



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2020

Wheatley Housing Group Limited

Scottish Housing Regulator Registration No. 363
Registered No. SC426094

CHAIR'S REPORT

Coronavirus struck in the final part of the 2019/20 financial year. The havoc and destruction wreaked in one month was devastating and will be an abiding memory. But it should not define completely a year that was remarkable on so many other fronts for Wheatley, its communities and customers.

Crisis, and how it is managed, often tests and defines organisations, sometimes for years to come. As we reflect on and analyse how Wheatley responded in the first phase of the pandemic, it is clear to me we grasped immediately not only the full scale and depth of the impact it would have on our households - many within Scotland's most disadvantaged areas – but the need for an immediate and far-reaching response. The early, decisive actions taken demonstrate, I believe, why Wheatley's reputation is not based on its size and scale, but on its agility, responsiveness and relentless determination to make a positive difference.

Our response ensured everything that could be done to support customers and staff through the pandemic was done, and done quickly. Simultaneously, detailed analysis, prudent planning and decisive actions were taken to protect, preserve and, in some cases, enhance the Group's financial and operational capacity and resilience.

Key in all of this was strong leadership and in that Wheatley is fortunate in having Martin Armstrong as chief executive, a highly experienced Executive Team and Board members across the business expert in their field, dedicated and fully committed to the cause. Above all, we have in Team Wheatley, housing, care, property management and business solutions staff who are the best in the business.

Wheatley's prominent role in tackling coronavirus continues to be played out across all of our sectors. From the onset, we were strongly represented on the Resilience Group set up by Scottish Government and including representatives of the Scottish Housing Regulator, Scottish Federation of Housing Associations and COSLA. High-level Scottish Government funding for Wheatley initiatives and responses to the pandemic also underlined faith in the Group as a trusted and effective national partner.

Despite all of the many challenges posed throughout the year, including the ongoing roll-out of Universal Credit ("UC"), we finished the financial year on track, financially and operationally, having completed the vast majority of objectives set out in our 2015-2020 "Investing in Our Futures" strategy.

It was a year where our size and scale also expanded significantly as our geographical footprint was extended across the south of Scotland. This followed a ballot of Dumfries and Galloway Housing Partnership ("DGHP") tenants last November. The hugely impressive turnout (75%) culminated incredibly in 95.5% of DGHP's 10,300 tenants who expressed an opinion voting to join the Wheatley family.

The Group, which now owns or manages over 93,700 homes across 18 local authority areas, had built 802 new homes, with a further 113 close to completion, when construction was suspended on 23 sites as a result of lockdown restrictions. One of the highlights of that ambitious development programme was a constituency visit in September by First Minister Nicola Sturgeon to mark the completion of 152 Glasgow Housing Association flats in Ibrox, a Transforming Communities: Glasgow regeneration partnership with Scottish Government and Glasgow City Council.

Universal Credit continues to challenge customers and their families, and housing associations across the country. At the end of the year 9,200 Wheatley customers had moved on to UC.

CHAIR'S REPORT (continued)

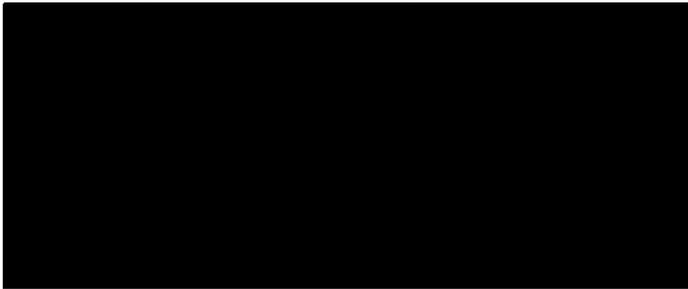
Although current tenant arrears based on the Regulator's Charter measure definition were at 3.33%, slightly up on the previous year, they remained within budget assumptions.

Overall customer satisfaction with services remained high, with a 90% satisfaction average for the Group's Registered Social Landlords. Wheatley Foundation continued to make its mark, securing £2.3million of external funding and supporting 12,000 people in Wheatley communities, including the creation of 901 jobs, apprenticeships and training opportunities, 64% for customers and their children.

The combination of rental income growth and operating efficiencies ensured the Group's financial position remained strong and stable. Turnover of £357.1million was up £23.5million on last year, which with the gain on the partnership with Dumfries and Galloway Housing Partnership of £240.9million resulted in a declared operating surplus of £314.8million. The Group had a strong liquidity position, with £345.6million of undrawn facilities.

Standard & Poor's Global Ratings ("S&P") reaffirmed in May, 2019, the Group's A+ credit rating, revising upwards the outlook from negative to stable. It speaks volumes that despite all of the uncertainties created by the Covid-19 crisis, the A+ (stable) rating was retained in May, this year.

In rescheduling the launch of our new five year strategy until next year, I have no doubt we will continue to mitigate the worst impacts of the pandemic on the people we work for, and to set out a bold, ambitious vision for how Wheatley will emerge stronger, and even more connected and engaged with its customers, communities and stakeholders.



Alastair MacNish OBE

Chair of Wheatley Housing Group Board

CHIEF EXECUTIVE'S REPORT

Since forming Wheatley Group seven years ago, we've worked hard to instil change into every aspect of our thinking and planning. To anticipate the curve and be flexible, agile and ready to adapt, to keep pace with our markets and government policy, anticipating and influencing their direction of travel, and to anticipate what customers need and expect.

Wheatley can't afford to stand still. Change is not only expected, but welcomed. It is part of our DNA as we benchmark the quality of our homes and services with the very best the private sector has to offer.

This default enabled us to be condition ready in managing and mitigating the devastating impacts of the coronavirus crisis. The Group's response to Covid-19 when it struck in the latter part of the 2019/20 financial year was intuitive and rapid. As government lockdown guidelines forced the closure of housing and support offices, and some care facilities, a new service model was designed and launched.

