RSL borrower group financial projections to the Wheatley Group Board for approval on 26 February. The figures in the first year of the projections, 2025/26, will then form the basis of the annual budget which will be presented to this Board for approval in March. Performance against the budget will then be monitored through the management accounts provided to the Board throughout the year.

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

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

11. Equalities impact

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the business plan for the five-year period to 31 March 2030.

13. Recommendation

13.1 The Board is requested to:

1) Approve the updated financial projections for investment in assets and services over the five-year period to 2030; and
2) Agree that the projected 2025/26 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March.

LIST OF APPENDICES

Appendix 1 - WHS 2025/26 Financial Projections

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

Wheatley Homes South Financial Projections
2025/26

Classified as Internal

1 Headlines

The landscape in which we operate has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation and while there are now signs of economic stabilisation, and potential for further interest rate reductions, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. While general Consumer Price Index (CPI) inflation remains above but close to target, costs remain higher for key areas of our business such as repairs and insurance and inflation. Forecasts are inflation will remain close to or slightly above the target 2% prompting interest rate reductions from the current rate of 4.75% in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure. We have updated our business plan assumptions to reflect expectations for future inflation and interest rates on existing and new funding.

Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, as part of our asset management strategy discussions, we agreed the investment priorities set out in our neighbourhood plans be reflected in our rent setting proposals together with starting to create provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS) and we have updated our business plan accordingly.

The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing staff costs and the costs to provide services such as repairs, environmental services and housing management to tenants. This increase in national insurance contributions was not previously anticipated in our business plan.

We recognise that economic factors are continuing to put pressure on household income 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 March 2026. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2025/26 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

We are forecast to invest £16.1m in existing homes this year and projected to complete 101 new build properties in 2024/25. This is in the context of a challenging development market coupled with the Scottish Government 2024/25 budget reduction to the affordable housing supply programme (AHSP).

A total of 2,933 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 74% of these for social rent, and we will complete over 6,400 over the 10-year period. Subject to agreement of the 2025 budget, the Scottish Government has announced an increase to the AHSP in 2025/26 but with no firm commitment to future years. Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays faced in 2024/25 while also acknowledging a multi-year funding settlement for housing has not been provided by the Scottish Government. WH South has plans to deliver 532 homes in the next 5 years and over the next 10 years, over 1,100 properties will be developed.

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

The updated financial projections for 2025/26 and beyond include:

- Provision to deliver 526 additional new build homes for social rent and 6 mid-market rent units in the first 5 years of the plan.
- £66.3m of repairs spend in our existing housing stock in the first 5 years.
- £85.8m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £5.4m for our neighbourhood priorities and £1.2m provision to fund energy efficiency improvements to meet the new Scottish Housing Net Zero Standard (SHNZS).
- Provision of £6.1m for investment in our digital transformation and centres of excellence strategies.
- £4.9m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of value for money and operational efficiencies. This results in our operating costs per unit reducing from £2,686 to £2,613, excluding inflation, over the 5 year period.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. WH South's peak net debt of £278.2m is forecast to be reached in 2033/34 (year 9).

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 2025/26 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

2.1 Cost Inflation

Despite CPI in September 2024 dipping below the Bank of England target rate of 2.0%, as forecast, inflation has steadily crept back into the UK economy and rose to 2.6% in November falling marginally to 2.5% in December, with the UK Government Budget in October 2024 and Public Sector pay increases being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists now expect CPI won't fall back to the long term 2.0% target rate until closer to 2027. 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 higher price increases.

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

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

Table 1 - Inflation assumptions

General Inflation Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
General cost inflation	2.5%	2.5%	2.5%	2.5%	2.5%
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

2.2 Stock numbers

At 1 April 2025, WH South is assumed to own a total of 10,348 homes, 10,247 for social rent and 101 mid-market rent properties. This is based on the stock as at 31 March 2024 as reported in the audited statutory accounts, adjusted to reflect 101 new build properties completed at Curries Yard and Springholm. A total of 126 properties were planned for demolition during 2024/25, with a further 224 properties marked for demolition over the 10 year period. It is assumed that 532 new homes will be completed over the five-year period to March 2030. This will bring the total new homes completed since joining the group to 754.

Table 2 – Housing Stock Numbers

Stock Numbers	Forecast					
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Social Housing						
Opening Units	10,272	10,247	10,280	10,376	10,469	10,688
New Build	101	33	121	93	219	60
Demolition	(126)	0	(25)	0	0	0
Closing Units	**10,247**	**10,280**	**10,376**	**10,469**	**10,688**	**10,748**
Mid-Market Rent	101	101	107	107	107	107
Total Closing	**10,348**	**10,381**	**10,483**	**10,576**	**10,795**	**10,855**

2.3 Rental Income and Service Charges

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

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 6.9% rent increase in April 2025. In addition to rental income, WH South receives income from service charges, which is increased in line with rent increases. Based on current charges, forecast income is £348k in year 1. This includes service charges for Temporary Accommodation and Young Person Project which are significantly higher than general needs.

The table below shows the rent and service charge growth assumptions over the next five years noting that future years' rent increase levels are considered annually by the Board.

Table 3 – Rent and Service charge increase assumptions

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

2.4 <u>Operating Performance</u>

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

Table 4 – Void rent loss, bad debt and arrears assumptions

	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Voids (Retained Properties)	1.0%	1.0%	1.0%	1.0%	1.0%
Bad Debts	2.0%	2.0%	2.0%	2.0%	2.0%
Arrears (£'000) – net of bad debt provision	1,883	1,897	1,897	1,897	1,897

Void losses are assumed at 1.0% over the five years for core rented stock. This is prudent compared to our current year performance to December 2024 of 0.6%. For the 224 properties assumed to be demolished a higher void rate has been assumed. This has been estimated based on current empty and unlettable units and projected clearances.

The provision for bad debts has been assumed at a constant 2.0% of gross rental income in 2025/26, which is also prudent compared to our performance of 0.5% in the current year to December 2024.

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 2025/26 Business Plan arrears reflect the assumption that all working age tenants on benefits move to UC by end of March 2026.

2.5 Other Income

Table 5 – Other income including inflation and other uplifts

Other Income	2025/26	2026/27	2027/28	2028/29	2029/30
Leased Properties	172	178	185	187	188
Garage & Garage Sites	369	388	503	522	543
MMR	447	456	465	475	484
Commercial Properties	57	58	59	61	62
Office lease income	116	122	123	126	129
Total Income	**1,162**	**1,202**	**1,336**	**1,371**	**1,406**

In addition to rental and service charge income, a further £1.2m is expected to be generated by WH South in 2025/26 from other income streams. This is comprised of the following: -

- Leased properties – WH South lease 24 properties across three sites to other organisations generating £172k of income each year. This income increases in line with rent increase.
- Garage and Garage Site Rents – Income of £369k net of voids is projected to be received from the rental of WH South's garages and garage sites.
- Mid Market Rent Lease Income –WH South receive a lease income from Lowther Homes for the 101 properties of £447k per annum, assumed to increase by 2% each year.
- Commercial Properties – 16 commercial units are managed by Lowther Homes in exchange for a management fee. Income from the commercial properties is expected to be £57k in 2025/26.
- Office lease income - £116k is assumed to be received from Wheatley Solutions for use of the WH South office space.

2.6 Other Grant Income

Table 6 – Other grant income including inflation and other uplifts

Other Income	2025/26	2026/27	2027/28	2028/29	2029/30
Aids & Adaptations Grant	540	540	540	540	540
RHI Grants	36	27	10	8	0
Temporary Accommodation Grant	613	0	0	0	0
Young Person Project Grant	215	0	0	0	0
Sheltered Housing Grant	138	0	0	0	0
Total Income	**1,542**	**567**	**550**	**548**	**540**

Other grant income is comprised of the following:

- Aid and Adaptations – The capital investment spend on aids and adaptation is 100% funded by the Scottish Government. WH South expect to receive £540k each year to cover the spend.
- RHI grant - £36k of income is projected to be received in 2025/26 reducing to £8k by year 4 in line with grant applications.
- Temporary Accommodation - £613k is projected to be received in 2025/26 only, in line with the current contract. This contract may be extended beyond year 1, however this has not been reflected within the financial projections.
- Young Persons Project - £215k expected to be received in 2025/26 only, in line with the current contract. This contract may be extended beyond year 1, however this has not been reflected within the financial projections.
- Sheltered Housing grant income of £138k to be received in 2025/26. This contract is renewed year to year and assumed for year 1 only.

2.6 Management Costs

WH South's employee cost assumptions reflect costs in relation to delivering the direct staff structure including any costs associated with changes to the structure. Additionally, WH South pays an appropriate share of the salaries of the Compliance and Investment, New Build, Environmental Service (NETs) and Wheatley 360 staff teams. The increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £0.2m and the costs to provide services such as repairs, environmental services and housing management to tenants.

Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs but exclude Initiatives. Overall, running costs are projected to increase linked to the growth in the number of new build properties, but on an individual cost per unit, will reduce over the five year period.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT and Finance with the increase in employers' national insurance overall mitigated by value for money and efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 7 sets out the overall management costs that are assumed in the plan.

Management costs per unit decreases 3.6% over the five year period.

Table 7 – Management cost assumptions (excluding inflation)

Management Costs	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Employee Costs	4,627	4,652	4,570	4,467	4,415
Running Costs	2,415	2,469	2,558	2,573	2,639
Wheatley Solutions Recharges	5,579	5,728	5,672	5,674	5,670
Total	**12,622**	**12,849**	**12,800**	**12,714**	**12,723**
Average Cost per Unit £	1,216	1,226	1,210	1,178	1,172

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. A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, electrical inspections, emergency lighting, window safety catches and TMVs). 2024/25 planned maintenance is higher due to timing of EICR works deferred from 2023/24, this goes back down to a normal level from 2025/26.

The provision for repairs recognises the continued increase in demand that we have experienced in 2024/25 and growth from the additional stock. This results in the average repairs and maintenance cost per unit increasing by 1.0%, excluding inflation, between 2024/25 budget (stated in 2025/26 prices) and the projection for 2025/26. Table 8 summarises the revenue repairs and maintenance assumptions.

Table 8 – Planned and Routine maintenance costs (excluding inflation)

Repairs	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Responsive Repairs £000	9,018	9,529	9,470	9,601	9,734	9,867
Planned Maintenance £000	3,335	2,967	2,967	2,967	2,967	2,967
Total	**12,354**	**12,496**	**12,437**	**12,568**	**12,702**	**12,834**
Cost per unit	1,194	1,204	1,186	1,188	1,176	1,182

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period, with an increase noted in year 5 for demolition costs to clear the Lochside units.

Table 9 - Projected operating cost per unit (excluding inflation)

Operating costs	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Operating Costs (£’000)	27,887	27,712	27,894	27,853	28,368
No. of Units in year	10,382	10,483	10,576	10,795	10,855
Operating Cost per Unit (£)	**2,686**	**2,643**	**2,637**	**2,580**	**2,613**

This represents an 2.7% decrease in the operating cost per unit over the five year period, driven by increased number of units and efficiency savings will also arise due to continuing investment in service transformation, including online services for customers.

2.9 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.

Table 10 summarises the capital investment programme for the next five years. Investment in existing stock in 2024/25 is forecast to be £16.1m. Over the next five years investment will continue with a further £81.1m, stated before inflation, or £85.8m including inflation, of planned investment in existing stock. Excluding the in-year grant funded SHNZ spend in 2024/25, on average, this provides an annual uplift of £3.6m (before inflation) of investment in existing stock from 2024/25 levels.

Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £5.4m including inflation allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £1.2m including inflation to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS).

The capacity to increase in our investment programme over the five year plan is possible due to operational efficiencies in management costs, generating operational cashflows from rental income as well as financial flexibility provided by the removal of capital investment (MRI) from our interest cover covenant.

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 in our Group Environmental service. The in-house service gives us greater control over the void turnaround process.

Table 10 – Capital investment programme (including VAT, fees and inflation)

£000s	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Core Investment	7,017	5,724	10,156	13,085	17,341	53,323
Capitalised repairs	944	967	992	1,016	1,042	4,961
Medical Adaptations	540	540	540	540	540	2,700
Capitalised Voids	3,565	3,654	3,744	3,836	3,930	18,729
Capitalised Employee Costs	1,156	1,202	1,229	1,254	1,279	6,119
Total	**13,222**	**12,088**	**16,661**	**19,730**	**24,132**	**85,832**

2.10 New Build Programme

The new build programme is set out in table 11 to deliver 526 additional new build homes for social rent and 6 mid market homes in the first 5 years of the plan. Table 11 outlines the investment in new build homes over the next five years. Development costs and grant assumptions have been updated to reflect actual amounts, where known, and our latest expectations on delivery.

Table 11 – New build funding profile (including inflation)

£000s	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Development Cost	24,354	31,718	45,405	32,348	26,726	**160,550**
Grant Income	(19,390)	(15,026)	(27,802)	(19,039)	(12,373)	**(93,630)**
Capitalised New Build Staff	1,264	1,328	1,365	1,396	1,427	**6,780**
Capitalised Interest	396	624	735	1,027	523	**3,304**
Net Cost	**6,624**	**18,644**	**19,703**	**15,731**	**16,302**	**77,004**
Units Completed	33	127	93	219	60	532

A provision of £50k has been included for a development fund. This can go towards projects of strategic importance to help where there is a small funding gap. It has not been assigned to a project at the present time and if unused will be rolled forward.

Demolition Costs

The financial projections assume that the final 25 units at Newington will be demolished in 2026/27 and the costs associated will be capitalised, in line with our accounting treatment of regeneration sites.

At this stage, the programme is an assumption for business planning purposes only, and the proposed demolition projects will be presented to the Board for approval to consult on, and formally classify for demolition, as the programme develops taking account of, for example, the availability of alternative rehousing accommodation.

2.11 Initiatives and Other Provisions

a) Initiatives

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

The key initiative is our contribution to the Wheatley Foundation of £4.9m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 90% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. These initiatives include projects such as the Here For You Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for WH South over the long term.

WH South's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2025/26, is partly met through use of Foundation cash reserves linked to the higher donations made to the Foundation in 2023/24. Other initiatives relate to Think Yes spend.

Table 12 – Initiatives (excluding inflation)

Other Group Recharges £000	2025/26	2026/27	2027/28	2028/29	2029/30
Donation to Wheatley Foundation	333	1,121	1,077	1,112	1,031
Other Initiatives	40	40	40	40	40

b) IT Capital Investment

In total, across the Group the financial projections provide for a five year IT capital investment programme of £35.4m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WH South makes a capital contribution towards the overall Group IT capital costs. The table below details WH South's contribution over the next 5 years.

Table 13 – IT Capital Contribution (including inflation)

IT Capital Programme	2025/26	2026/27	2027/28	2028/29	2029/30	Total
IT Capital Contribution (£’000)	1,301	1,285	1,286	1,288	930	6,090

The 5 year IT Capital Investment programme is aligned to 7 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
- Customer Self Service
- Housing and Care Transformation
- Asset & Repairs Transformation
- Core Architecture
- Cyber Security
- 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 Corporate office services (collaboration and meeting technology, remote and home working devices, software and support); improvements to software and platforms supporting staff and 3rd party engagement, content and document sharing and shared service delivery. A range of AI-enabled and RPA (robotic process automation), data integration and automation services to support efficient and effective business and customer service delivery.
- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners and ongoing improvements aligned to customer feedback, customer journey maps and customer outcomes. Ongoing integration of Group multi-channel services to STORM platform. Ongoing customer and community engagement and

feedback service improvements through digital platforms including MS Dynamics and MyVoice, aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care Transformation**– Housing service delivery transformation through improvements to staff mobile and desktop applications and services; housing platform upgrades and process improvements through business improvement projects and application consolidation. Key projects include replacement of Group factoring management system; upgrades and improvements to Group Housing Management System; improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery and improvements to customer payment collection platforms and services.
    - **Asset and Repairs Transformation** – Technology and business change programme aligning Group West Repairs technology approach and service delivery models to a standard Group approach across platforms, reporting, customer communications and end-end service delivery. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.
    - **Core Architecture** – A programme to ensure the ongoing maintenance, compliance and improvement of Group technology platforms, ensuring the security, stability and support of critical business operations. Delivery and implementation of cyber-technology platforms and services to ensure ongoing security compliance and technical control of applications, data, user activity and cyber-incident responsiveness. Key projects include the final stage of Group data centre terminations and cloud migrations; platform and software upgrades to ensure ongoing compliance and assurance of technology estate and replacement of Group Virtual Desktop services through cloud desktop and ‘secure-access, service edge’ approach for remote access and hybrid workers.
    - **Cyber Security** – Investment and projects improving and advancing core cyber controls, supporting increasingly comprehensive compliance and audit requirements, extending services and logs subject to 24-hour alerting and monitoring services, and delivering Cyber Essentials certification for Care and Group.
    - **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and Data Strategy technology roadmap including improvements to reporting, analytics, and data aggregation platforms, including City Building repairs and compliance analytics. An AI (Artificial Intelligence) programme establishing Group AI strategy, governance and delivery roadmap across staff, manager and platform AI improvements.