Over 800 employees were equipped to work from home. A 24/7 virtual call centre was up and running within a fortnight, with advisors working from home, including a specialist pandemic team. A restricted range of emergency and essential services was put in place. Care officers, repairs and maintenance staff and Neighbourhood Environmental Teams all continued working in Wheatley communities, supplied with all of the necessary Personal Protection Equipment ("PPE") and adhering strictly to safe working practices and social distancing measures.

A host of specific responses to the pandemic was launched, including a hugely expanded *EatWell* emergency food service. Pre-pandemic, it supplied around 120 packages weekly to vulnerable tenants in Glasgow. From mid-March, food parcels were being supplied across Scotland, with over 25,000 delivered by mid-June.

The coronavirus crisis demanded a longer term response too. The launch of the Group's new five year strategy was deferred until 2021 to create time and opportunity to review not only how we responded to the pandemic, lessons learned and the new ways of working adopted, but a re-evaluation of the needs and expectations of the people we work for in the new normal being created.

One thing was clear from the offset: many of the ambitions and objectives within the original 2020-25 strategy, "*Inspiring People, Unleashing Potential*", from digital transformation to channel shift, needed to be accelerated, urgently. It became obvious "A new Wheatley, a New Normal" was being fashioned. This will be finalised and set out in our revised strategy when it is unveiled next year.

The aspirations, aims and targets encapsulated in our first five year "Investing in Our Futures" now seem - through the lens of the pandemic - of a much changed world. We should not lose sight, however, of what was achieved from 2015 to 2020.

An independent impact assessment by HACT, a leading housing sector innovation agency, concluded over 90% of outcomes were met in full. This included building 5,000 new affordable houses in support of Scottish Government's "More Homes Scotland" agenda, with thousands more in the pipeline. We continue to hold close the title of "the UK's largest builder of social rented homes" three years running as a badge of honour.

The impact assessment also highlighted continued progress on our never ending journey to deliver outstanding customer service across all parts of the business. Customer satisfaction in four of the Group's Registered Social Landlords ("RSLs") - including our newest partner Dumfries

CHIEF EXECUTIVE'S REPORT (continued)

and Galloway Housing Partnership ("DGHP") - exceeded 90%, with the others very close to that mark. The improvement trend since 2015 also confirms four RSLs were in the top quartile for 80% of their Key Performance Indicators under the Scottish Social Housing Charter.

The arrival in the Group of DGHP represented a major milestone. The overwhelmingly positive vote by tenants in the ballot to join underlined, I believe, that what Wheatley stands for - its strength, values and potential as a force for good - is clear and widely understood. Another milestone was the merging of the care activities of Loretto and Barony to form Wheatley Care. Strongly supported by staff, stakeholders and the people we work for, it represented natural progression and togetherness.

We remain one of the best accredited and recognised for excellence organisations in Europe, securing another 17 awards and accreditations in 2019/20 and bringing the total, over the five years of the strategy, to 112.

The Group's role and reputation as a trusted national partner of Scottish Government was reinforced by lead involvement in programmes, such as *Housing First*, which is tackling rough sleeping and homelessness. Ongoing national efforts to tackle disadvantage and vulnerability continued under our charitable trust. Wheatley Foundation supported over 12,000 people through a dozen programmes tackling poverty and creating hundreds of jobs, apprenticeships and training places, as well as education, digital inclusion and sport and the arts opportunities.

Throughout the year strong progress was achieved in digital transformation, underlined by the 30,000 customers registered for online services. A ground breaking online portal, *MySavings*, was launched, offering customers the opportunity to save up to 10% on their shopping. It was another example of a sector leading initiative and followed the earlier launch of *MyHousing*, an online housing advice and letting platform, and *GoMobile*, which equipped housing officers with office-in-their-hand technology.

As always, the hard work, dedication and passion of the Group's 2,700 staff lit up the year, especially their response to supporting customers through the coronavirus crisis. Their efforts are recognised daily not just by Board members, the Executive Team and partners, but the people they work for across Scotland.

As we move forward into a "new normal" we are united in our determination to ensure the Wheatley that emerges is even stronger, more responsive and engaged with its staff, customers and stakeholders than ever before.



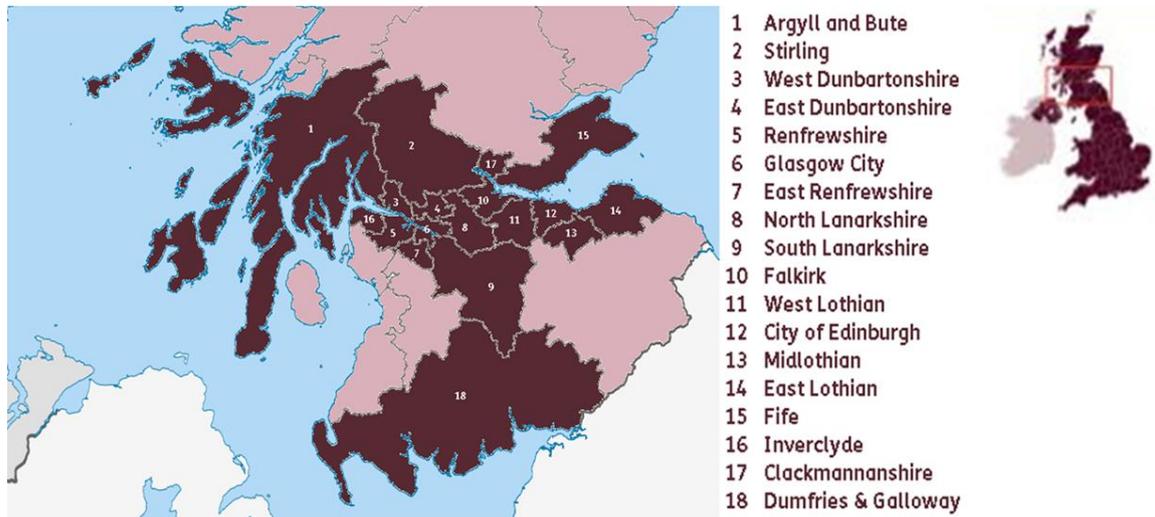
Wheatley Housing Group Chief Executive

STRATEGIC REPORT

Our mission is 'Making Homes and Lives Better'.

Where we are

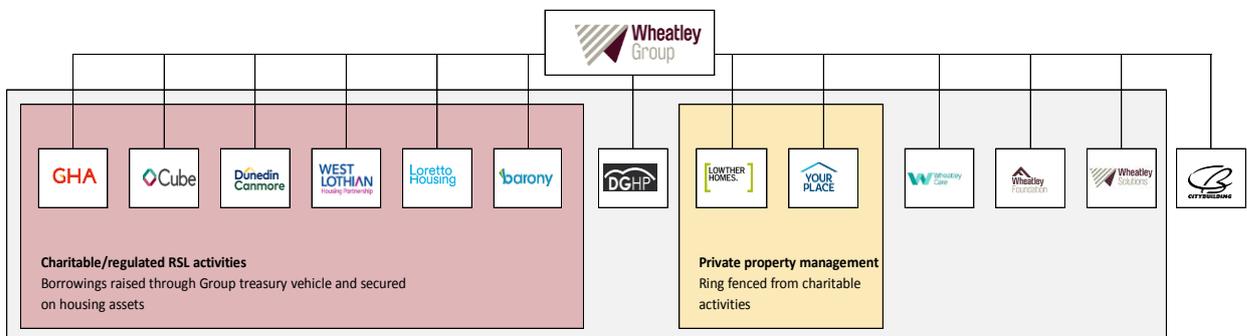
Headquartered in Glasgow, we serve over 210,000 customers in 18 local authority areas across central Scotland through our Registered Social Landlords, care organisation and commercial subsidiaries. Each part of the Wheatley family is focused on delivering excellence no matter what they do and each remains firmly rooted in their communities, providing services tailored to the needs of their individual customers.



Wheatley Housing Group Limited, as the the Group parent, does not own any homes but provides strategic oversight to all subsidiaries and is registered with the Scottish Housing Regulator.

What we do

Wheatley delivers its activities to customers through twelve wholly owned immediate subsidiaries, supported by the joint venture with City Building (Glasgow) LLP. The Group's operating structure as at 31 March 2020 is shown below.



STRATEGIC REPORT (continued)

The largest part of the Group's operating footprint remains in the west of Scotland, with over 45,000 homes owned and managed by Glasgow Housing Association ("GHA"), Cube Housing Association ("Cube") and Loretto Housing ("LHA"). Our presence in the east of Scotland grew again in 2019/20 with the completion of over 245 new build homes in the year by Dunedin Canmore Housing ("DCH") and West Lothian Housing Partnership ("WLHP"). The reach of the Group extend to the south of Scotland with the addition of Dumfries and Galloway Housing Partnership ("DGHP") to the Group, bringing with it over 10,300 homes, giving the Group a total of 63,709 homes by the end of the year.

Care is an important part of the Group, but in financial terms remains relatively small with less than 5% of turnover. Loretto Care supports over 6,800 people with specialist needs, many of whom live in properties owned by Loretto Housing Association Limited. In east and central Scotland, Barony provides care and support services to over 800 people. The two separate care organisations work closely together and following the year end, were formally combined in Loretto Care, trading under the name of Wheatley Care.

Lowther Homes Limited ("Lowther") owns a portfolio of 1,180 private rented homes and also provides management services to the Group's mid-market rented homes. Plans to merge Lowther with YourPlace Property Management Limited ("YourPlace"), which provides factoring (common property management services) almost 30,000 customers are progressing.

Wheatley Solutions provides support services, ranging from finance, IT and procurement to governance, assurance, legal and communications and marketing, to the Group's partner organisations. The Group's charitable arm, Wheatley Foundation, delivers our community and better lives activity.

The Group has a 50% interest in City Building (Glasgow) LLP ("CBG") under a 50:50 joint venture arrangement with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries, principally those in the west of Scotland. A share of the results of CBG is included in the financial statements.

The year under review

The year to March 2020 marked the final stage of the journey we set out in our five year strategy *Investing in Our Futures*.

Investing In Our Futures is built on the five strategic platforms of:

- **Customer Service Excellence**
- **Asset Growth and Partnerships**
- **Transforming the Care Environment**
- **Building Shared Capability**
- **A Strong and Diverse Funding Base**

Strong progress was made on these throughout the year, set out by theme as follows:

STRATEGIC REPORT (continued)

Customer Service Excellence

- **Solid business performance**

Wheatley's subsidiaries retained high levels of customer satisfaction, up to 96% in some areas of the business, and the Group achieved national recognition for delivering outstanding services.

Despite the challenges presented by the coronavirus crisis in March onwards, and by an increasing number of our customers moving on to Universal Credit over the year, all parts of the Group returned a strong performance across the indicators reported each year to the Scottish Housing Regulator.

Three of our social landlords – GHA, Dunedin Canmore, and WLHP, accounting for over 90% of the homes in the Group – are now in the top quartile on 80% of indicators. Overall tenant satisfaction was around or above the 90% target for our seven RSLs. Satisfaction with our repairs and maintenance service was over 92% for all the landlords.

- **Improving our repairs service**

We launched our new repairs service – called *MyRepairs* – during 2019/20 after listening to customer feedback.

Improvements include two hour slots and next day appointments, giving customers more control and more choice, and a new dedicated team of expert advisors to help customers at every stage of their repairs journey. Further improvements are planned for 2020/21.