2.13 Interest Rate assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited (“WFL1”) at an assumed blended “all-In” average funding rate. The blended funding rate reflects a combination of existing bank, bond and private placement funding and prudent assumptions on the cost of future funding, taking into account the proportion of funding at fixed and variable rates, and any monitoring or commitment fees payable by WFL1 to external funders. This is consistent across all Group subsidiaries.

The interest receivable rate in year 1 is higher due to higher interest rates on the THFC deposits.

Table 14 – Interest rate assumptions

Interest	2025/26	2026/27	2027/28	2028/29	2029/30
Interest Payable (Group Funding)	4.50%	4.60%	4.65%	4.80%	4.90%
Interest Receivable	3.00%	2.00%	2.00%	2.00%	2.00%

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income

Table 15 – Statement of comprehensive income (including inflation)

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2025/26	Year 2 2026/27	Year 3 2027/28	Year 4 2028/29	Year 5 2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	54,178	56,998	60,763	63,843	67,564
Grant Income	7,786	20,266	12,963	31,620	10,363
Other Income	1,162	1,202	1,336	1,371	1,406
Total Income	**63,126**	**78,466**	**75,062**	**96,833**	**79,333**
Management Costs	(13,711)	(14,359)	(14,795)	(14,958)	(15,325)
Repairs & Maintenance	(12,496)	(12,748)	(13,205)	(13,678)	(14,166)
Demolition	0	(58)	0	0	(404)
Support Activities	(560)	(66)	(68)	(70)	(71)
Bad Debts	(1,119)	(1,173)	(1,239)	(1,289)	(1,347)
Depreciation	(15,693)	(17,091)	(18,587)	(20,002)	(21,635)
Operating Expenditure	**(43,580)**	**(45,495)**	**(47,893)**	**(49,997)**	**(52,948)**
Gain on Investment Properties	228	116	117	119	120
Operating Surplus	**19,774**	**33,087**	**27,287**	**46,955**	**26,505**
Operating Margin	**31%**	**42%**	**36%**	**48%**	**33%**
Net Finance Costs	(7,221)	(7,380)	(7,750)	(8,476)	(9,701)
Movement in Value of Social Housing	6,894	(13,471)	(7,645)	(34,547)	(7,708)
Total comprehensive income	**19,447**	**12,236**	**11,892**	**3,932**	**9,096**

Rental Income

Investment in the new build programme and assumed rental increases will generate 25% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Grant income

In line with SORP 2014, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base. Grant income also includes grants and funding received for medical adaptations and our Care services. The fluctuation over the five years is driven by number of new build units completed.

Other income

Other income includes garage and garage site rents, mid market rent lease income and commercial property rents. This increases in line with agreed rent rises.

Housing Property Valuation Movement

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

Operating Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 2.7% reduction in operating cost per unit (excluding inflation).

Repairs and Maintenance

Repairs and maintenance costs are projected to remain relatively stable over the period with increases in line with assumed inflation and additional provisions for new homes.

Investment Property Valuation Movement

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

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

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

Over the five year period total comprehensive income is £56.2m.

3.2 Statement of Financial Position

Table 16 – Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Forecast				
	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£’000
Housing assets	509,144	525,952	565,738	567,486	592,478
Investment Properties	12,142	12,258	12,376	12,494	12,614
Other Fixed Assets	5,180	6,311	6,548	6,859	7,102
Total Fixed Assets	**526,466**	**544,521**	**584,662**	**586,840**	**612,194**
Current Assets	12,094	12,127	12,159	12,193	12,227
Current Liabilities	(32,149)	(26,375)	(45,491)	(23,410)	(36,898)
Net Current Liabilities	**(20,055)**	**(14,248)**	**(33,332)**	**(11,217)**	**(24,670)**
Long term liabilities	(177,869)	(189,494)	(198,658)	(219,018)	(221,822)
Provisions	(171)	(171)	(171)	(171)	(171)
Net Assets	**328,372**	**340,608**	**352,501**	**356,434**	**365,531**
Retained Earnings	171,424	183,660	195,553	199,486	208,583
Total Reserves	**328,372**	**340,608**	**352,501**	**356,434**	**365,531**

Housing Assets
The plan assumes Housing & Investment Property assets to increase £83.3m over five years from 1 April 2025 due to the construction of 532 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
Other Fixed Assets include fixtures and fittings and IT equipment, the increases are a result of assumed investment in office accommodation and IT.

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

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

Long Term Liabilities
Long-term liabilities relate to the loan due from WH South to Wheatley Funding Limited 1 (“WFL1”) and long term other deferred income. The net balance due to WFL1 increases from £90m at March 2026 to £152m at March 2030, funding new build development. Peak net debt of £278.2m occurs in year 9 (2033/34).

Reserves
During the five year period from 1 April 2025, retained earnings are projected to increase by the reported total comprehensive income of £56.2m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

3.3 [redacted]

[redacted]	[redacted]				
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

Net Cash used in Investing Activities
This reflects the on-going core programme and other investment works, and the new build programme.

Net Cash from Funding Activities
Finance Costs (Cash) reflects the interest due on our loan with [redacted] Interest on the [redacted] is rolled up onto the outstanding debt and settled at the capital repayment date so are excluded from cash interest costs. The projections assume the new build programme is completed in 2033/34, while core programme expenditure continues. Peak net debt is reached in 2033/34, which is year 9 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

The loan repayment reflects the repayment of [redacted] in 2026/27. Drawdowns relate to debt assumed to be drawn from WFL1.

4. [redacted]

[redacted]

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

[redacted]

[redacted]

5. Key Parameters

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

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

Table 18 – Operating Margin %

£000s	2025/26	2026/27	2027/28	2028/29	2029/30
Income (excluding grant income)	56,882	58,768	62,649	65,762	69,510
Adjusted Operating Surplus	13,302	13,273	14,756	15,765	16,562
Adjusted Operating Margin (%)	23%	23%	24%	24%	24%

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 4.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The adjusted operation margin increases due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength

Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years**.** Revenue surplus removes items that are non-cash and/or unrelated to underlying operations, such as grant income and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock. A ratio > 1 means that there is sufficient trading cash 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.

[redacted]

[redacted]

5.4 Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. Under the RSL borrower group funding arrangements, WH South's investment and development programme will be supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, such as in relation to rent growth, will have an impact on asset values. The loan to value profile for WH South is as follows:

[redacted]

[redacted]

6. Risk Analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors. As well as general risks relating to inflation and the cost base. The response and mitigation actions will be considered on a Group-wide basis by the Group Board and Audit Committee.

[redacted]

[redacted]

Report

To: Wheatley Homes South Board

By: Stephen Devine, Director of Assets & Sustainability

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

Subject: Five-year Capital Investment Plan

Date of Meeting: 5 February 2025

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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 2025/26-2029/30.

2. Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for approving our Five-year Capital Investment Plan ("capital investment plan").

2.2 Investment in existing homes is a key component of the "Making the most of our homes and assets" theme in our five-year strategy; in particular it supports the strategic outcome of investing in existing homes and environments.

3. Background

3.1 Investment in our existing homes was the key theme of our strategy session in 2024. Discussions at this session has shaped our Strategic Asset Management and Investment Plan, which the Board approved in September 2024, and the investment priorities set out here.

3.2 This five-year Capital Investment Plan is the third strand of our annual investment planning approach and how we ensure that our investment choices meet the direction set in the Asset Strategy, our priorities through our Asset Management and Investment Plan, and most importantly customer requirements.

3.3 The five-year Capital Investment plan presented here has been developed reflecting:

- discussion with customers on their priorities;
- our compliance obligations;
- the direction set through our Strategic Asset Management and Investment Plan; and
- the in-depth understanding we have through our asset management and repairs data.

3.4 Once this five-year capital investment plan is approved, the four local plans that underpin it will provide a basis for continuing engagement between our customers, asset investment delivery teams and our local housing management teams to ensure customer priorities are delivered.

4. Discussion

4.1 Our Capital Investment Plan includes a core programme budget of £53.3m over the next five-years. This investment will ensure we meet our compliance obligations, significantly expand our component replacement programmes, make improvements linked to our neighbourhood plans, support our net-zero ambition and target property types with particular investment needs. In addition to the core programme, this investment is supplemented by £23.7m for improvements and capitalised repairs to void properties and £2.7m to support the delivery of medical adaptations to help customers remain independent in their homes for longer.

4.2 Our 2021-26 strategy committed to delivering £86.7m of capital expenditure in our existing homes. Capital expenditure during this strategy period is shown below equates to £105.7m of investment in our homes and exceeds the amounts planned in our 2021-26 strategy.

2021/22	2022/23	2023/24	2024/25 (est.)	2025/26*	Total
£38.1m	£19.9m	£17.7m	£16.8m	£13.2m	£105.7m

* Year 1 of the 5-year Capital investment plan discussed here includes inflation, fixed overheads etc.

4.3 This capital expenditure is inclusive of inflation and includes fixed overheads and an allocation of on-costs for our technical Repairs Investment and Compliance (RIC) asset staff, who play a key role in delivering our core investment programmes.

4.4 Our core investment activities over the next five years reflect the five investment drivers and the relative prioritisation between them agreed previously with the Board. The investment drivers are:

- **Compliance** including gas servicing, smoke and heat detector 'relifing' and fire safety;
- **Component replacement** – investment to ensure facilities like kitchens, bathrooms, windows etc in our homes are to a good standard;
- **Energy efficiency** – covering fabric efficiency and heating system;
- **Neighbourhood priorities** – investment to ensure our properties and their local environment meet customer needs and our aspirations for our communities; and
- **Particular stock types** - to reflect the diversity of stock, and therefore particular investment challenges.

4.5 Further details of the programme that will deliver on these drivers is provided at Appendix 1. The figures in Appendix 1 and below are before on-costs unless otherwise stated.

<u>Compliance</u>

4.6 We place a strong emphasis on ensuring our customer homes remain safe and secure. Over the five years of our Capital Investment Plan, we will deliver

£170k of capitalised improvements and spend £13.4m in revenue across a range of Home Safety related programmes encompassing:

Programme	Capitalised improvements
Gas	▪ Annual gas servicing for 8,314 homes.
Electricity	▪ Annual servicing for electrical heated properties for 1,818 homes.
Fire:	▪ Provision for planned improvement works as recommended in our Fire Risk Assessments.
Asbestos	▪ Funding for a rolling programme of annual asbestos re-inspections of relevant property common areas.
Water management	▪ Annual servicing of Thermostatic Mixer Valves (TMV's) for our vulnerable customers; and ▪ Inspection and testing of communal water tanks.

Component Replacement

4.7 Ensuring our customers have modern components is a key priority. We plan to invest £53.3m over the next 5 years including £7m in 2025/26 improving components in our properties. The component replacement programme will also contribute to improvements in energy efficiency and our neighbourhoods. Examples of what this investment is planned to deliver are shown in the table below.

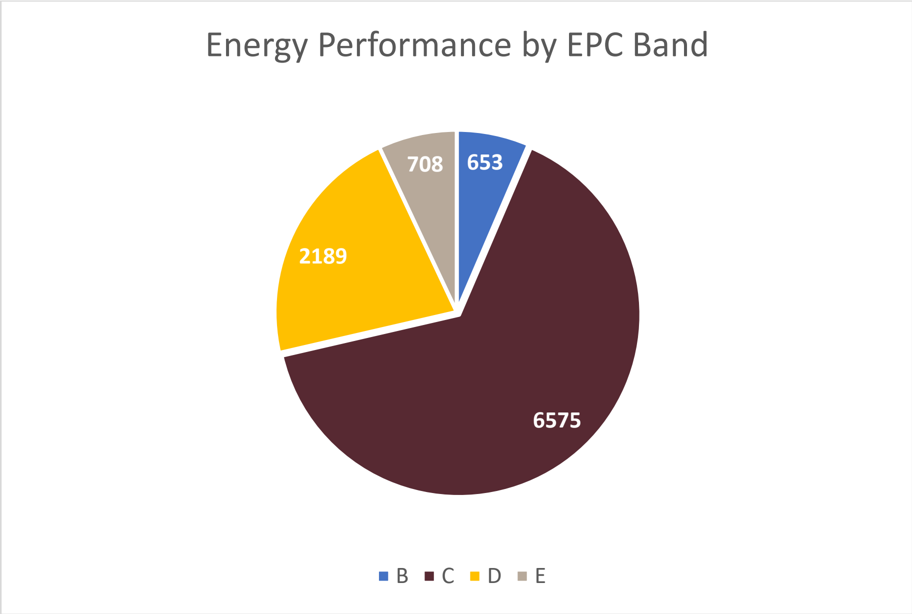
Component	2025/26	2025/26 to 2030/31 (five years covered by investment plan)
Kitchens	264	2780
Windows	200	2020
Heating Replacements	250	2725

4.8 Addresses for these improvements have been identified using our asset data and through engaging with customers on priority areas.

4.9 Our local delivery plans will provide visibility of both the location and timing of planned investment work. This approach will ensure customers and housing officers are better informed about planned investments in their area and will help to facilitate earlier engagement with customers in advance of planned improvements to their homes. Technical surveys will also be undertaken as part of the project development phase to help refine the scope of work. This visit provides an opportunity for customers to find out more details about the project and to select their choices for internal improvements such as kitchen renewals.

Energy Efficiency

4.10 The chart below shows energy performance in our stock at present.



4.11 Our planned investment over the next five years in measures that will improve energy efficiency through component replacement is £28.4m. As part of this investment, we plan to spend £3.2m in 2025/26 to improve the energy efficiency in 637 homes through new windows, doors, external wall insulation and efficient heating systems.

4.12 Our Capital Investment Plan also includes £1.2m for Social Housing Net Zero Standard ("**SHNZS**") specific related investment. This investment will focus initially on fabric efficiency investment, beyond our core component replacement activities, including insulation top-up and draught proofing. However, this will be kept under review and priorities will change as need be to ensure alignment with Scottish Government policy on net zero for social housing once this is defined.

4.13 We will also explore external funding opportunities such as from Scottish government and Energy Company Obligation ("**ECO**") to maximise our existing programme and further support the delivery of our sustainability ambitions. Our plans will remain agile to react to the emerging policy environment and opportunities.

<u>Neighbourhood Priorities</u>

4.14 The Capital Investment Plan includes £5.4m of proposed investment to improve 130 blocks; benefiting circa 520 customers. As part of this investment we plan to spend £1.2m in 2025/26 to improve 26 blocks and benefit circa 104 customers.

4.15 Our approach to delivering this investment to improve the fabric of our properties, and their local environment will generally align with one of three broad approaches:

- ***Environmental maintenance works*** including power cleaning hard surfaces, gutter cleaning, fence and boundary hedge maintenance, common grass cutting and minor improvements, such as replacing damaged paving slabs;
- ***Communal improvement works*** including close painting, entrance way and door repair, and larger local environmental repairs such as to access staircases; and
- ***Large scale fabric improvement*** and component replacement including rainwater goods repair and replacement, render cleaning and repairs, window painting and soffit/facias improvement.

4.16 Environmental maintenance works will be carried out on a cyclical basis with the intention of ensuring that all 428 of our blocks are cleaned and improved over a three-year period. This is expected to benefit 1,603 customers.