- **External recognition**

External recognition for excellence across our sectors continued in 2019/20 when we secured 17 awards and accreditations, bringing the total over the period of our *Investing in Our Futures* strategy to no fewer than 112. Most notably, we were recognised as fully compliant with the Customer Service Excellence (“CSE”) standard, with 23 areas of best practice, and we gained a seven-star accreditation from the European Foundation for Quality Management (“EFQM”), one of only six organisations globally to hold this level of award.

- **Innovation in services**

We continued to embed our innovative new approaches to services and supporting our customers. Wheatley's online channels and services, which offer our customers easy and convenient ways to pay bills, book appointments and access advice and information, continued to grow in size and popularity.

More and more of our customers are transacting online using our improved online self-services to pay rent, book repairs, check their account balance, report environmental issues and more.

Over 43,300 customers were registered for an online account in 2019/20 – up from 29,312 in the previous financial year – with more than £21million in rent and other payments taken online in the year. Over 47,000 on-line housing applications have been received since the launch of *MyHousing*, with customers successfully self-serving in a digital environment.

STRATEGIC REPORT (continued)

- **Support for customers**

The roll-out of Universal Credit continued to present new challenges and hardship for many. We supported our customers and their families through this and many other difficulties with personalised help. Our wraparound services, from money, benefits and fuel advice to help with furnishing their homes, offered vital support.

Working with Wheatley Foundation and Wheatley 360, our subsidiaries:

- created 901 job and training opportunities which supported 430 customers;
- supported 1,899 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 1,447 homes through our *EatWell* service;
- gave 774 tenants upcycled furniture through our *Home Comforts* service;
- awarded 50 young people from our homes a bursary to go to university or college;
- provided free books every month for 688 children under five years in our homes through the Dolly Parton Imagination Library.

The Foundation has secured over £15million of income to support these causes since 2016.

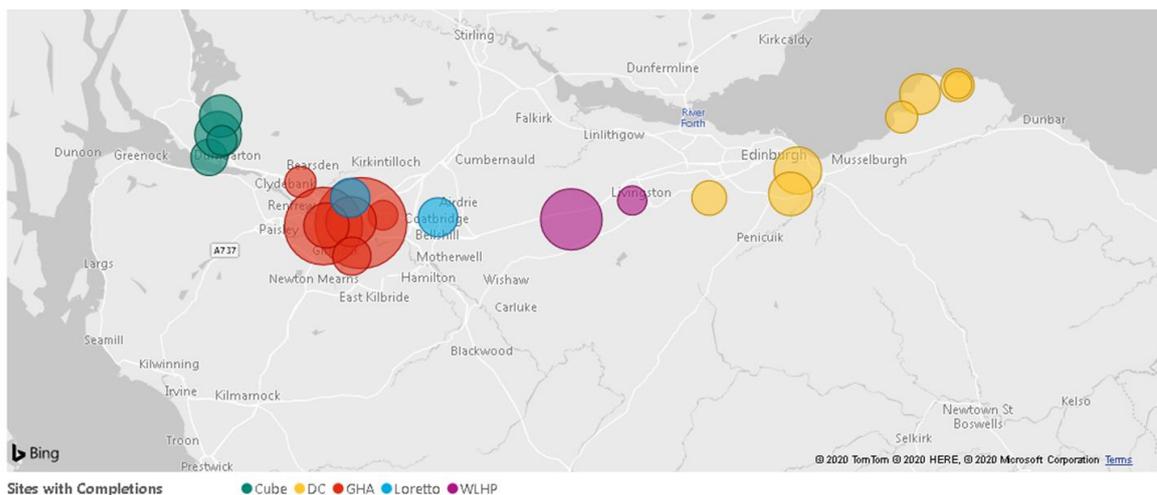
Asset Growth and Partnerships

- **New build homes**

We continued to hold the title of largest developer of social housing in the UK, as determined by a survey by Inside Housing, a badge we wear with pride.

In 2019/20 we completed 802 new homes, 601 for social rent, 197 for mid-market rent and four for shared equity. We also started work on a further 735 new homes across 12 sites.

Our new build programme included:



- 143 new GHA homes in the Gallowgate, Glasgow, the completion of which will now facilitate the planned demolition of the remaining unsustainable properties in the area
- 152 new homes at Hinshelwood, Glasgow for GHA, a mixed tenure development in East Govan/Ibrox regeneration area
- 77 new WLHP homes in Whitburn, West Lothian

STRATEGIC REPORT (continued)

- 52 new Cube homes in Bonhill, West Dunbartonshire on a former school site acquired as part of a strategic partnership with West Dunbartonshire Council
- 46 new Dunedin Canmore homes in Greendykes, Edinburgh
- 28 new Loretto homes at Buckley Street, Glasgow for older customers comprising of a mix of both new flats and houses and the conversion of a 1930s former primary school building

This means that over the five years of our strategy *Investing in Our Futures* we have completed or have approval for more than 5,000 new homes and invested over £446million.

- **New partner**

We welcomed a new partner into the Group, Dumfries and Galloway Housing partnership, in December 2019. This boosted the number of homes we own and manage across Group by over 10,300.

DGHP joining Wheatley is a significant milestone in our history, not only increasing our size and scale and cementing our place as Scotland's leading housing, care and property management organisation, but also expanding our geographic footprint into the south of Scotland.

They formally became part of Wheatley in December after a ballot of tenants which resulted in a 75% turnout and an overwhelming 95.5% majority of those voting doing so in favour of joining Wheatley.

The move brought together Scotland's two largest social landlords with our subsidiaries now jointly owning or managing over 93,700 homes across 18 local authority areas and our combined size, scale and capacity giving us the opportunity to do more for our customers and communities.