4.17 The other two approaches – communal improvement works and larger scale fabric improvement have been prioritised through local investment planning. This has included working with our repairs and investment colleagues to gather survey information and local insight from housing teams to prioritise areas with the greatest customers and community impact. The table below shows planned ***communal improvement works*** next year by locality.

Locality	Number of Blocks
Annandale & Eskdale	4
Nithsdale	10
Stewartry	2
Wigtownshire	5

4.18 Alongside these improvements, we also plan to carry out ***large scale fabric improvement*** projects. Priorities in this area will include improvements to five blocks of flats at Osbourne Drive in Dumfries. The works will include render repair, external painting and rainwater good replacement.

Particular stock types

4.19 Our stock base includes pre-1919 houses and post-war tenements with particular investment requirements. Much of the investment needs in these properties are addressed through our other investment drivers, including improving energy efficiency and the local neighbourhood and ensuring modern components.

4.20 Our programme also includes plans for investing in our garages and lockups. A full stock condition survey of our garages and lockups will be undertaken in 2025 and will inform future investment planning assumptions.

5. Customer Engagement

5.1 We have engaged our customer voice panels around the drivers in the asset strategy and have collated feedback on investment priorities from our customers. This information has informed the prioritisation and approaches in the Strategic Asset Management and Investment Plan and is reflected in this Capital Investment Plan. These discussions have been constructive with support for each of the drivers and a particular emphasis on neighbourhood improvements and component replacement.

6. Environmental and sustainability implications

6.1 The Scottish Government has yet to publish the conclusion of its consultation on the SHNZ, and there is no definitive information on when this is expected. For now, our focus is on improving energy efficiency where it benefits customers.

7. Digital transformation alignment

7.1 Information on investment in our properties including component lifecycles and replacement dates for planning purposes is stored digitally in our PIMSS asset management system. This information is used to inform investment planning and the information in this report.

8. Financial and value for money implications

8.1 The five-year capital investment expenditure has been provided for within the 2025/26 Business Plan that the board is also considering at this meeting.

9. Legal, regulatory and charitable implications

9.1 Our Investment Plan will help ensure that asset related legal and regulatory compliance requirements including those relating to fire safety, and when finalised, the SHNZS are met through clearly defining investment requirements and our approach.

10. Risk Appetite and assessment

10.1 Our 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”. Key risks associated with the five-year capital investment delivery plan and how we propose to mitigate these are set out below:

Risk	Mitigation
Cost inflation means that the proposed investment does not deliver the anticipated impact for customers	The multi-year nature of our plan and its scale, along with robust procurement approaches will help to maximise the value we achieve from our proposed investment
Lack of delivery capacity means that anticipated programmes are not delivered	We will work with potential suppliers to ensure the long-term opportunity that comes from our five-year capital investment plan is understood, which in turn will allow them to plan more effectively and develop delivery capacity
Wider financial pressures mean less availability of Scottish Government grant, especially for energy efficiency related works	We will continue to work closely with Scottish Government to maximise funding opportunities, and will build relations with other to access other funding such as ECO

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 £53.3m 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 neighbourhoods, with 90% of our core programme geared towards known customer priority investment.

12.3 Customers voice has been integral to the investment planning process with the feedback from customer voice panels informing the prioritisation and approaches in the Strategic Plan which is reflected in the Capital Investment Plan.

12.4 Safety remains a key priority for us with over £170k 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 improving the fabric 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.

13. Recommendations

13.1 The Board is asked to approve our five-year capital investment plan 2025-2030.

LIST OF APPENDICES:

Appendix 1: Five-Year Capital Investment Plan 2025-2030

Appendix 1: Five-Year Capital Investment Plan 2025-2030

Capital Investment Plan 2025/26-30/31

PROPOSED WHS INVESTMENT PROGRAMME (INC VAT)								
		2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	Number of Customers Benefiting over 5Yrs
Working Group	Investment Driver	£'000	£'000	£'000	£'000	£'000	£'000	
Gas Heating	Component Replacement/Energy Efficienc	750	1,177	1,990	1,890	2,371	8,178	2,725
Low Carbon Heating (ASHP)	Component Replacement/Energy Efficienc	175	175	475	700	700	2,225	178
Low-rise Fabric	Component Replacement/Neighbourhood	2,355	1,385	2,038	2,430	2,572	10,780	188
Sturctural	Component Replacement	40	40	40	100	100	320	8
Kitchen	Component Replacement	1,400	1,400	2,864	3,790	5,300	14,754	2,780
Bathroom	Component Replacement	22	33	44	100	100	299	54
Windows & Doors	Component Replacement/Energy Efficienc	1,401	1,400	2,051	3,790	5,500	14,142	2,020
Common Work	Neighbourhoods	410	50	210	210	210	1,090	105 Blocks
Mechanical & Electrical	Component Replacement	10	10	10	10	10	50	25
Environmental Sensors	Component Replacement	10	10	10	10	10	50	50
EESSH/SHNZ	Energy Efficiency	400	-	380	-	414	1,194	668
Fire Safety	Compliance	34	34	34	34	34	170	57
Garages	Particular Stock	10	10	10	20	20	70	70
Contingency		-	-	-	-	-	-	-
Core Programme Total (inc VAT)		**7,017**	**5,724**	**10,156**	**13,084**	**17,341**	**53,322**	**8,928**

Over the next five years **£53.3m** 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:

<u>Heating</u>

The Central Heating programme has a total value across the five years of **£8.2m**. The programme consists of £1m 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 be introduced into the gas network in the future. Finally, £**2.2m** has been included for the planned lifecycle replacement of air source heat pumps

<u>Low-rise fabric</u>

The Low-Rise Fabric (LRF) programme consists of the provision of External Wall Insulation (EWI) and roofs. We have made provision of **£10.8m** over the next 5 years to deliver planned improvements to priority areas across the four localities.

<u>Kitchen and Bathroom</u>

We plan to invest **£15m** in new kitchens and bathrooms over the next 5 years. The programme also includes investment of **£100k** in new efficient and effective mechanical extractor fans and environmental sensors benefiting **50** customers over the next 5 years. The programme phasing will be informed using data intelligence to identify trends from our repairs service which will help to identify problematic house types.

<u>Windows and Doors</u>

We plan to spend **£14.1m** on window replacements over the next 5 years, benefitting **2020** customers. The programme will include ad hoc, reactive installations where we have previous been refused access in addition to planned lifecycle replacements.

<u>Common Works</u>

We have allocated **£1.1m** to deliver common area improvements encompassing investment such as common close painter work and foyer upgrades. The primary focus of the programme over the next five years will be on delivering neighbourhood investment.

<u>EESSH/SHNZ</u>

Much of the energy efficiency works are met through core investment activities, however, there is a provision of **£1.2m** where we will focus on draughtproofing, loft and floor insulation. This will be refined once the SHNZS is finalised.

We will continue to explore external funding opportunities such as from Scottish government and ECO (Energy Company Obligation) to maximise 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.

Fire Safety

£170k has been allocated over the five-year plan to fund enhanced fire 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.

Wheatley Homes South

Report

To:	**Wheatley Homes South Board**
By:	**Lindsay Lauder, Director of Development and Regeneration**
Approved by:	**Frank McCafferty, Group Director of Repairs and Assets**
Subject:	**Lochside Regeneration**
Date of Meeting:	**5 February 2025**

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1. Purpose

1.1 This report is to provide the Wheatley Homes South Board ("**WHS**") with an update on the progress of the regeneration of Lochside including the Masterplan and phasing of new builds. The Board is asked to:

- Approve the submission of the Masterplan to Dumfries & Galloway Council ("**DGC**") to be adopted as Planning Guidance;
- Approve the reallocation of the £1.123m demolition budget currently within the 25/26 Business Plan to the Asset Investment budget to undertake stock improvements; and
- Note the phasing of all Lochside sites is now included in our 5-year business Plan (approval for this plan is sought in a separate Board paper).

2. Authorising and Strategic Context

2.1 Under our Terms of Reference, the Board is responsible for the approval of the key business planning considerations which arise from approval of its investment profile, priorities and capital investment plan.

2.2 Wheatley Developments Scotland Ltd ("**WDSL**") Board is responsible for entering into contracts for the development of new homes, including demolition and construction contracts where appropriate. To do this, we are responsible for procuring the new build developments under the terms of a Development Services Agreement which is entered into with each RSL (Registered Social Landlord). All future demolition and new build contracts relating to Lochside will seek approval from WDSL.

2.3 Making the most of our Homes and Assets and Changing Lives and Communities are key strategic aims that are aligned to this report.

2.4 Our new build programme also helps us to deliver against the strategic theme of 'Changing Lives and Communities' through increased opportunities for training and employment and through community benefit contributions to the Wheatley Foundation.

3. Background

3.1 Lochside (125 hectares) is a 20th century neighbourhood forming the north-west settlement edge of Dumfries in Dumfries and Galloway, southern Scotland.

3.2 The neighbourhood is separated from the rest of the town by Glasgow Road to the north-east and the A75 trunk road to the south-east of the site. Lochside borders farmland at the northwest side.

3.3 We are working in partnership with DGC and the local community on the delivery of the Lochside Regeneration Masterplan with the shared ambition to transform Lochside into a thriving, healthy and sustainable neighbourhood for people to live, learn, work and invest.

3.4 In May 2021, we approved the clearing and demolition of 12 blocks, 87 homes, in Lochside. This work has now completed, and the sites remain vacant.

3.5 As part of the Strategic Agreement with DGC, Lochside was formalised as an area of intervention and partnership.

3.6 An update on the Lochside Masterplan was last provided to the Board in September 2024. The purpose of this paper is to seek Board approval to submit the Masterplan to DGC.

4. Discussion

Community Led Development

4.1 The Lochside Masterplan is community-led and a variety of engagement sessions and customer visits have been held to understand views of our tenants and the wider community on what they would like to see delivered through the regeneration of Lochside.

4.2 Consultations took the form of public consultation events, door to door visits undertaken by Stronger Voices officers, surveys sent to customers by text message, sessions undertaken in local schools and use of the DGC mobile presentation trailer to undertake a public ‘roadshow’ with the proposals. Events to support the Masterplan submission were held in February and March 2024 It is proposed to hold a further public event on submission of the Masterplan in Spring 2025.

4.3 A Local Delivery Group was established in 2023, made up of local organisations and individuals meeting monthly to support and inform the Lochside regeneration. Between the LDG and the engagement events, over 1300 members of the Lochside community have had the opportunity to give their views and shape the Regeneration. The key priorities for the local community are:

- new family housing;
- replacement of no longer suitable housing stock;
- improved and additional community, health and commercial services;
- improved and inclusive play and sport areas for a range of age groups;
- safe for walking, wheeling and cycling routes to Dumfries town centre;
- Simple and robust energy efficient houses with minimal maintenance;
- Increased acoustic separation between dwellings, and no shared staircases to reduce impact of antisocial behaviour;
- Suitable garden sizes and parking for families and disabled residents; and
- use of colour and public art.

Masterplan Proposal

4.4 The ambition of the Masterplan (see Appendix 1) is to enhance and reinvigorate strategic aspects of the built environment, the way people move through and beyond the neighbourhood, the quality and use of amenity and greenspace, the creation of new homes and streets to increase the density of the area appropriately with the existing urban fabric to improve Lochside for existing and new residents. The Masterplan is housing led whilst also identifying areas that would benefit from:

- **Repair and care**: by outlining which areas of housing and open space were not performing as they should;
- **Enhancing the green space**: Repair the open space and create enticing places to gather, in a network of green;
- **Improved walking routes**: on- and off-street accessible paths, which link key destinations and parks, encouraging cycling and walking for short journeys;
- **Links into Dumfries town centre** and the wider area; and
- **Repair to the urban fabric:** Stitch in new streets and patch the gaps in the existing urban grain - create new streets and spaces which enrich the existing neighbourhood and enhance the identity of Lochside.

4.5 The Partnership approach with DGC to deliver community led Regeneration will result in a submission to DGC for the approval of the Masterplan as Planning Guidance. Planning Guidance is a Material Consideration in the determination of any planning application relevant to Lochside. The submission to DGC is anticipated in Spring 2025 and will require to be approved by the Economy and Investment Committee.

4.6 The approved Masterplan document and associated Parameter Plan will then define the framework for future delivery in Lochside. These parameters set the key design elements for future detailed planning applications across Lochside by any organisation. To maximise future flexibility, the document does not explicitly state the potential housing capacity of the proposal which is c.600 new homes.

4.7 Around half of the development capacity of Lochside, 300 homes, will be achieved through the development of the cleared site of the former Maxwelltown High School.

Implementing the Masterplan

4.8 A key driver of the Masterplan is to identify key workstreams for the Regeneration of Lochside; including:

Table 1

Lochside Workstream	Lead Party	Status
Delivery of new Affordable Homes	WHS	Phasing included in proposed 5 year Business Plan 2025.
Repair and maintenance of existing stock	WHS	The WHS Asset Management Business Plan outlines organisational financial capacity for future investment and any proposed demolition of units at Lochside Road, Alloway Avenue and Dunlop Road.
Delivery of new private homes	Joint	Maxwelltown High former school site has been identified as a potential joint private and affordable development site
Improvements to Open space	DGC	DGC are also due to complete a new inclusive playpark in Glentrool Park in early 2025. Works are currently on site.
Improve connections to Dumfries Town Centre	DGC	Currently funding is being sought to deliver a feasibility study for a potential new footbridge over the A75 to connect Lochside to Dumfries town centre as well as other supporting Active Travel interventions throughout Lochside

Private New Build Developer Interest

4.9 Soft Market Testing was undertaken in Summer 2024 with national housebuilders. The following key matters were identified;

- The speed of sales with consensus of a sales rate around 1 or 2 new homes a month;
- Supply chain and perceived issues with workforce attraction as most supply chains are based around the central belt.

4.10 Discussion is ongoing with DGC to secure a long-term funding approach for Lochside, with alternative funding models, including Partnership Support for Regeneration ("**PSR**") having gained the support of DGC. The Masterplan is proposed to be delivered in phases to align with grant availability.

Osborne Drive

4.11 The masterplan has identified several areas for new housing to be constructed, alongside the proposed demolition of existing flatted blocks.

4.12 In May 2024, the Board agreed to the reclassification of 50-64 Osborne Drive for demolition to facilitate the delivery of new homes in the green space adjacent to the block. The eight remaining blocks of flats in this area were subject to a further review.

4.13 As a result of the reduction in the Affordable Housing Supply Programme in 2024/25 and the onward impact of the funding of future years, a review of the decision to demolish the 8 units at 50-64 Osbourne Drive was undertaken to maximise the use of our existing stock and reduce future pressures on new build requirements.

4.14 In consultation with our Asset and Housing Management teams, an opportunity to retain the block of 8 units, previously approved for demolition, has been identified through the use of the proposed £1.123m demolition budget allocated within the 25/26 Business Plan, to fund investment works across the Osborne patch. The reassigned demolition budget will enable £1.123m investment across all 9 blocks (72 units) at Osborne Drive/Osborne Crescent in 2025/26 and 26/27. The priority for Investment across all blocks is reroofing. Any additional investment required for the 9 blocks at Osborne will be undertaken in future years through the Asset investment programme.

<u>Phasing of Delivery of New Affordable Homes</u>

4.15 Table 2 sets out the phasing of the delivery of the masterplan, which has been developed in consideration with our existing new build programme. The sites identified for new build have been included within the 2025/26 5 Year Business Plan, which is subject to approval in a separate report.

[redacted]

*Demolition completed in 2021

4.16 Osborne phase 1 will see 82 new homes constructed on the green space adjacent to the existing block at 50-64 Osborne Drive. Design team appointments are underway with the intention of planning permission being submitted in this project in Summer 2025.

4.17 We continue to meet DGC monthly to progress the Lochside regeneration.

5. Customer engagement

5.1 Our engagement framework, “Stronger Voices, Stronger Communities” places our customer at the heart of we plan, design and specify our development projects.

5.2 The Lochside Masterplan is a community-led initiative involving extensive engagement with tenants and the wider community through various methods, including public events, door-to-door visits, surveys, and school sessions. A Local Delivery Group, established in 2023, has facilitated monthly meetings with local organizations and individuals. Over 1300 community members have contributed their views, shaping the regeneration priorities.