- **Investment in existing homes**

We also invested over £67.9 million improving our existing homes over the year, making more energy efficient and attractive places to live.

Key projects carried out over the year included:

- the installation of new efficient A rated gas heating boilers in around 2,000 homes
- completion of our £45m refurbishment programme for Winget homes in the East End of Glasgow with a further 20 blocks completed in 2019/20
- 550 homes benefitting from lifecycle replacement of windows, helping to improve energy efficiency
- 3 high-rise blocks benefitted from new modern and efficient lifts
- £2.6m invested in new emergency lighting systems in our high-rise flats
- smoke and heat detector upgrades in nearly 11,000 homes
- £1.8m investment in upgrading mechanical & electrical infrastructure across our high-rise stock
- 100 tenants benefitted from external wall insulation, helping to keep their homes warmer
- Our Pre 1919 tenement strategy progressed with a further 14 tenements were completed with new and repaired stonework and roof refurbishments
- 650 new kitchens installed

Over the five year strategic period, the Group has invested over £347million in existing homes.

STRATEGIC REPORT (continued)

- **Supporting and creating employment**

Our work continued to generate and support jobs, training and apprenticeships for people who live in our communities as part of our Better Lives agenda.

In the year we helped 692 people into work or training either through a total of 900 opportunities created by our investment and new build contracts or through our employability schemes such as our Modern Apprenticeships. Over the period of the five year strategy a total of 2,000 jobs, apprenticeships and training places have been created.

The majority, 64%, of the opportunities created were taken up by people who live in our homes. In some cases people moved from a training place into a job.

Opportunities included:

- 441 training places, ranging from 12 month *Changing Lives* placements in our environmental services to short work placements through our Community Benefits clauses in all our investment contracts;
- 144 apprenticeships, including our Business Admin apprenticeships, trade apprentices at City Building (Glasgow) LLP which we jointly own and apprenticeships supported by our external contractors;
- 315 jobs, which includes people who progressed from training programmes into work and people supported into employment through our *Wheatley Works* programmes.

Transforming the Care Environment

The year 2019/20 was an important one for our care services. Our staff in both Barony and Loretto Care worked together on plans for a single Group care organisation operating under a new Wheatley Care brand.

Wheatley Care, which launched formally on 1 April 2020, will build on the already strong joint working between Barony Care and Loretto Care to deliver the same excellent care and support services for our customers.

Bringing our services and staff together gives us a stronger future and means we are better able to share expertise and experience to deal with the external challenges facing our sector.

In total we supported 7,628 people across our services, helping them get the most out of their lives and achieve their own positive outcomes.

- **Tenancy Support Service**

Our Tenancy Support Service ("TSS") continued to help vulnerable tenants of Wheatley's social landlords maintain their tenancies through specialised support ranging from money and budgeting advice through to help with addictions and health and wellbeing.

The TSS supported 1,497 tenants over the year, with the vast majority saying they had achieved positive outcomes as a result.

- **Livingwell services**

Wheatley's Livingwell service helps older tenants live independently in their own homes for longer, supported by housing staff as well as our care staff.

STRATEGIC REPORT (continued)

A total of 941 tenants were supported over the year at 29 Livingwell complexes in Glasgow. They enjoyed a range of activities such as language classes, line dancing, quizzes and art sessions, to help them get the most out of life and reduce isolation. There were 405 peer volunteers who helped deliver these activities during the year.

All our Self Directed Support (“SDS”) services continued to grow and we worked closely with Glasgow City Council on its Alliance programme. We continued to play a leading role in Scotland’s Housing First pathfinder which is tackling rough sleeping and homelessness, and have to date committed to provide 300 homes to support people to rebuild their lives.

In a wider sense, we tackle disadvantage in our communities through our charitable trust Wheatley Foundation, which again supported 12,000 people over the year with a range of opportunities including, jobs, training, apprenticeships and bursaries.

- **Care inspections**

A total of 15 of our services were inspected by the Care Inspectorate in 2019/20, with 11 achieving grades of ‘five’ or above. This figure of 73% of services achieving a grade of ‘five’ or above is significantly higher than the sector average of 47%.

- **Community engagement**

We continued to support the people we work for to get the most out of their community through a wide range of activities to improve physical health, mental wellbeing, reduce social isolation and increase access to employment, volunteering and education.

Our music project *The Ensemble* went from strength to strength this year. *The Ensemble* is a unique engagement opportunity involving professional musicians collaborating with people we work for to write songs and work towards performance to help people engage, build their confidence and improve their mental health and resilience.

With funding guaranteed for another year, the Ensemble team are working towards publishing a CD with songs written by the people we work for.

Our *Knightswood Connects* project this year saw 200 older people in a Glasgow neighbourhood develop closer connections to their community as well as enjoy opportunities to improve their health and wellbeing.

Activities ranging from art and music to exercise and gardening have had a very positive impact on their lives.

Building Shared Capability

- **Learning and development**

We continued our work to attract and retain the best talent in our sectors, and to support colleagues across Wheatley to develop their skills, confidence and resilience.

Our *Accelerator* programme helped staff bring their creative ideas to life to make a difference to our customers. Working with social enterprise, the Lens, staff across the Group developed innovative solutions to problems faced by customers or the business to win a slice of a £20,000 investment fund.

STRATEGIC REPORT (continued)

Some of the fresh ideas which made it through the programme in the past year included a digital lending library, a social enterprise café and starter packs for homeless people moving into new accommodation.

Our online learning portal *MyAcademy* provides a blended approach to digital and practical learning for all our 2,700 staff. Over the year we saw:

- 100% of staff engage through *My Academy* for some of their learning;
- 91% of staff telling us they were satisfied with access to learning via the Academy;
- new courses on Freedom of Information, Data Protection and Fire Safety rolled out.

• Creating opportunities

Our graduate programme *Ignite* – one of the biggest graduate training programme of its kind in Scotland – helped us recruit the brightest talent this year.

A total of 20 people are recruited on to the two year programme, a mix of external graduates and young people already working in Wheatley.

Graduates get on-the-job training across the organisation in the housing teams, corporate support services, and the repairs and investment team, as well as opportunities for further study, qualifications and the mentoring support they need to become future leaders in housing.

We maintained our strong connections with our communities, opening up opportunities for people in our homes with a further 144 apprentices and 62 Changing Lives placements taken on over the course of the year.

Through our programme of work experience and qualifications for these individuals, the majority move into positive destinations, either with a permanent job with Wheatley, across our supply chain or continue with further education.

• Reward and recognition

Our *W.E. Excel Awards* which recognise staff who go the extra mile entered their third year and culminated in a Grand Final in Glasgow in November 2019. The event again attracted sponsorship from our contractors and suppliers who also joined staff for the celebrations.

More than 200 staff and guests attended with 18 awards collected by teams and individuals across the business.

Our rewards package continued to offer staff an exceptional range of benefits, including shopping discounts, help with childcare, buying a bicycle, opticians and dental treatments and with season ticket loans for travel to work.

We were recognised as a leading employer through a number of awards and accreditations throughout the year. Wheatley Group as a whole attained Investors in People Platinum and went on to secure Investors in Young People in February 2020 in recognition of our commitment in developing and supporting our youngest colleagues.

We also won the Best Apprenticeship scheme at the 24Housing Awards and an award for Promoting Diversity at the Scottish Apprenticeship Awards.

STRATEGIC REPORT (continued)

A Strong and Diverse Funding Base

The emergence of the Covid-19 pandemic in the latter part of 2019/20 required fundamental changes to be made to the way services can be delivered to customers. All parts of the Group's operations were affected by the lockdown and changes to the business model were implemented quickly to ensure that we continued to be able to provide housing and care services to our customers in the most effective way possible and in line with Scottish and UK Government guidance and regulations.

Financial projections and forecasts have been updated to reflect the changes made to the Group's service model taking account of the timing and nature of a phased remobilisation as the lockdown measures are relaxed. Key changes to the projections include revisions to long term forecasts for cost inflation, higher projected levels of unemployment with higher numbers of tenants likely to move onto Universal Credit and at a faster pace. The initial closure and subsequent remobilisation of activity on construction sites has an impact on our new build programme along with changes made to the delivery of repairs and investment works within our homes to keep customers and staff safe whilst following Scottish Government advice.

The Group's core social letting activities are well placed to respond to changes, with a significant proportion of income derived from housing benefit and Universal Credit underpinning a strong level of cash generation. While the trend for an increasing number of Universal Credit customers has caused arrears to rise - with a five week wait for benefit payments to reach the customer - the Group remains in a strong position financially. The Group had access to undrawn loan facilities of £345.6million and held £116.4million in cash at the year end giving sufficient headroom to mitigate any short term increase in rent arrears. Financial covenants in place with the Group's lenders continue to be met and the revised financial projections continue to provide a comfortable level of headroom against the covenants.

The financial outlook for the Group was reviewed by Standard and Poor's in spring of 2020 with discussion centered on the impact of the Covid-19 outbreak and the Group's response. The exercise reaffirmed the credit rating at A+, "stable" outlook.

A key element of our financial strategy is the ongoing focus on delivering operational efficiencies embedded within our business plan and annual budgets. This year adjusted EBITDA grew to a new high of £120.0million, with the Group's new partner DGHP adding £6.3million, continuing the improving trend over recent years, growing by £54.8million over the last five years. The Group's turnover also rose to over £357.1million. We are focused on providing excellent services that represent value for money to our customers and over the period since 2016, the Group has seen its headline social housing operating cost per unit fall from £3,828 to £3,656.

The Group successfully completed the re-financing of its new partner organisation Dumfries and Galloway Housing Partnership, putting in place new facilities totalling £114.0million with M&G, and an additional £20.0million with Allia topping up the existing facility. A new revolving credit facility of £35.0million with Royal Bank of Scotland was also arranged for DGHP.

The Group's financial position strengthened, with gearing as measured by debt as a percentage of asset values fell again from 56% to 55% against a backdrop of the completion of 802 new build homes and 735 under construction.

Our commercial operations providing private letting and factoring services through Lowther Homes and YourPlace reported another strong financial performance following the acquisition of over 560 properties from GHA, Cube and Dunedin Canmore last financial year. Combined

STRATEGIC REPORT (continued)

operating surplus across both Lowther and YourPlace before revaluation gains of £2.1million grew to £7.0million an increase of 25%. Gift aid of £3.0million was paid to Wheatley Foundation by the commercial businesses, exceeding the target by £0.2million.

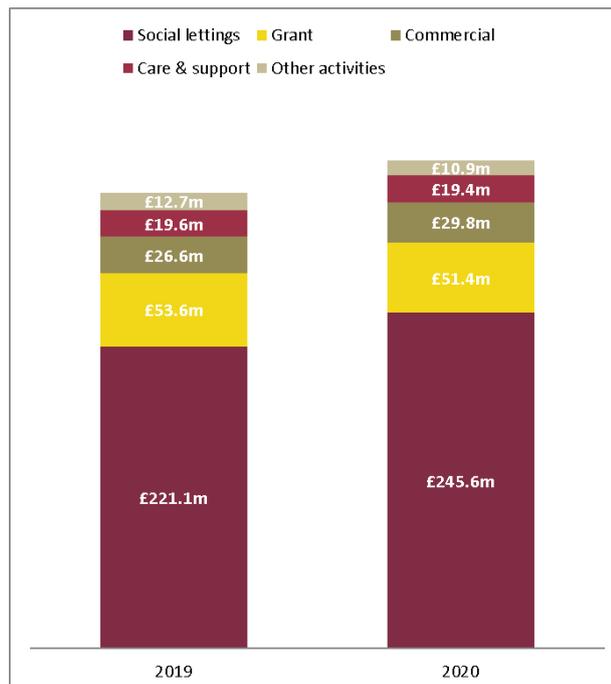
Financial Performance – Group Highlights

The Group's key financial performance indicators over the 2015-20 period of the *Investing in Our Futures* strategy reported an improving trend, while performance and customer satisfaction has been maintained. Much of this improvement has been delivered through the achievement of the Group's financial efficiency targets.