5.3 Whilst we are the largest RSL in Lochside, both Hanover Scotland and Home Group have homes in the area. Hanover Scotland has 24 sheltered flats in their Hanover Close development which is located on Lochside Road. Home Group have 40 properties in the area, a mixture of 2-and-3-bedroom houses and ground floor flatted accommodation.

5.4 Home Group’s 40 homes are pepper potted throughout Lochside and are mainly constructed between 1950 and the late 1970s. Home Group’s void and reactive repairs are currently managed by us. We have met with Home Group to discuss the masterplan proposals. Home Group has confirmed that their stock in the Lochside area is performing well with improvement works such as kitchen, bathroom and window replacements having taken place in recent years. Home Group has advised that they will consider EWI works in the future for their homes subject to funding.

6. Environmental and sustainability implications

6.1 Subject to approval, any required environmental assessments will be carried out as part of the demolition of any properties.

6.2 As part of the procurement process contractors will be required to demonstrate their environmental management procedures, including recycling of materials, reduction of materials going to landfill and disposal of non-recyclable materials.

7. Digital transformation alignment

7.1 Fibre broadband connectivity will be delivered free to customers in most completed units, where available, to meet our Group strategy objectives to facilitate the aim of developing digital neighbourhoods and creating the digital infrastructure that may assist customers to work from home or live independently for longer. Thereafter, our customers will be free to choose their internet supplier of choice from a range of companies.

8. Financial and value for money implications

8.1 Our ability to successfully deliver new housing helps strengthen the income streams in our business plan and supports our RSL’s charitable objectives to address housing need, by providing affordable homes. Delivering value for money for our funders and stakeholders, particularly the Scottish Government, is vital in maintaining our position as a key delivery partner.

8.2 The capacity of the masterplan is 595 new affordable homes. This will be phased over 10 to 15 years. The focus over the next five years is the completion of two phases totalling 134 homes and an affordable grant requirement of £17.625m.

9. Legal, regulatory and charitable implications

9.1 Legal support for projects is provided by our Property Legal Team and external framework solicitors. Technical support is provided by Employers Agents to compile the construction documentation for signing.

9.2 We can call off projects from our Technical Consultant Framework and Generation 3 Housing, Construction and Associated Works Framework which were tendered by our procurement team in accordance with the OJEU and Scottish Government procurement regulations. The contracts are in the form of an SBCC Design and Build contract, updated with the Group's Schedule of Amendments, as procured under the framework.

9.3 Where projects are progressed with private developers, the Group is taking advantage of commercial opportunities that have been offered to us. As such, developers cannot be called off the Group's new build framework as they are not part of this.

10. Risk appetite and assessment

10.1 Our risk relation to the operational delivery of new homes is open, balancing this with a minimal risk appetite for legal or reputational risk and an adverse financial risk appetite.

10.2 Our development programme represents a significant element of our expenditure, in the form of borrowing to fund construction. In the year (24/25) we anticipate spend of £18.16m, inclusive of Grant funding, on the development programme. The income from the construction of new homes represents a correspondingly significant element to increasing rental income to continue to service borrowing.

10.3 The development programme plays a key role in reducing unit management costs for WHS as a developing RSL, as overheads are spread over a greater number of units. A key risk is that we do not identify a pipeline of development opportunities to realise our assumed development programme. The Lochside proposals play a key part in our future development programme, with the initial phases being identified in the 5 year programme being considered by this Board.

10.4 The delivery of Lochside has to be balanced beside our other development projects across the region and in line with the priorities set by the Local Authority. There is limited private sector interest in Lochside given the sales rate and supply chain challenges. To help support mixed tenure delivery and reduce the grant requirement we will continue to explore alternative funding models including Partnership support for regeneration.

11. Equalities Impact

11.1 We consider equalities within our planning and development. All of our new build developments are built to Housing for Varying Needs. We continue to delivery of housing to wheelchair-accessible standards as a contribution towards Local Authority targets. An equalities impact assessment has been completed for our 5 year programme.

12. Key Issues and Conclusions

12.1 Partnership working with DGC has progressed well to deliver a 15-year Masterplan for the Regeneration of Lochside. Community Engagement has demonstrated strong support locally for investment and new home delivery. Continuing to involve the community and our customers throughout the delivery will ensure a holistic approach to regeneration of Lochside.

13. Recommendations

13.1 The Board is requested to:

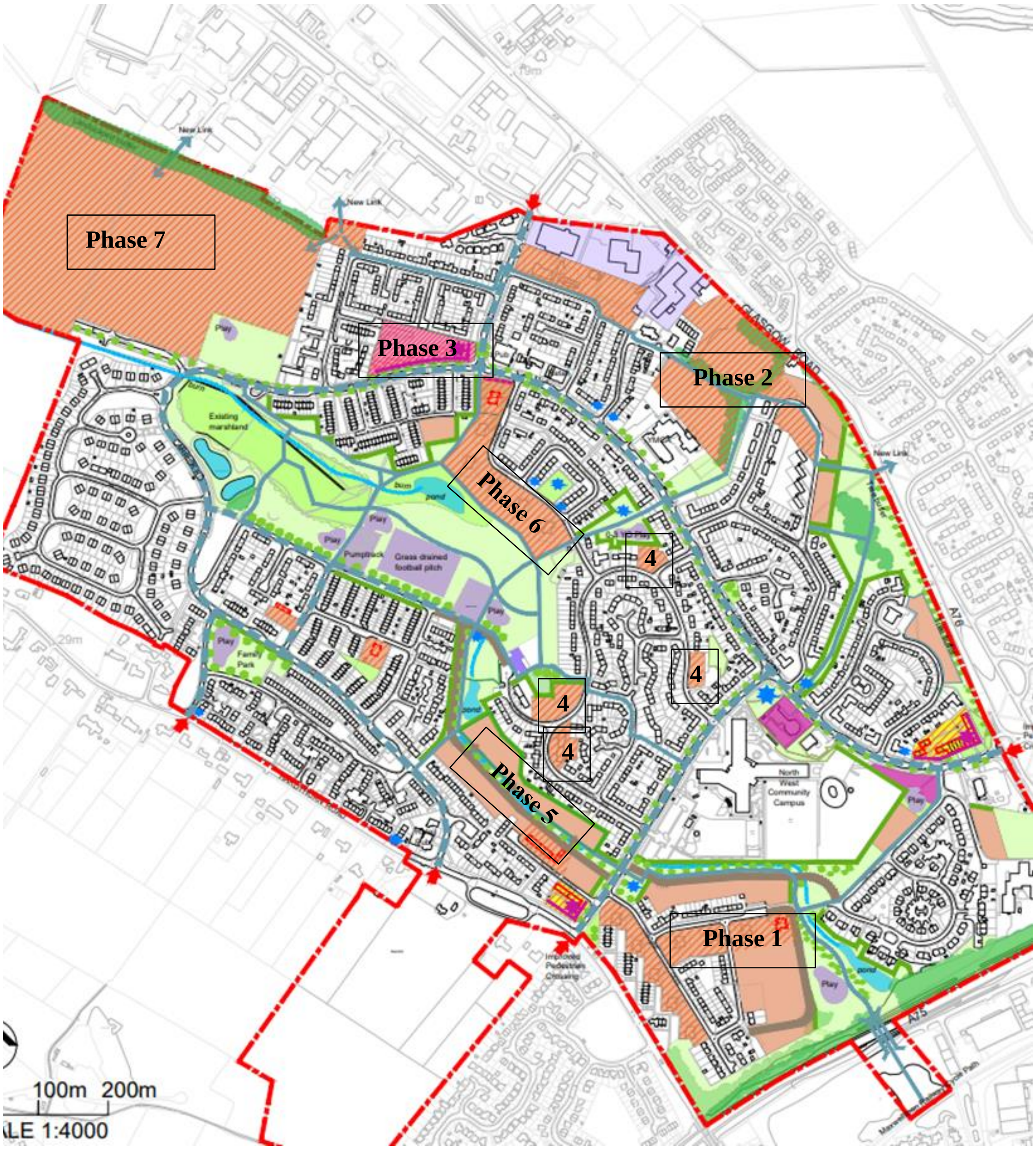
1) Approve the submission of the Masterplan to Dumfries & Galloway Council to be adopted as Planning Guidance;
2) Approve the reallocation of the £1.123m demolition budget within the 25/26 Business Plan to the Investment budget to carry out necessary repairs at Osbourne Drive (removing the requirement for demolition); and
3) Note the phasing of all Lochside sites are now included in WHS 5 Year Business Plan (approval for this plan is sought in a separate Board Paper).

LIST OF APPENDICES:

Appendix 1: Lochside Masterplan
Appendix 2: Indicative site capacity studies

Wheatley Homes South

Appendix 1 – Lochside Masterplan (Parameter plan for approval by DGC)



Report

To: **Wheatley Homes South Board**

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

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

Subject: **Finance Report to 31 December 2024**

Date of Meeting: **5 February 2025**

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1. Purpose

The purpose of this paper is to provide Wheatley Homes South Board with:

- An overview of the Finance Report for the period to 31 December 2024 and the Q3 forecast.

2. Authorising and strategic context

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

3. Background - Financial performance

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

	Year to Date (Period 9)		
	Actual £'000	**Budget £'000**	**Variance £'000**
Turnover	58,434	58,409	25
Operating expenditure	(31,283)	(32,763)	1,480
Operating surplus	**27,151**	**25,646**	**1,505**
Operating margin	*46%*	*44%*	
Net interest payable	(5,463)	(5,657)	194
Surplus	**21,688**	**19,989**	1,699
Net Capital Expenditure	**16,471**	**20,292**	3,821

4. Discussion

Period to 31 December 2024

4.1 Statutory surplus to 31 December is £21,688k, is £1,699k favourable to budget with the majority of expenditure lines being well managed and reporting spend favourable to budget. Repairs spend is favourable to budget with spend on reactive works in line with expectations at the end of the third quarter. Within income a continuation of our strong letting performance and quick turnaround of properties when they become vacant is driving favourable variances in rental income.

Key points to note:

- Net rental income is £313k higher than budget, with Curries Yard development completing earlier than budgeted and a void loss rate of 0.6% vs 1.0% in budget. Grant income is in line with budget following the completion of 54 units at Curries Yard and 47 units at Springholm, all for social rent;
- Other grant income is £292k adverse to budget due to lower than budgeted aids & adaptations grant funding (with lower corresponding costs in investment spend), partly offset by higher renewable heat incentive (RHI) grant income and higher Supporting People grant income from DGC;
- Operating expenditure is £1,480k favourable to budget driven by lower spend across the majority of expenditure lines;
- Total employee costs (direct and group services) are £128k favourable to budget due to the timing of changes to the budgeted structure partly offset by additional spend from Wheatley Solutions for Group employee costs.
- Total running costs (direct and group services) are £151k favourable to budget due to savings across various expenditure lines in direct running costs and Wheatley Solutions;
- Repair costs are £590k favourable to budget. Within this, responsive repairs are in line with budget. Cyclical and compliance spend is £592k favourable to budget due timing of spend and reprofiling of spend compared to budget;
- Investment income is £2,865k lower than budget mainly due to the delay in the site start for Ashwood Drive and College Mains. Grant income received relates to Johnstonebridge, grant in relation to social housing net zero (SHNZ) and adaptation claims;
- Total capital investment spend of £9,758k is £1,278k lower than budget, mainly due to the timing of spend on core investment programme and lower adaptation spend, partly offset by increased void costs; and
- New Build expenditure is £4,803k lower than budget due to the later than budgeted site start dates at Ashwood Drive and College Mains. Curries Yard is also under budget due to additional spend occurring in 2023/24. This is partially offset by additional spend in Springholm, with all 47 units completing in September, and Johnstonebridge which is ahead of schedule.

Q3 2024/25 Full Year Forecast

4.2 A forecast of the full year out-turn has been completed following the finalisation of the financial results to 31 December 2024. The Q3 forecast is summarised below:

	Full year 2024/25		
	Forecast £k	**Budget £k**	**Variance £k**
Turnover	73,842	74,509	(668)
Operating expenditure	42,926	44,093	1,167
Operating surplus	**30,915**	**30,417**	**498**
Operating margin	*42%*	*41%*	
Net interest payable	(7,219)	(7,387)	168
Surplus	**23,696**	**23,030**	666
Net Capital Expenditure	**23,083**	**25,472**	2,389

- Statutory surplus of £23,696k is £666k favourable to budget driven by higher net rental income and lower forecast spend across various expenditure lines, partly offset by lower intra group Wheatley Development Scotland (WDS) gift aid income. Other grant income reflects the lower level of adaptation grant confirmed this year and spend has been managed within this allocation;
- Within net capital expenditure, investment works are forecast to be £2,389k lower than budget with a reduction in new build spend (net of grant income) following the deferral of Ashwood Drive, Corsbie Road and College Mains and a reduction in other capital spend due to the deferral of the Stranraer office refurbishment to 2025/26. This is partly offset by the RSL borrower group interest cover covenant change creating additional capacity for investment works to be delivered in WH South; and
- Overall the forecast out-turn reports a favourable financial position compared to the full year budget.

5. Customer Engagement

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

6. Environmental and sustainability implications

6.1 We have delivered £1.6m of energy efficiency improvements through the Scottish Government’s Social Housing Net Zero (SHNZ) fund. The full year spend is forecast to be £3.1m. This includes deep retro-fit of our least energy efficiency homes in Dumfries and Galloway. This project sees a range of measures applied to improve the energy efficiency including EWI, air source heat pumps, new windows, solar PV and batteries. This will benefit 108 homes, with EPC’s improving from EPC ‘E’ to EPC ‘B’, bringing the total number of deep retro-fit SHNZ supported homes to 358.

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 year to 31 December 2024 is £21,688k, £1,699k favourable to budget. Our cost efficiency targets are built into the budget and delivery of these is a key element of continuing to demonstrate value for money. After adjusting the net operating surplus for new build grant income, depreciation and including capital expenditure in our properties an underlying surplus of £7,094k has been generated which is £2,976k favourable to budget. Within net operating surplus an improved operating performance position together with the timing of investment spend are contributing to the favourable underlying performance

8.2 The Q3 forecast shows a statutory surplus of £23,696k, £666k favourable to budget due to the favourable net rental income position and savings across expenditure lines. The Q3 forecast reports an underlying surplus of £6,126k, £527k favourable to budget due the improved operating performance position offset in part by additional investment works in tenants' homes approved following the changes made to the interest cover covenant. This aligns with our objective to provide high quality housing and investment to improve the energy efficiency of our homes.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

10.2 Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors.

10.3 The Group's risk appetite in respect of development is "open", which is defined as willing to choose the option "*most likely to result in successful delivery while also providing an acceptable level of reward*". The Group's risk appetite in respect of governance is "cautious" which is defined as "*preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward*".

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 for the period to 31 December 2024.

13. Recommendations

13.1 The Board is requested to:

1) Note the Finance Report for the period to 31 December 2024 and Q3 forecast at Appendix 1.

LIST OF APPENDICES:

Appendix 1: Period 9 – 31 December 2024 Finance Report and Q3 forecast.

Period to 31 December 2024

Finance Report

1) Operating statement – Period to December 2024

Wheatley Homes South

OPERATING STATEMENT	Period to December 2024 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	38,638	38,487	151	51,163
Void Losses	(231)	(393)	162	(521)
Net Rental Income	**38,407**	**38,094**	**313**	**50,642**
Grant Income	16,418	16,418	0	16,418
Other Grant Income	2,747	3,039	(292)	5,297
Other Income	862	858	4	2,152
TOTAL INCOME	**58,434**	**58,409**	**25**	**74,508**
EXPENDITURE				
Employee Costs - Direct	3,825	3,970	145	5,277
Employee Costs - Group Services	2,672	2,655	(17)	3,508
ER/VR	0	0	0	210
Direct Running Costs	1,894	1,944	50	2,651
Running Costs - Group Services	1,587	1,688	101	2,305
Revenue Repairs and Maintenance	9,143	9,733	590	13,122
Bad debts	181	792	611	1,056
Depreciation	11,581	11,581	0	15,441
Demolition and compensation	400	400	0	523
TOTAL EXPENDITURE	**31,283**	**32,763**	**1,480**	**44,093**
NET OPERATING SURPLUS	**27,151**	**25,646**	**1,505**	**30,415**
Net operating margin	*46%*	*44%*	*3%*	*41%*
Interest receivable	96	23	73	30
Interest payable & similar charges	(5,559)	(5,680)	121	(7,417)
STATUTORY SURPLUS	**21,688**	**19,989**	**1,699**	**23,028**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**3,632**	**6,497**	**(2,865)**	**16,304**
Capital Investment spend	9,758	11,036	1,278	15,432
New Build Programme	9,421	14,224	4,803	24,207
Other Fixed Assets	925	1,528	603	2,137
TOTAL INVESTMENT EXPENDITURE	**20,103**	**26,788**	**6,685**	**41,776**
NET CAPITAL EXPENDITURE	**16,471**	**20,292**	**3,821**	**25,472**

Key highlights:

Net operating surplus of £27,151k, £1,505k favourable to budget and a statutory surplus of £21,688k, £1,699k favourable is reported. Lower spend across expenditure and favourable net income position are contributing to the better than budgeted performance.

- Net rental income is £313k higher than budget. Void losses are £162k favourable to budget, with a void loss rate of 0.6% vs 1.0% in budget. Rental income is £151k higher due to unbudgeted rental income from earlier handover of Curries Yard and Lochside clearance no longer taking place.
- Grant income is in line with budget following the completion of 54 units at Curries Yard and 47 units at Springholm, all for social rent.
- Other grant income is £292k adverse to budget due to lower than budgeted aids & adaptations grant funding (with lower corresponding costs in investment spend), partly offset by higher renewable heat incentive (RHI) grant income and higher Supporting People grant income from DGC.
- Total employee costs (direct and group services) are £128k favourable to budget due to the timing of changes to the budgeted structure partly offset by additional spend from Wheatley Solutions for Group employee costs.
- Total running costs (direct and group services) are £151k favourable to budget primarily due to several departments reporting lower costs across Wheatley Solutions
- Repairs costs are £590k favourable to budget. Responsive repairs are in line with budget. Cyclical & gas maintenance and compliance are favourable due to timing and reprofiling of the programmes.
- Bad debts are £611k favourable to budget. A prudent approach was taken when setting the budget.
- Demolition costs includes three buy backs at Summerhill and the demolition costs at Ecclefechan with all 13 units at Ecclefechan now demolished.

Interest payable of £5,559k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The £121k favourable variance is due to lower drawdowns and a lower base rate charged on the variable loans than budgeted. than budgeted.

Net capital expenditure of £16,471k is £3,821k lower than budget.

- Capital investment income is £2,865k lower than budget. New build grant income is unfavourable to budget due to a delayed start at Ashwood Drive and College Mains. Grant received relates to Johnstonebridge. Adaptation (£370k) and SHNZ (£1,590k) grant income also included here.
- Total capital investment spend of £9,758k is £1,278k lower than budget, mainly due to the timing of spend on core investment programme and lower adaptation spend, partly offset by increased void costs.
- New Build expenditure is £4,803k lower due to later than budgeted start dates at Ashwood Drive and College Mains. Curries Yard, now complete and fully handed over has spend less than budgeted spend in 2024/25 due to advanced spend in 2023/24. This is partially offset by additional spend in Springholm and Johnstonebridge.
- Other capital expenditure of £925k is £603k lower than budget due to timing of IT spend and deferral of the Stranraer office to 2025/26.

1b) Underlying surplus – Period to December 2024

Key highlights :

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation but including capital expenditure on our existing properties.
- For the period to December 2024, an underlying surplus of £7,094k has been generated which is £2,976k favourable to budget. Within net operating surplus an improved income and favourable expenditure position together with the timing of investment spend are contributing to the favourable underlying performance

Underlying Surplus - Period to 31 December 2024				
	YTD Actual £ks	**YTD Budget £ks**	**YTD Variance £ks**	**FY Budget £ks**
Net Operating surplus	27,151	25,646	1,505	30,415
add back:				
Depreciation	11,581	11,581	0	15,441
less:				
Gift aid	0	0	0	(1,023)
Grant income	(16,418)	(16,418)	0	(16,418)
Net interest payable	(5,463)	(5,657)	194	(7,387)
Total expenditure on Core Programme	(9,758)	(11,036)	1,278	(15,432)
Underlying Surplus	**7,094**	**4,117**	**2,976**	**5,596**

2) In House Repairs Service – Period to December 2024

In House Repairs	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	Full Year Budget
INCOME				
Internal	8,428	9,398	(970)	12,648
External Customers	343	335	8	447
TOTAL INCOME	**8,771**	**9,733**	**(962)**	**13,095**
COST OF SALES				
Staff Costs	3,946	4,125	178	5,476
Materials	1,941	2,288	346	3,050
Subcontractor & Other Costs	1,580	1,933	353	2,577
TOTAL COST OF SALES	**7,467**	**8,346**	**877**	**11,103**
GROSS PROFIT	**1,303**	**1,387**	**(84)**	**1,993**
Margin %	15%	14%	1%	15%
Overheads	**1,428**	**1,500**	**72**	**2,000**
NET (LOSS) / PROFIT	**(124)**	**(112)**	**(12)**	**(7)**

Key Comments:

- Income is £962k lower than budget. External customers income represents Home Group income generated in the period to 31 December 2024.
- Employee costs are £178k favourable to budget driven by an increase in the labour capitalised to accommodate the demand for capitalised voids.
- The favourable variance in materials and subcontractors is driven by lower job numbers.
- Overheads are £72k favourable to budget driven by savings across various expenditure lines including lower than budgeted fuel costs.

3) Repairs and Investment – Period to December 2024

Wheatley Homes South

Revenue Repairs and Maintenance	YTD			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Reactive	6,963	6,961	(2)	9,468
Gas planned maintenance	631	875	244	1,174
Landscaping and cyclical maintenace	587	720	133	900
Compliance	962	1,177	215	1,580
TOTAL	**9,143**	**9,733**	**590**	**13,122**

Core Investment Programme	To 31 Dec 2024			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Investment programme grant income				
Aids and Adaptations	370	750	(380)	1,000
Social Housing Net Zero	1,590	1,590	0	3,364
Total	**1,960**	**2,340**	**(380)**	**4,364**
Investment programme spend				
Core Programme	3,363	4,369	1,007	5,414
Capitalised repairs	678	692	13	921
Social Housing Net Zero	1,590	1,590	0	3,364
Capitalised Voids	2,905	2,680	(225)	3,459
Adaptations	370	750	380	1,000
Capitalised Staff	852	955	103	1,274
Total	**9,758**	**11,036**	**1,278**	**15,432**
Net Investment Spend	**7,798**	**8,696**	**898**	**11,068**

Repairs

Repairs and maintenance costs are £590k favourable to budget.

- Reactive repairs are in line with budget. The team are managing cost per job to keep within YTD budget.
- Gas planned maintenance, landscaping and cyclical maintenance and compliance expenditure were all favourable to budget due to the timing of spend against budget and reprofiling the gas servicing and cyclical programme. All compliance work is delivered within the required legislative timeframe.

Investment

Net investment in our existing homes was £7,798k, which is £898k lower than budget.

- Core programme is £1,007k under budget due to lower spend on windows & doors, internal common works, kitchens, bathrooms and lowrise, offset partly by higher spend on ASHP. The full year budget is expected to be fully spent.
- Voids are £225k adverse to budget due to higher average cost per void. In recent months, we have seen higher value voids requiring significant investment, with spend closely monitored.
- YTD adaptations spend has been prudent due to the delay in the grant award confirmation. Spend is expected to increase to accommodate the full grant award of £669k for the year.
- Capitalised staff is £103k lower than budget with the reallocation of the Head of Asset Investment post to Group Repairs & Investment in Wheatley Solutions.

4) New Build – Period to December 2024

[redacted]

On Site/ Due on Site:

- ***Currie's Yard (SR/89):*** All 89 properties are now handed over. External communal works including tree planting still to be completed by CCG.
- ***Springholm/ Ewart Place (SR/47):*** Construction started in May 2023, with full site completion in September 2024. All properties are occupied.
- ***Johnstonebridge/ MacLean Drive (SR/33):*** Tender approved in March 2024; funding granted in July 2024. Site start October 2024, later than budgeted and works progressing well.

[redacted]

Regeneration:

- **Lochside** – Identified as a Transformational Regeneration Area and regeneration of the area will be delivered in partnership with Dumfries and Galloway Council with the Heads of Terms agreed. Deliverability of sites being assessed alongside wider WHS programme. Phasing of sites to be presented to WHS Board in February 2025.
- **Newington**: Demolition works are now completed, with exception of occupied buildings at Fernlea and Springbells . Planning submitted in September 2024.
- **Summerhill**: Demolition works commenced October 2024. Planning application to be submitted in January 2025, following DGC's confirmation of requirements for Temporary Accommodation Service. Community engagement event planned for late January 2025.
- **Troqueer**: Demolition completed; community engagement event held in November 2024 and planning application submitted in December 2024.

5) Balance Sheet – Period to December 2024

	31 December 24	31 March 24
Fixed Assets		
Social Housing Properties	473,058	465,426
Other Fixed Assets	2,804	1,878
Investment Properties	11,583	11,582
Fixed Assets	**487,445**	**478,886**
Current Assets		
Stock	896	897
Trade debtors	237	102
Rent and service charge arrears	2,995	3,014
less: provision for rent arrears	(1,309)	(1,285)
Prepayments and accrued income	2,785	2,138
Other debtors	3,681	3,849
Due from other group companies	252	252
Total debtors	**9,537**	**8,966**
Bank and cash	3,722	5,150
Current assets	**13,259**	**14,116**
Creditors: within 1 year		
Trade Creditors	(998)	(2,354)
Accruals	(2,530)	(2,173)
Deferred income (Grant)	0	(16,417)
Prepayments of Rent and Service Charge	(1,180)	(990)
Other Creditors	(872)	(707)
Amounts due to Group Undertakings	(5,095)	(6,501)
Current liabilities	**(10,675)**	**(29,141)**
Net Current Liability	**2,585**	**(15,026)**
Long Term Creditors		
Long term loans	(169,214)	(167,214)
Loan interest	(5,981)	(5,171)
Deferred Income	(5,639)	(3,967)
Other provisions	(171)	(171)
Net Assets	**309,025**	**287,337**
Capital and Reserves		
Revenue Reserve	152,077	130,389
Revaluation Reserve	156,948	156,948
Shareholders' funds	**309,025**	**287,337**

Key Comments:

The balance sheet as at 31 March reflects the audited position.

- **Fixed assets** of £488m – representing new build works less depreciation of existing assets.
- **Stock** relates to the in-house repairs team stock and materials on site relating to the investment program.
- **Prepayments and accrued income** – Accrued income includes new build grant income (Johnstonebridge) and aids & adaptations. Prepayments includes £0.2m prepaid insurance for 2024/25.
- **Other debtors** includes capital asset recharge £3.5m.

- **Creditors: within 1 year:**
  - Trade creditors are lower by £1.4m compared to 31 March 2024, driven by timing of supplier payments.
  - Accruals includes £0.8m of investment works (CBG), £0.3m materials & sub-contractors costs, £0.5m of THFC interest accrued and £0.1m of fleet payments. The increase in accruals is due to timing.
  - The reduction in deferred income relates to the release of grant for the completion of 54 units at Curries Yard and 47 units at Springholm.
- **Long-Term Creditors:**
  - Capital loans of £169m, include WFL1, Allia and THFC loans.
  - The roll up of accrued interest on Allia loans is not payable until the end repayment date of the loan. £6.0m has been accrued since the drawdown of the loans.
  - Grant income received is deferred until the completion of new build properties. The balance relates to Catherinefield and Thornhill which are all expected to complete in 2025/26 onwards.
  - Provision of £171k relates to the remaining balance made for dilapidation liabilities for offices and hubs.

6) Q3 Forecast 2024/25

Operating statement	Full Year 2024/25 Q3 Forecast £k	Budget £k	Variance £k
INCOME			
Rental Income	51,323	51,163	160
Void Losses	(351)	(521)	170
Net Rental Income	**50,972**	**50,642**	**330**
Grant Income	16,418	16,418	0
Other Grant Income	4,851	5,297	(446)
Other Income	1,601	2,152	(551)
Total Income	**73,842**	**74,509**	**(668)**
EXPENDITURE			
Employee Costs - Direct	5,127	5,277	150
Employee Costs - Group Services	3,539	3,508	(31)
ER / VR	210	210	0
Direct Running Costs	2,651	2,651	0
Running Costs - Group Services	2,205	2,305	100
Repairs and Maintenance	12,722	13,122	400
Bad debts	556	1,056	500
Depreciation	15,441	15,441	0
Demolition	475	523	48
TOTAL EXPENDITURE	**42,926**	**44,093**	**1,167**
OPERATING SURPLUS	**30,915**	**30,417**	**498**
Interest Payable	(7,219)	(7,387)	168
STATUTORY SURPLUS	**23,696**	**23,030**	**666**

Investment	Full Year 2024/25 Q3 Forecast £k	Budget £k	Variance £k
Total Capital Investment Income	**9,119**	**16,304**	**(7,185)**
Investment Works	16,073	15,432	(641)
New Build	14,743	24,207	9,464
Other Capital Expenditure	1,386	2,137	751
TOTAL CAPITAL EXPENDITURE	**32,202**	**41,776**	**9,574**
NET CAPITAL EXPENDITURE	**23,083**	**25,472**	**2,389**

Wheatley Homes South

Key highlights :

Statutory surplus of £23,696k is £666k favourable to budget mainly driven by higher net rental income and lower forecast spend across various expenditure lines, partly offset by lower intra group Wheatley Development Scotland (WDS) gift aid income and the confirmation of adaptation grant income within other grant income.

- Net rental income is £330k higher than budget due to the early handover of Curries Yard (54 units), clearance of Lochside units (Osborne phase) no longer going ahead and lower than budgeted void losses.
- Other grant income is £446k lower than budget following the finalisation of the grant claim for the Social Housing Net Zero (SHNZ) project and lower than budgeted aids & adaptations grant award, both with a corresponding reduction in Investment spend, partly offset by £54k additional Care grant for Temporary Accommodation and £39k additional RHI income.
- Other income is £551k lower than budget due to lower WDS gift income in line with reduced development spend and lower garage rental income.
- Employee costs (direct and group) are £119k favourable to budget driven by savings from vacant positions and changes in staff structure.
- Group services running costs are forecast to be £100k lower than budget due to IT savings realised in Wheatley Solutions.
- Revenue repairs and maintenance are £400k lower than budget driven by YTD savings from cyclical, gas servicing and compliance works. Responsive repairs are in line with budget.
- Bad debts are £500k lower than budget with the forecast maintaining a conservative approach to future performance.
- Interest is forecast to be £168k lower than budget with the earlier than budgeted receipt of the fixed rate £125m private placement at a lower interest rate than budgeted, timing of the drawdowns, a lower base rate charged on the variable loans than budgeted and higher interest receivable from the THFC deposits.
- Investment income is £7,185k lower than budget due to the reprofiling of the development programme with reduced grant income in the year at College Mains, Corsbie Road, Dumfries High School and Ashwood Drive, and lower SHNZ and adaptations grant funding.
- Investment works are £641k higher than budget with the RSL borrower group interest cover covenant change creating additional capacity for works to be delivered in WH South (Board approved in Q1 forecast), partly offset by lower spend in both the SHNZ funded project and aids & adaptations funded work.
- New build has reduced by £9,464k due College Mains, Corsbie Road, Dumfries High Street and Ashwood Drive having reduced new build costs by £9.1m, and £0.8m lower spend on Curries Yard was brought forward to 2023/24, partly offset by accelerated spend on Springholm, Johnstonebridge and Leswalt.
- Other capital expenditure is £751k lower than budget reflecting the deferral of the Stranraer office refurb to 2025/26 and savings from the Group IT costs.