The results include the Group's new partner, Dumfries and Galloway Housing Partnership and its subsidiaries from 12 December 2019, the date of joining the Group.

Statement of Comprehensive Income

- Turnover increased by 7% to £357.1million, up from £333.6million in 2019, an increase of £23.5million of which £14.5million is attributable to DGHP since joining the Group.
- Turnover generated in the Group's core social letting business from rents and service charges grew to £245.6million up from £221.1million in the prior year. Of the £24.5million increase in social letting turnover, £12.9million was generated by DGHP.
- Non social housing activities account for a small proportion of the Group's overall turnover. Care and support income is £19.4million representing 5% of Group turnover, a further £29.8million or 8% relates to commercial factoring and letting activities. In addition, other income of £10.9million includes donations to the Wheatley Foundation, income from owners for improvements and commercial property income.

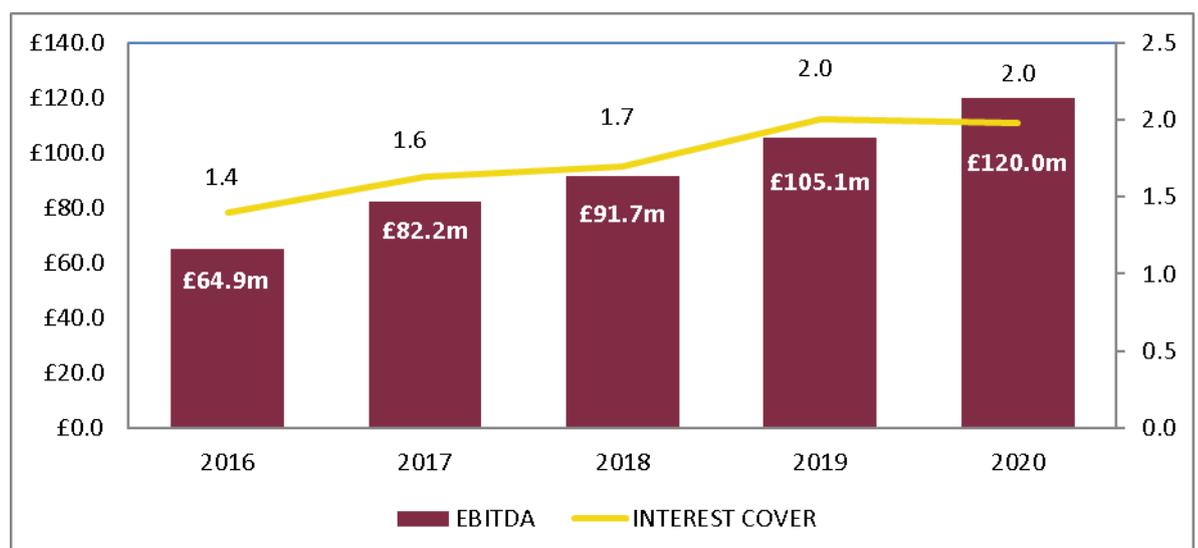


STRATEGIC REPORT (continued)

- Earnings before interest, tax, depreciation and amortisation adjusted to remove non cash accounting adjustments grew 14% up to £120.0million from £105.1million in 2018/19. Of the £14.9million growth in EBITDA in the year, DGHP contributed £6.3million.

	2020	2019
	£m	£m
Operating surplus	314.8	56.1
Gain on DGHP partnership	240.9	-
Operating surplus (excl DGHP gain)	73.9	56.1
Depreciation	82.2	83.3
Revaluation movements	11.6	10.6
Grant income on new build properties	(50.5)	(51.0)
Non cash pension adjustments	2.8	6.1
EBITDA	120.0	105.1

- The Group's ability to meet interest payments due on borrowings from surplus earned, also known as interest cover, has grown over the five year period since 2016 from 1.4 times to 2.0 times in 2019 and remaining stable in 2020.
- The five year trend on both these KPIs shows consistent growth and a significant strengthening of the Group's financial position over the period. Efficiencies in the Group's operating cost base over the period have helped grow earnings to a level that comfortably supports the servicing of borrowings, allowing the Group to deliver on the provision of new homes in our communities.



STRATEGIC REPORT (continued)

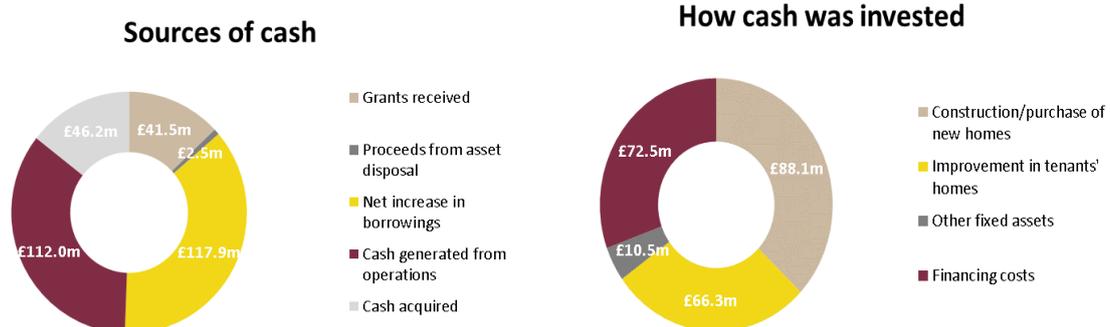
Statement of Financial Position

- Total net assets of £1,140.8million increased by £294.9million in the year. The partnership with DGHP accounted for the addition of £240.9million of net assets to the Group;
- Housing properties have increased in value by £463.5million, with £365.9million added when DGHP joined the Group. The remaining increase of £97.6million represents the return on investment in customers' homes and the investment in the new build programme which has seen a total of 802 new homes completed in the year;
- Debt levels remain sustainable, with long term loans of £1,452.5million (2019: £1,174.6million). Gross debt per unit was £23,031 (2019: £21,520), which is below the majority of large UK housing groups. Gearing, measured by debt as a percentage of asset values in the Statement of Financial Position, was 55.0% at 31 March 2020 (2019: 56%).