7) Underlying surplus – Q3 forecast 2024/25

Wheatley Homes South

Key highlights :

- The forecast Operating Statement (Income and Expenditure Account) is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).

- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.

- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation but including capital expenditure on our existing properties.

- The Q3 forecast shows an underlying surplus of £6,126k which is £527k favourable to budget. The variance is due to the favourable net rental income position and savings across expenditure lines partly offset by additional investment spend, approved by the Board earlier in the year, to provide high quality housing and invest to improve the energy efficiency of our homes. The movement in underlying surplus in WH South is favourable and contributes to the RSL Borrower Group position, where an overall underlying surplus is reported for the financial year to date. Financial performance continues to be managed within the overall budget parameters and covenants for the RSL Borrowers.

WH South Underlying Surplus - Q3 Forecast 24/25			
	Forecast £ks	**Budget £ks**	**YTD Variance £ks**
Net Operating surplus	30,915	30,417	498
add back:			
Depreciation	15,441	15,441	0
less:			
Grant income	(16,418)	(16,418)	0
Gift aid	(521)	(1,023)	502
Net interest payable	(7,219)	(7,387)	168
Total expenditure on Core Programme	(16,073)	(15,432)	(641)
Underlying surplus / (deficit)	6,126	5,598	527

Wheatley Homes

South

Report

To: **Wheatley Homes South Board**

By: **Alex Lamb, Managing Director**

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

Subject: **Performance Report**

Date of Meeting: **5 February 2025**

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1. Purpose

1.1 This report presents an update on performance against targets and strategic projects for 2024/25 to the end of quarter three.

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 to an updated programme of strategic projects and performance measures and targets at its meeting in April 2024. Our Board subsequently agreed its specific performance measures and targets at its meeting on 29 May 2024.

3. Background

3.1 This report outlines our performance against targets and strategic projects for 2024/25. Unless specified otherwise, results for all measures are based on year-to-date figures. This includes progress with those measures that will be reportable to the Scottish Housing Regulator ("**SHR**") as part of the Annual Return on the Charter 2024/25.

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. SPSO and ARC complaints can be found in Appendix 3.

Delivering Exceptional Customer Experience

Customer First Centre ("CFC")

4.2 Year-to-date results as of the end of quarter three for our core CFC measures are presented in Table 2:

Table 1

Measure	2024/25		
	Value YTD	Target	Status
WHS - CSAT score (customer satisfaction) rolling year)	4.5	4.5	
WHS - Call abandonment rate	4.29%	5%	
WHS - Call abandonment rate - those waited over 30secs and abandoned	2.91%	4%	
Group - % of contacts to CFC resolved within CFC	89.61%	93%	

4.3 Customer satisfaction with the CFC (known as CFC CSAT) remains the key measure, ensuring we place our customers' voices at the heart of performance management. Our overall CFC CSAT score was 4.5 at the end of quarter three, on target and the same as at the end of quarter two. Overall, customers tell us that they value the service they receive and report that colleagues are friendly, helpful, and polite.

4.4 The call abandonment rate for our customers, although still better than the 5% target, did drop slightly from 3.83% in quarter two to 4.29% in quarter three. The call abandonment rate after 30 seconds, whereby our customers waited over 30 seconds and then abandoned their call, better represents the aspect of the service that may be in the CFC's control. This improves to 2.91%, against a 4% target.

4.5 The percentage of contacts to the CFC resolved within the CFC, without the need to be passed to either Housing Teams or MyRepairs, was 89.61% at the end of quarter three, an improvement on the 88.88% reported at the end of quarter two. This includes resolution on the phone, with specialist teams and via digital contact.

4.6 Our geographical team approach, established to better respond to demand and ensure that customers speak to a CFC advisor who is upskilled to support them and, wherever possible, to resolve the enquiry, continues to drive improvements for our customers.

Complaints

4.7 We continue to be very responsive to complaints, successfully achieving timescales well below our Stage 1 and Stage 2 complaints targets of 5 and 20 days as set out in the table below. Further results are provided in Appendix 3.

Table 2

Charter - average time for a full response to complaints (working days)				
Subsidiary	2023/24 Stage 1 – 5-day target, Stage 2 – 20-day target		2024/25 – YTD Stage 1 – 5-day target, Stage 2 – 20-day target	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**
WHS	3.48	12.60	3.39	12.44

4.8 In quarter three performance continues to improve in our proportion of complaints per 1,000 stock, reducing from 6.04 in October, at the beginning of quarter three, to 3.14 in December at the end of the quarter. We continue to strengthen our complaint handling process, including:

- Reviewing complaints with our staff to provide support and learning opportunities from the feedback from customers to provide detailed focus;
- Increasing the level of quality assurance, on both written responses and CFC calls, by senior staff to drive improvement in the handling of complaints;
- Updating our data classification of repairs to allow better analysis of the root cause of the complaint;
- Increasing the frequency and analysis of complaints to senior staff meetings; and
- Periodically taking a deeper dive into staff complaints as an area to improve performance.

4.9 In order to reduce the volume of stage two complaints, we aim to resolve as many of our complaints as possible at stage 1. This not only provides better customer service but reduces ongoing dissatisfaction. We review all stage 2 complaints with relevant colleagues in the Group to consider what actions may have prevented escalation to stage two and the lessons learned from this for future cases.

Tenancy Sustainment

4.10 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.

4.11 We continue to support our new customers to sustain their tenancies to improve performance in both the Charter measure and our revised indicator (which excludes deaths and transfers to other homes in the Group). We work closely with Dumfries and Galloway Council (DGC) to support new customers referred by them.

4.12 Our current performance has slightly decreased from quarter two for all three indicators below, due to give ups from remote areas, yet our Charter measure remains better than the 90% group target.

4.13 The Scottish average for 2023/24 is 91.2%. Although not meeting this benchmark, our performance continues to improve.

Table 3

Tenancy Sustainment	Charter – All lets	2024/25 Target – Charter	Charter – Homeless Lets		Revised	2024/25 Target - Revised
WHS	90.23%	90%	87.99%		92.94%	91%

Allocations CSAT

4.14 Our Allocations MyVoice survey commenced on 1 August 2023 to measure our customers' satisfaction with the process of getting their new home. For the rolling year we are achieving a score of 4.6, remaining consistent from Q2 result and above the 2024/25 target.

Table 4

Allocations CSAT	2024/25 – Rolling year	2024/25 Target
WHS	4.6	4.5

Making the Most of Our Homes and Assets

Development Programme

4.15 Our target is to deliver a total of 101 new Social Homes in 2024/25. We have 101 handovers to the end of quarter three and are meeting our target. Handovers this year to the 31st of December are shown in the table below:

Table 5

Sites	Handovers (YTD)	Target (YTD)	Difference and handovers to 31st December
Curries Yard, Dumfries (Social)	54	54	0
Ewart Place, Springholm (Social)	47	47	0
Totals	**101**	**101**	**0**

Repairs Satisfaction and Rate It

4.16 Tenant satisfaction with our repairs service and indvidual repair experiences are key measures when it comes to repairs and maintenance. In addition to our independent satisfaction survey score of 96.93%, recorded earlier in 2024/25 by Research Resource and which will be included in our ARC submission 2024/25, we also use in-house surveys on an ongoing basis throughout the year to assess and monitor how well we are doing.

4.17 Book It, Track It, Rate It aims to improve visibility and communication during the repair journey and is a key indicator for us for tracking improvements in our repairs service. To the end of quarter three, our Rate It score – which provides tenants an opportunity to rate their experience of the repair appointment – is 4.7 out of 5 (from 4,858 responses, representing 16.68% of the feedback links generated to all customers with contact information). There was a recurring score of 4.8 between October to December 2024.

4.18 We also continue to offer tenants the opportunity to provide feedback on repair completion, ensuring for example that we capture views of those who did not respond immediately after the appointment or where there were more than one apptonment needed to complete the necessary work. Our indicator of satisfaction with the repairs and maintenance service provided has been over 90% since June 2024, and ended quarter three at 90.15%.

4.19 Local teams have full access to overall scores for both methods, as well as the breakdown by trade/operative/work type for Rate It, to ensure feedback is used to continually review and improve performance.

Volume of Emergency Repairs

4.20 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 2024/25 is a reduction of 3.5%.

4.21 Emergency repair numbers are 999 less than the same point in 2023/24, a variance of -10.46%, on target, the best in Group.

Table 6

Completed emergency repairs	YTD 23/24	YTD 24/25		Variance
WHS	9,552	8,553	-10.46%	

Repairs Timescales and Right First Time

4.22 Our average time taken for emergency repairs is 2.59 hours at the end of quarter three, well within the 3-hour target. This is a very slight increase compared to 2.57 hours last quarter and compares favourably to our average of 2.91 hours in 2023/24.

4.23 The table below shows our average time taken for non-emergency repairs is 8.87 days to the end of quarter three, above the target of 7.5 days. While the timescale is above target, our customer satisfaction results and ongoing feedback provide encouragement that we are performing efficiently for our customers. Nonetheless, we will continue to focus on reducing these timescales.

Table 7

Repairs completion timescales (Charter)	Emergency (hours)			Non-emergency (days)		
	Target	YTD Value		Target	YTD Value	
WHS	3.00	2.59		7.5	8.87	

4.24 Right first-time performance to the end of quarter three is just below the 90% target at 89.16%, an improvement compared to last year (87.71%).

Table 8

Percentage of repairs right first time (Charter)	2023/24	2024/25 YTD	Target	
WHS	87.71%	89.16%	90%	

<u>Responsive repairs: Damp and mould</u>

4.25 On 14 January 2025, the SHR included three new indicators for reporting on damp and/or mould in the Charter, applicable from financial year 2025/26. Work is underway to assess the data required to compile, calculate and monitor against these new indicators. These results will then be included in our ARC submission from May 2026 onwards.

4.26 We continue to monitor our performance of repairs related to mould, with updates provided to help facilitate greater scrutiny over these types of repairs. The CFC is now raising every job related to damp, mould, condensation, or rot as a mould line.

4.27 We have attended 86.1% of mould inspections within 2 working days to the end of quarter three. The table below details the inspections with category of severity. We have had no severe cases.

Table 9

Inspections Completed	Category			
	No Mould Found	3 (Mild)	2 (Moderate)	1 (severe)
1,481	167 (11%)	1,203 (81%)	111 (7%)	0

4.28 To the end of this quarter, 87.42% of remedial mould repairs were completed within 15 working days.

4.29 We continue to strengthen our internal processes and capability in relation to responding to and resolving reports of occurrences of damp and mould. We have strengthened the technical skills of staff through specialist training. We are also exploring training which would be specifically tailored to the CFC which would, also include a diagnostic questioning set which will allow better diagnosis of the issue when it is first reported.

4.30 In addition to this we are developing the sophistication of how we approach remedial work. This includes the development data driven diagnosis based on archetype, standard remediation by archetype, and detailed analysis of case data to better match the work required with the skillset of the tradesperson.

4.31 Over the winter months we continue with our ‘Damp and mould, we need to be told’ campaign to the frontline delivery teams, reiterating our messaging around the seriousness of damp and mould in tenants' homes and their responsibility when in tenants' homes to identify and report immediately any issues relating to damp or mould to ensure we respond timeously.

Medical Adaptations

4.32 Scottish Government had delayed notifying us of grant funding for this year which resulted in the temporary suspension of work on adaptations, with performance to quarter three at 37.98 days on average to complete, above the 25-day target. All approved adaptation requests are now being actively worked on and performance is expected to improve for the remainder of this year.

4.33 We have completed 283 adaptations and currently have 28 households waiting.

Table 10

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD		Target
WHS	28	283	37.98	25	

Gas Safety

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

Compliance

4.35 In the last quarter, 21 properties have had heating upgrades or connections to mains supply water, reducing the number of properties requiring Legionella inspections from 200 to 179. At the end of quarter three, 43.02% have valid certificates. There are 10 of these which are required and 169 which are not required but are best practice to inspect and certify. All 10 of the required properties have valid certification and for 67 of the 169 best practice properties. We are reviewing the contractors performance in this area and working to improve the position in respect of best practice. At the end of quarter three we had also carried out safety inspections on all our passenger and domestic lifts.

4.36 At the end of quarter three, 99.93% of properties had a valid EICR. We had seven properties where the certificate has expired due to customer access and hoarding issues and liaison with Housing is ongoing to complete these, We are making progress with the inspection of the EICRs due to expire before the end of 2024/25. At this point, 72.16% of certificates due to expire this year have been renewed, a significant increase on 49.64% last quarter, and we are on course to complete the remainder by year-end.

Health and Safety

4.37 We did not have any RIDDORs reported in quarter one and we had one manual handling incident reported for quarter two and one slip/trip/fall in quarter three, resulting in two absences over 7 days. This year, to the end of quarter three, we have lost 91 days due to work-related accidents.

4.38 We also have no Health and Safety Executive or local authority environmental team interventions this year, the same position that we have maintained since September 2022.

4.39 We did not receive any new employee liability claims during quarter three, with zero received year to date, and have not recorded any since the measure started in 2021.

4.40 Across the Group, for quarter three, there are nine open liability claims. Of these nine open claims, none are attributed to WHS.

Workplace Fires

4.41 We have not had any workplace fires in quarter two and have not recorded any since the measure started in 2021.

Changing Lives and Communities

Peaceful Neighbourhoods

4.42 Since 2021 we have had in place a strategic measure on the number of tenancies categorised as Peaceful. This is based on the Police Scotland Safe, Calm and Peaceful methodology and the definitions are as follows:

- **Peaceful** – datazones assessed to be minimal to low priority with a recommendation of regular service delivery;
- **Calm** – datazones assessed as moderate to high priority and carry a recommendation of regular service delivery or monitoring; and
- **Safe** – datazones assessed to be very high to extremely high priority with a recommendation for a prioritisation for enforcement measures.

4.43 The Safe, Calm and Peaceful ratings are calculated by Police Scotland using the Police Scotland Business Intelligence Toolkit (BIT). This tool considers each SIMD datazone, the SIMD deprivation score for the datazone and public reported incidents of ASB which occurred within or near to Wheatley RSL properties (within 25 meters) within the datazone.

4.44 The SIMD score is only updated every three or four years and was last updated in 2020. As such, it generally remains static each period and the only variable element is the monthly reports of ASB incidents to Police Scotland.

4.45 Our strategic measure is for over 80% of customers across our Group to live in neighbourhoods categorised as peaceful by the end of the strategy period. At the end of quarter three the Group-wide percentage of tenancies categorised as Peaceful decreased slightly from 76.92% in quarter one to 74.36%. We are, however, still performing better than this year’s target of 75% at 81.34%. It should be noted that we also monitor our own repeat ASB cases measure by RSL, reported later in this section, which is improving.

Anti-Social Behaviour (ASB) Resolved

4.46 By the end of quarter three, the resolution rate for WHS ASB cases was 96.75%, within 10% of the target of 100% and slightly higher than the result at the end of quarter one (95.91%).

Table 11

ASB Resolution Rate	YTD	2024/25 Target	
WHS	96.75%	100%	

4.47 We continue to have a strong focus on ensuring high visibility of unresolved cases to help support oversight and improvement. To raise the profile of resolving cases this quarter, the CIP manager attended meetings with all RSLs and highlighted:

- The importance of accurate recording and reporting of ASB through Safer Communities;
- The importance of ASB alongside other competing priorities; and
- Offered further training sessions on Safer Communities. Any frontline new starts dealing with ASB are also picked up by the Academy to ensure all relevant staff have the skills to deal with ASB within their neighbourhoods.

Repeat Anti-Social Behaviour cases – number of repeat addresses

4.48 Year-to-date for December, ASB was recorded at 85 repeat addresses, a 17% decrease compared to the baseline performance of September 2022 (when the year-to-date figure was 102 repeat addresses).

4.49 The CIP team meet monthly to discuss Prevention and Solutions activity as well as conduct analysis and make observations to facilitate further discussion around targeted activity. This helps identify areas of concern around increased and/or persistent offending, allowing for a more proactive approach to address this.

Accidental Dwelling Fires

4.50 There were 4 ADFs in Q3, compared to 6 reported ADFs by Q3 of 2023/24. Of the 4 within Q3, 3 were categorised as minor. There was 1 significant fire in December which started in a bedroom and the customer was taken to hospital for further precautionary check up. There have been a total of 10 accidental dwelling fires (ADFs) year to date.

Table 12

Number of recorded accidental dwelling fires	2024/25 YTD	2023/24 full year
WHS	10	12

4.51 This contributes towards a Group Strategic result to reduce RSL accidental dwelling fires (ADFs) by 10% by 2025/26, against the baseline of 215 ADFs in 2020/21. We achieved this target in each year of the strategy to 2023/24 and to the end of quarter three across the group we have had 70 accidental dwelling fires against an annual upper limit of 195.

4.52 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	2024/25 YTD	Target
The percentage of relevant premises - with a current fire risk assessment in place	100%	100%

4.53 As at the end of December, we had no outstanding overdue mandatory actions arising from the four FRA visits that took place to the end of quarter three.

Reducing Homelessness

4.54 We have provided 359 homes to homeless households this year to December. Our % of relevant lets made to homeless applicants is 45.85% and we are on track to achieve our agreed provision of 400 homes to homeless households by the end of the reporting year(relevant lets exclude mutual exchange and transfers).

Table 14

Reducing Homelessness	2024/25 Number of lets to homeless applicants (ARC) - YTD	2023/24 Number of lets to homeless applicants (ARC) – full year
WHS	359	393

Neighbourhood environmental customer satisfaction (Ad-hoc)

4.55 Our NETs MyVoice survey commenced in October 2023 to measure our customers' satisfaction with an ad-hoc service they requested such as bulk uplift, tree work or weeding. Satisfaction for the rolling year is 4.5, ahead of 4.3 2024/25 target.

Table 15

NETs CSAT (Ad-hoc)	2024/25 – Rolling year	2024/25 Target
WHS	4.5	4.3

4.56 The Group Scrutiny Panel's recent thematic review of environmental services focussed on NETs and waste management, as decided by Panel members.

4.57 Following their review, which included 2 Wheatley Homes South customers, the Panel recommendations for improvement address the key themes that emerged from the thematic. This includes enhancing communication and clarity of information about environmental services to ensure customers are kept informed about upcoming NETs services and engagement, and that responsibilities around services are clear.

4.58 In November, Panel members met with key staff to discuss their findings and co-create actions in response to the recommendations. Implementation of the agreed actions are underway, and NETS Leads meet monthly with support teams to track progress. The thematic report and a video from customers discussing their experience is now published on our website, as well as our staff intranet, and will be promoted to Customer Voices. The Panel members will be updated on the progress in April 2025. Progress made so far informed by the thematic, and other forms of customer insight, include:

- **Improving communications**: We are reviewing the information on our website around environmental services, and will update this to provide clearer, more localised, detail around our services, signpost to support (for instance with waste management), and promote good news stories;
- **Enhancing partnership working**: We are working with Dumfries and Galloway Council to strengthen our partnership, for instance around waste management. We are also looking to develop a waste management strategy with learning from other partners such as Housemark;
- **Supporting staff with environmental engagement**: Stronger Voices Officers are being supported to ThinkYes for customers with through a session around the thematic review at the Stronger Voices staff Community of Excellence in January, and NETs staff will receive training around improved NETs service standards this quarter; and
- **Encouraging and supporting Keep Scotland Beautiful** (KSB) trained customers: KSB updated their walkabout assessments following thematic feedback, and we are working on a young person's campaign with KSB to engage younger customers in environmental services. From 2025/26, NETS Lead will also organise one KSB walkabout each year in a different location out with a customer's' local area.
- **Ensuring sharing best practice:** Linking to our neighbourhood approach, this quarter, we are launching a Neighbourhood staff Community of Excellence including staff from NETS, Repairs and frontline team to share good practice throughout the Group, consider how we use customer insight to influence local authorities, address blockages and develop innovation in the service.

Jobs and Opportunities

4.59 369 children from our communities have been supported so far this year. This significantly exceeds the year-to-date target of 21. Projects during quarter two included children receiving free monthly books as well as children's food packs delivered through the Fed-Up Cafe in Stranraer.

4.60 Year to date, the Wheatley Works staff have supported 35 training and employment opportunities for people in WHS homes and communities including Environmental Roots, Changing Lives, and Environmental Modern Apprenticeships. This is below the target of 45.

4.61 The Wheatley Works team is working closely with Dumfries & Galloway Council, as well as engaging in wider employability networks including Dumfries & Galloway College and Third Sector Organisations to develop a joined-up approach for employability provision. Dumfries & Galloway Council will release Employability tender information during quarter three and the team will explore all potential contract opportunities.

4.62 1,079 people have been supported to alleviate the impacts of poverty. This has included support through Welfare Benefits Advice, Starter Packs and our My Great Start service, which was relaunched in January 2024, providing personalised tenancy sustainment support to new tenants.

Table 16

Indicator	Target (YTD)	Current Performance YTD	2023/24
WHS - Number of children and young people benefiting from targeted Foundation programmes in Wheatley Communities	21	369	270
WHS - Total number of jobs, training places or apprenticeships created for customers and communities	45	35	117
WHS - Number of people accessing services which help alleviate poverty in Wheatley Communities	575	1079	1,514

4.63 Just over 68% of planned jobs, training places or apprenticeships have been secured by customers across the Group this quarter an increase from 51% last quarter. Delivery and support for Wheatley customers remains on track against the full-year forecast.

4.64 70% of Community Benefit jobs and training opportunities arising through the spend associated with new home construction and our investment programme that have been secured by Wheatley customers. This is significantly higher than the target of 30%.

Developing our Shared Capability

<u>Sickness Absence</u>

4.65 For 2024/25, the sickness rates for housing and repairs staff have been broken down to allow greater visibility and a more bespoke understanding and approach to absence management.

4.66 As the table below shows, the repairs staff sickness increased to 6.48% in December but remains significantly under the 5% sickness target for repairs staff at 2.91% year to date. For housing staff, sickness rates are also well below the 3% target at 2.46% year-to-date.

4.67 The combined rate for WHS is currently 2.78% which is an improvement on the sickness rate reported at the end of quarter one (2.84%).

Table 17

Sickness Rate	Target	2024/25 YTD	2023/24
WHS – Housing staff	3%	2.46%	-
WHS – Repairs staff	5%	2.91%	-
WHS – Total	3%	2.78%	2.52%

4.68 Minor illness was the main reason for absence in Q3 accounting for 23% of total absence.

4.69 The dedicated absence team remains in place. This team continue to identify and support absences cases throughout Group. Employee Relations ("**ER**") advisors also now attend all long-term absence meetings to support capability discussions.

4.70 ER carried out follow-up Absence Surgeries in Care establishing improvements made from the Absence Surgeries held in August 24. Further Absence Surgeries are being arranged with NETS, Repairs, Housing and CFC in January 2025.

4.71 ER will be rolling out their "HR Essentials" managers training programme for 2025 which will be available in January for managers to book on My Academy.

4.72 Work continues to be reviewed on our sickness absence processes and templates on WE Connect.

4.73 ER are continuing to review absence trigger reports to establish what actions managers are taking when an employee has breached a trigger, what support is available and there is a consistent approach.

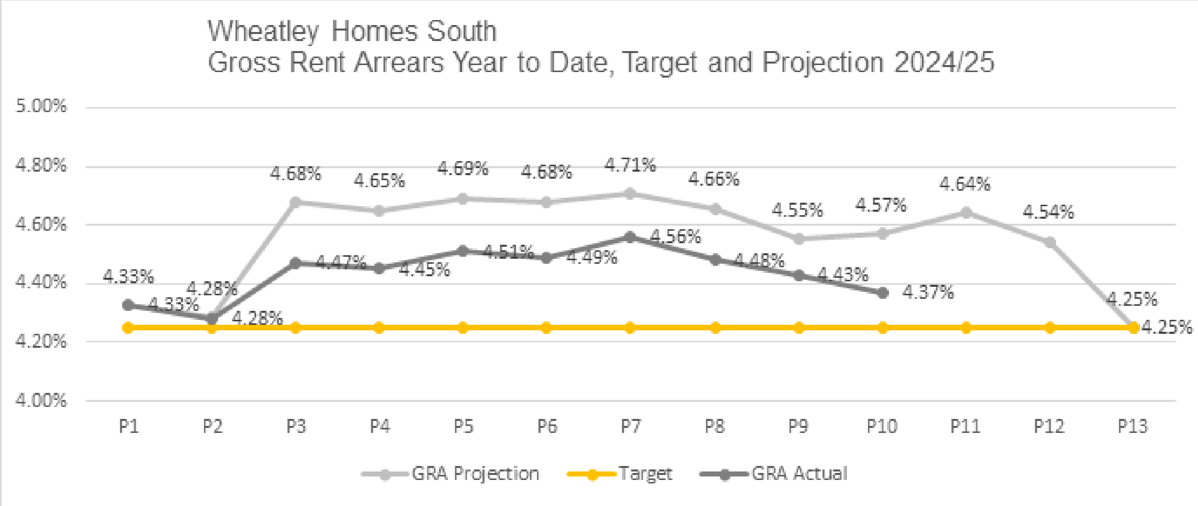
Enabling our Ambitions

Gross Rent Arrears (GRA)

4.74 Our current GRA of 4.37% continues to be better than projected by 0.2% and compared to the same time last year at 4.54% The SHR Scottish average for 2023/24 was 6.7%, we outperform this benchmark.

4.75 We have ended Period 10 0.12% above our 4.25% target for 2023/24 and below our 4.57% projection for Period 10 by 0.2%. This time last year, our GRA reduced by 0.1% (£42k) between Period 9 and Period 10 to 4.54%. To achieve target, we estimate we need to reduce GRA by £35k between now and year end 2024/25.

Chart 1



4.76 GRA continues to be a priority area of focus for us. We have been experiencing challenges in connection with DWP admnistrative functions involving provision of payment schedules for Univesal Credit Housing costs. Work is ongoing with our Partnership Lead and these issues have been escalated to directorate levels within the DWP. Housing Officers are also proactively engaging with customers during the managed migration period of transfering customers from legacy benefits to Universal Credit.

4.77 As part of the rent campaign our focused approach included patch level scrutiny, exploring of external sources for financial assistance to customers and head of service drop-in sessions to discuss complex cases.

Average Days to Re-Let (Charter)

4.80 Our average days to re-let at 8.19 days for the year-to-date remains considerably better than our 16-day target. We are the best performing RSL in the Group for days to re-let.

4.81 The Charter Scottish average increased from 55.6 days in 2022/23 to 56.7 days in 2023/24, indicating the sector continues to face letting issues when compared to the 31.5-day average in 2019/20. We continue to significantly surpass this benchmark.

Table 18

Average days to re-let (Charter)	2024/25 YTD	2024/25 Target	2023/24 Results	Charter revised YTD (no meter amendments)
WHS	8.19	16	11.01	9.36

4.82 The table above includes re-letting times with no meter amendments, shown as Charter revised. Our revised result shows the impact that meter issues are having on letting times. We continue to surpass the benchmark regardless of including days lost to meter issues.

Invoice Payments

4.83 Year-to-date to December, 94.54% of invoices were paid in 30 days or fewer, a slight increase from the result at the end of quarter two (94.17%) but still significantly higher than the result at the end of 2023/24 (82.83%).

Procurement

4.84 By the end of quarter three, 95.01% of contracted expenditure was compliant with procurement rules, slightly higher than the result at the end of quarter two (94.21%).

Summary of Strategic Project Delivery

4.85 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	1

4.86 No projects were completed during quarter three.

4.87 One project is overdue its completion date:

- Develop a data and technology enabled approach to managing and monitoring building compliance – Milestone 4, a draft proposal is in progress for implementation.

4.88 The following two projects are currently slipping:

- *Lochside regeneration* – The masterplan has been developed to RIBA stage 2. The application will be submitted following WHS Board update in February. Meantime, a contractor is expected to be appointed from the framework for phases of Lochside. Discussions ongoing with DGC and will be determined by grant availability. As grant is not available in 2024/25, acquisition will be delayed to at least 2025/26. We will seek to progress infill sites, in WHS ownership in the interim period.
- *Improving and evolving our multi-channel customer first centre* - Following launch of our geographical teams for all subsidiaries earlier in the financial year, we have been progressing our Storm system enhancements. Our aim is to scope, test and refine each enhancement to ensure we maximise value. We are already piloting our customer call transcription and have scoped and developed our natural language processing proof of concept (POC). While this POC will underpin future automation of identification and verification (IDV), we are undertaking testing during quarter four. In parallel, we are working closely with our supplier to refine our automated quality assurance, adding additional testing. While work continues on existing enhancements, our proposals for year two enhancements are in draft and will be considered by the Executive Team during February as planned**.**

4.89 The remaining projects are on track.

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 is directly impacting 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 Our Group sustainability framework includes a refined sustainability performance framework overseen by the Wheatley Solutions Board.

7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2024/25 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. We 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.

9.2 The Group Scrutiny Panel considered our draft Report to Tenants and in advance of being published we took on board their feedback to:

- Include that alternative versions/formats and translations into different languages are available upon request; and
- Signpost to support available.

10. Risk appetite and assessment

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

11. Equalities implications

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

12. Key issues and conclusions

12.51 We have strong performance against our targets for 2024/25 in several key areas including gross rent arrears, tenancy sustainment, CFC, Allocations and NETs CSATs, reducing emergency repair numbers, emergency repair timescales, repairs completed right first time, new build completions, the number of people accessing services which help alleviate poverty and average time to re-let properties.

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 3: SPSO and ARC Complaints

Appendix 1 - WHS Board - Delivery Plan 24/25 - Strategic Measures

1. Delivering Exceptional Customer Experience

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% Annual Tenant Visits		85.01%	70%	
% new tenancies sustained for more than a year - overall	86.1%	90.23%	90%	
% new tenancies sustained for more than a year - homeless	84.35%	87.99%		
% new tenancies sustained for more than a year - revised	89.45%	92.94%	91%	
Group - % of contacts to CFC resolved within CFC		89.61%	93%	
CFC CSAT	4.5	4.5	4.5	
Allocations CSAT	4.5	4.6	4.5	
Abandonment Rate	5.89%	4.29%	5%	
Call abandonment rate after 30 secs		2.91%	4%	

2. Making the Most of Our Homes and Assets

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
Average time taken to complete emergency repairs (hours) – make safe	2.7	2.59	3	
Average time taken to complete non-emergency repairs (working days)	8.58	8.87	7.5	

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% reactive repairs completed right first time	87.71%	89.16%	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 (in house, ongoing – non Charter)	89.17%	90.15%	90%	
Average time to complete approved applications for medical adaptations (calendar days)	24.57	37.98	25	
New build completions - Social Housing	35	101	101	
Number of RIDDOR	2	2		
Number of HSE or LA environmental team interventions	0	0	0	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue	12	10		
Number of new employee liability claims received	0	0		
Group - Number of open employee liability claims	13	9		
Number of FRA - Actions - Mandatory Overdue		0	0	
Number of days lost due to work related accidents		91		

3. Changing Lives and Communities

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% ASB resolved	100%	96.75%	100%	
% Lets Homeless Applicants - overall	47.52%	44.83%		

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% Relevant lets to Homeless Applicants	47.57%	45.85%		
Group - Percentage of Community Benefit job and training opportunities arising through the spend associated with new home construction and our investment programme that have been secured by Wheatley customers	45.58%	66.25%	30%	
Total number of jobs, training places or apprenticeships created for customers and communities	117	35	87	
Number of children and young people benefiting from targeted Foundation programmes in Wheatley Communities	270	369	26	
Number of people accessing services which help alleviate poverty in Wheatley Communities	1,514	1,079	876	
Group - Repeat antisocial behaviour cases in period – number of repeat addresses	952	700	403	
NETS Adhoc CSAT	4.6	4.6	4.3	
Group - % of our customers live in neighbourhoods categorised as peaceful	76.16%	77.40%	75%	
Group - The percentage of HMOs that have a current fire risk assessment in place	100%	100%	100%	
Number of accidental fires in workplace	0	0	0	
Group RSLs - Number of accidental dwelling fires (reduce by 10% by 2025/26) (Upper limit 195 for 2024/25)	120	70	195	

4. Developing Our Shared Capacity

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
WHS (Housing) - % Sickness rate		2.46%	3%	

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
WHS (Repairs) - % Sickness rate		2.91%	5%	
% Sickness rate	2.52%	2.78%	3%	

5. Enabling Our Ambitions

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% lettable houses that became vacant	7.92%	8.39%	8%	
Average time to re-let properties	11.01	8.19	16	
Gross rent arrears (all tenants) as a % of rent due	4.33%	4.37%	4.25%	
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	82.83%	94.54%	96%	
% of contracted expenditure compliant with procurement rules	97.31%	95.01%	99%	

Appendix 2 - WHS Board - Delivery Plan 24/25 - Strategic Projects

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Defining and agreeing our approach to vulnerability and personalised services (b)	31-Mar-2025		66%	01. Vulnerability strategy and plan developed	30-Jun-2024	Yes	Project Board meeting held on 20.12.24 to outline progress from action plan which included attendance at Group induction and a desktop review of training courses to assess content related to delivery of personalised services. Exploration around expansion of DA languages to City Building to help reduce failed appointments has commenced and meeting scheduled with CBG to take this forward. Ask and forget pilot planning underway to test potential to explore asking customers about needs and requirement for a more personalised service.
				02. Customer engagement concluded	31-Aug-2024	Yes	
				03. Board approval of strategy and implementation plan	30-Sep-2024	Yes	
				04. Implementation plan commenced	31-Oct-2024	Yes	
				05. Update to Board on implementation	31-Mar-2025	No	
				06. Review and refine plan phase 2	31-Mar-2025	No	
Customer insight driven services (b)	30-Sep-2024		100%	01. Agree the top 3 priority areas for customer journey mapping based on analysis of customer insight on key satisfaction drivers	31-May-2024	Yes	This project is complete as previously reported
				02. Agree our pulse and thematic survey programme	31-May-2024	Yes	
				03. Undertake customer journey mapping, including	31-Aug-2024	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				through direct engagement with customers			
				04. Group Executive team agree service, process and technology changes required to improve the customer journey and respond to the pulse survey findings	30-Sep-2024	Yes	
Asset strategy (b)	28-Feb-2025		85%	01. Asset strategy featured as a key theme in Group partner Board strategy workshops	31-May-2024	Yes	The role out of our asset strategy and the approach that it sets out is progressing to plan including through informing the 5 year capital investment plans that Boards are due to consider in February and providing an effective mechanism for engaging frontline staff on customer priorities.
				02. Customer and staff engagement session	31-May-2024	Yes	
				03. Internal review and sign-off	31-May-2024	Yes	
				04. Group Board approval of Group Asset Management strategy	30-Jun-2024	Yes	
				05. Group partner asset management plans approved	30-Sep-2024	Yes	
				06. Staff launch of group asset management strategy and group partner asset management plans	31-Oct-2024	Yes	
				07. Agreed approach through strategy informs 2025 investment plans	28-Feb-2025	No	
Lochside regeneration (b)	31-Mar-2025		25%	01. Masterplan Phasing & Capacities Agreed	31-May-2024	Yes	Masterplan has been developed to RIBA stage 2. The application will be submitted following WHS Board update in February
				02. PPiP Submission	31-Aug-2024	No	
				03. Contractor Procurement Complete	31-Jan-2025	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				04. Land Transfer Max High completion	31-Mar-2025	No	2025. A contractor/s is expected to be appointed from our Framework for phases of Lochside. Discussions are ongoing with DGC in relation to the land transfer, however this will also be determined by grant availability. As grant is not available in 2024/25, acquisition will be delayed to at least 2025/26 (subject to grant). We will seek to progress infill sites, in WHS ownership in the interim period.
Develop a data and technology enabled approach to managing and monitoring building compliance (b)	31-Dec-2024		75%	01. Review our existing compliance cycles, data management, integration and management information arrangements	31-Jul-2024	Yes	Milestones 1-3 completed and Milestone 4 in progress to provide a draft proposal for implementation.
				02. Build our future building compliance model including desired compliance cycles, key data, data flows, degree of integration, required management information and desired customer touchpoints and functionality	31-Oct-2024	Yes	
				03. Undertake a gap analysis	30-Nov-2024	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				and options appraisal including costs and benefits of the change between current arrangement and desired future model			
				04. Develop detailed implementation proposal and plan and update Executive Team including on timescales and anticipated benefits	31-Dec-2024	No	
Improving and evolving our multi-channel customer first centre (b)	28-Feb-2025		40%	01. Customer Engagement on service improvement opportunities via Stronger Voices team	30-Jun-2024	Yes	Following launch of our geographical teams for all subsidiaries earlier in the financial year, we have been progressing our Storm system enhancements. Our aim is to scope, test and refine each enhancement to ensure we maximise value. We are already piloting our customer call transcription and have scoped and developed our natural language processing proof of concept (POC). While this POC will underpin future automation of identification and verification (IDV), we are undertaking testing during quarter four. In parallel, we are working closely with our supplier to refine our automated quality
				02. Agree approach and workplan for geographical subsidiary service delivery	31-Jul-2024	Yes	
				03. Pilot customer call transcription and automated quality assurance	31-Dec-2024	No	
				04. Scope and develop an approach for automation of identification and verification (IDV)	31-Dec-2024	No	
				05. Year 1 update of the Executive Team including customer feedback and Year 2 enhancement plan	28-Feb-2025	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
							assurance, adding additional testing. While work continues on existing enhancements, our proposals for year two enhancements are in draft and will be considered by the Executive Team during February as planned**.**

Appendix 4 – Q3 2024/25 - ARC and SPSO measures

1.1 This appendix provides ARC and SPSO measures up to Q3 2024/25.

1.2 For Group RSLs, ARC measures include complaints received from all customers who receive a service provided by the Group RSL or on their behalf. This includes factoring services delivered by Lowther Homes on behalf of RSLs.

1.3 For Group RSLs, SPSO measures include all complaints relating to the RSL, irrespective of the source of the complaint.

Charter (ARC) Measures

1.4 ARC measures are reported to SHR for each Registered Social Landlord (RSLs) in the Group. Performance is for all RSL customers, including those factored owners who receive a service from Lowther Homes on behalf of RSLs.

1.5 Charter - number of complaints received:

Charter – complaints received * excluding complaints carried over						
	*2023/24			2024/25 YTD		
	Stage 1	Stage 2	All	Stage 1	Stage 2	All
WHS	486	77	563	345	56	401

1.6 The table below outlines the average time for a full response (working days) for Stage 1 and Stage 2 complaints. All targets are being met for this measure. Performance for WHS exceeds the 2023/24 SHR Scottish average of 5.1 days for S1 complaints and the Scottish average of 17.5 days for S2 complaints. Performance is inclusive of Lowther Factored homeowners who receive a factoring service from Lowther on behalf of that RSL.

Charter - average time for a full response to complaints (working days)				
Subsidiary	2023/24 Stage 1 - 5-day target, Stage 2 – 20-day target		2024/25 – YTD Stage 1 - 5-day target, Stage 2 – 20-day target	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**
WHS	3.48	12.60	3.39	12.44

1.7 The table below outlines the average time for a full response to complaints (working days) overall, for Stage 1 and Stage 2 combined.

Charter - average time for a full response to complaints (working days)		
Subsidiary	2023/24Target – not targeted	YTD 2024/25 – not Targeted
WHS	4.75	4.66

SPSO Measures

1.8 SPSO measures includes all customers who raise a complaint. We are required to record our performance against the SPSO indicators and report these to the board and senior managers. On request the SPSO can ask that we provide them with details of our complaint handling performance in line with their indicators.

1.9 Stages of complaints are defined as:

- *Stage 1 complaints* – are first time reports of dissatisfaction with services.
- *Stage 2 complaints* – directly received as Stage 2, i.e. not escalated from Stage 1. This can be cases which are considered a risk to reputation or requires investigation due to the number of issues raised that could not have been reasonably resolved at Stage 1 as part of a frontline resolution.
- *Escalated complaints* – complaints that were received into the organisation at Stage 1 and later escalated to Stage 2.

1.10 A summary of the year-to date figures for each of the indicators are included below.

Indicator 1 - total number of complaints received.

1.11 Stage 1 complaints numbers have increased, and Stage 2 numbers have reduced compared to the same period in 2023/24. At the end of Q3 2023/24 WHS had received 338 Stage 1 and four Stage 2 complaints. In Q3 2024/25 WHS has received 345 Stage 1 (2.07% increase) and three Stage 2 (25% reduction) complaints.

SPSO Indicator 1 - total number of complaints received - YTD		
Subsidiary	Stage 1 (this includes escalated complaints as they were first received at Stage 1)	Stage 2 (directly received as Stage 2, i.e. not escalated from Stage 1)
WHS	345	3

Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days. Full response has been given to customer/resolution has been reached, including those with outstanding actions. Extensions of time to a complaint will be included in the total count and will be considered "late".

1.12 WHS are exceeding the target of 95% for stage 1 and achieving 100% for stage 2 for quarter 3.

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days						
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	
	2023/24	YTD 2024/25	2023/24	YTD 2024/25	2023/24	YTD 2024/25
WHS	95.62%	95.83%	100.00%	100.00%	100.00%	100.00%

Indicator 3 - the average time in working days for a full response to the stage.

1.13 WHS are exceeding targets of 5 days for stage 1 and 20 days for stage 2 for quarter 3.

SPSO Indicator 3 - the average time in working days for a full response to the complaints at each stage – YTD 2024/25			
Subsidiary	Stage 1 - responded to within 5 working days	Stage 2 - average time in working days to respond to complaint	Escalated complaints - Average time to respond to complaints after escalation from Stage 1 to Stage 2
WHS	3.39	16.00	12.32

Indicator 4 - the outcome of complaints as a % of overall complaints.

SPSO Indicator 4 - the outcome of complaints as a % of overall complaints				
Subsidiary	Stage 1 - upheld	Stage 1 - partially upheld	Stage 1 - not upheld	Stage 1 - resolved
WHS	19.94%	10.71%	48.51%	20.83%
	Stage 2 - upheld	Stage 2 - partially upheld	Stage 2 - not upheld	Stage 2 - resolved
WHS	0.00%	66.67%	33.33%	0.00%
	Escalated complaints - upheld	Escalated complaints - partially upheld	Escalated complaints - not upheld	Escalated complaints - resolved
WHS	32.08%	22.64%	45.28%	0.00%

Report

To: **Wheatley Homes South Board**

By: **Stephen Devine, Director of Assets and Sustainability**

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

Subject: **Radio Teleswitch RTS switch off update**

Date of Meeting: **5 February 2025**

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1. Purpose

1.1 To update the Board on the implications of the planned switch off of the Radio Teleswitch systems for our customers.

2. Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for considering matters of strategic importance.

2.2 The planned switch-off of Radio Teleswitch ("**RTS**") has potential implications for the electricity supply to a significant number of our customers and is therefore considered strategically important.

3. Background

3.1 RTS is a legacy electricity metering system that relies on an obsolescent long-wave radio signal to communicate with electricity meters. The system is due to be shut off in June 2025. OFGEM has compelled energy companies with RTS metering to replace these with Smart metering, but progress has been slow. It is estimated that around 1 million homes across the UK have a RTS meter, and that we have 492 such meters in our stock. These meters are in homes with electric storage heating. Changing these electric systems for alternatives is not practical because of the non-availability of suitable gas or district heating connections.

3.2 RTS meters rely on the long wave radio signal to switch between peak and off-peak tariffs. After the signal is shut off, there is a risk that meters in our customers' homes could be left with heating either permanently 'on' or permanently 'off', depending on the last signal received.

3.3 Ownership and management of the RTS meter, like all utility meters, is with the energy company, and as such it is not something that we can change on their behalf. Changing RTS meters is further complicated by the regulated nature of the energy market which means that specific conversations need to happen between the supplier and the customer in advance of switching. In addition, in some cases, a tariff change is required because the legacy tariff associated with RTS meters is not available on smart meters. The implications of this will be customer specific but we understand in some cases customers may have to pay slightly more for their electricity as a consequence of the switch.

4. Discussion

4.1 The RTS issue has been known by the electricity industry for many years, and the planned switch off of the signal has been delayed previously because of lack of progress in moving their customers to smart meters.

4.2 This lack of progress has previously led us to raise the issue directly, and through the Scottish Housing Federation of Housing Associations ("**SFHA**"), including with the Office of Gas and Electricity Markets ("**OFGEM**"), Scottish and UK Government and energy companies, especially Scottish Power who operate the vast majority of affected meters. These awareness-raising activities included engaging directly with OFGEM, and Energy UK (the energy industry trade body) and participating in their 'RTS Summit' in September 2024 and the subsequently formed RTS Consumer Engagement Group which meets monthly (scheduled until December 2025). Despite these awareness raising discussions and calls for action, energy industry progress has still been slow, as demonstrated by the level of RTS meters that are still in operation.

4.3 Recently there has been more of a focus on the RTS switch off by energy companies and in the media. This focus has seen increasing willingness among the energy companies to engage with the issue and us. Linked to this we have developed various approaches to encourage our customers to switch their RTS meters including:

- Developing a data sharing agreement with Scottish Power that allows us to identify and target affected customers;
- Sending further letters to affected customers urging them to respond to Scottish Power's communications and to book appointment;
- Adding prompts for affected customers so that our CFC call handlers can reinforce the need for customers with RTS meters to contact their energy company and switch; and
- A staff awareness campaign that provides them with the information they need to encourage switching.

4.4 We are also working with Scottish Power to develop an area based joint campaign, which would see then making bulk smart meter installation in a particular post codes. We would then support customer take up and access through our housing officers and outbound calling from our customer first centre.

4.5 While the vast majority (estimated at over 85%) of our customers with a RTS meter are Scottish Power customers, around 13% of affected customers receive their electricity from Utilita, our void switching partner. We are currently working with Utilita so it can trial its smart meter solution to replace RTS meters, with a view to encouraging switching, in the same way we are doing for Scottish Power customers.

4.6 We are hopeful that our effort RTS, along with the recent stepping up of activity by energy companies to encourage switching including press and radio adverts and better engagement with partners, will help mitigate the risk for our customers. However, we cannot be confident at this point that our customers will not be impact if RTS is switched off. To help address this on-going concern, we have formed an internal project team to monitor progress with switching and to coordinate the various actions in this paper.

4.7 We also plan to write to the Scottish Government and the SHR to share our concern at lack of progress in removing RTS meters and the implications for our tenants, and to wite to Energy UK and OFGEM indicating the need for the RTS switch off to be delayed, given the number of such meters that are still installed.

5. Customer engagement

5.1 We are working with our customers, as set out elsewhere in this report, to encourage switching.

6. Environmental and sustainability implications

6.1 There are no environmental and sustainability implication for us as the change from RTS meters to smart meters is for the energy companies to make.

7. Digital transformation alignment

7.1 The move to smart meters is part of a wider agenda towards the use of digital technologies nationally, although there are no direct implications for our digital strategy.

8. Financial and value for money implications

8.1 The cost of replacing RTS meters is for the energy companies.

9. Legal, regulatory and charitable implications

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

10. Risk appetite and assessment

10.1 We are committed to delivering an exceptional customer experience. The RTS switch off presents a risk to this because of the adverse implications for customer, and in particular their supply of electric heating. The approaches discussed in this paper are how we will look to mitigate this risk.

11. Equalities implications

11.1 We are working with the energy companies to encourage affected customers to switch from a RTS meter to a smart meter. Doing this will help ensure that all customers, including those with particular vulnerabilities are protected from the potential harm that could arise from the RTS switch-off.

12. Key issues and conclusions

12.1 Energy companies are planning to switch off the legacy RTS meter system in June 2025. While it is possible an extension to this date may yet be agreed, there is a growing risk that the planned switch-off will have adverse implications for our 492 customers with this type of meter. We are working to address this impact including with energy companies to encourage switching. Given progress by energy companies to date, we will keep this situation under close scrutiny and take whatever action we can to ensure the impact of this national issue on our customers is mitigated. The Board will be further updated at meetings between now and June.

13. Recommendations

13.1 The Board is asked to note this update.

LIST OF APPENDICES:

None.