Cash flow and liquidity

As can be seen on the cashflow statement (page 54), the strength of the Group's core operating model and the focus over recent years on cost efficiencies result in the delivery of a high level of cash generation from operating activities. This cashflow helps provide the foundation which underpins the Group's significant new build programme and maintain a high level of investment in existing homes.

- The Group's core activities generated cash £112.0million in the year, an increase of £24.3million from 2019 due principally to the 3.3% rent increase in April 2019 combined with savings generated in management and administration costs.
- At 31 March 2020, cash and cash equivalents were £116.4million; an increase of £82.7million in the year. This is a result of borrowings drawn by the Group's funding entities and held to provide liquidity in light of the emerging Covid-19 crisis and funds acquired with DGHP.



- Grant income of £41.5million (2019: £60.0million) was accessed under long term agreements with the Scottish Government to support the development of new housing.

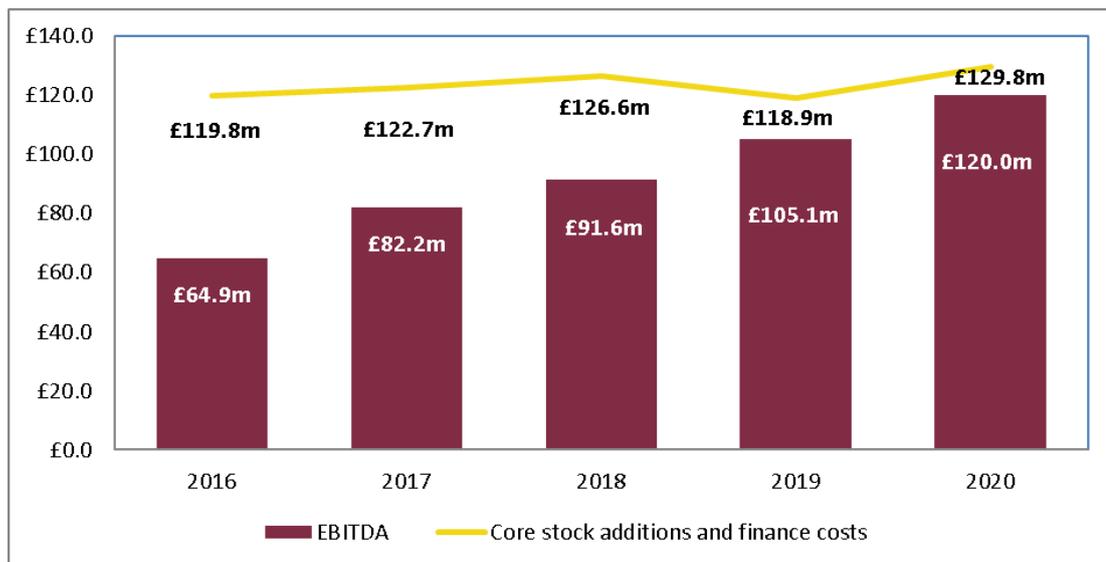
STRATEGIC REPORT (continued)

Social Letting Activities highlights

In addition to the Group measures of overall operating surplus and EBITDA, a number of key performance indicators (“KPIs”) are used to assess and benchmark performance of our Registered Social Landlords against our strategic objective of delivering excellent services with a particular focus on services that represent Value for Money.

- Earnings covering finance costs and fixed asset additions to core stock

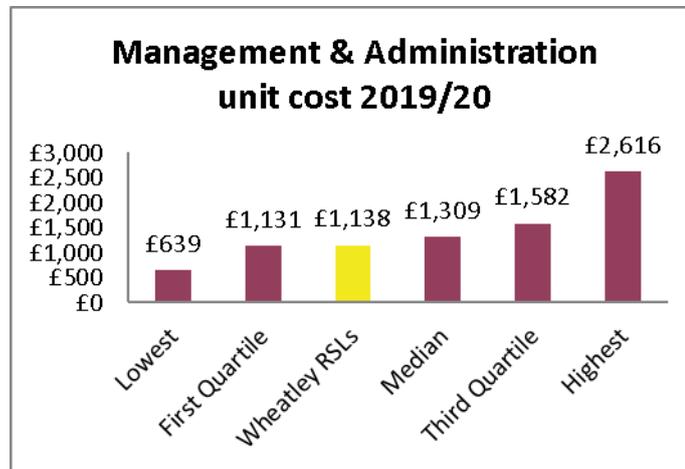
A measure of financial strength of the Group is the level of earnings relative to finance costs and all fixed asset additions to existing social housing properties. This is measured using adjusted EBITDA after deduction of non-cash accounting adjustments. Strengthening the ability of the Group to generate surpluses over and above the level required to fund capital investment and service debt, so that new borrowing is only for new build development is a key strategic objective. The chart shows the improvement in the measure over the period of the Group’s five year strategy. In 2019/20, the gap between EBITDA and core additions plus finance costs was £9.8million compared to a gap of £13.8million in 2018/19 and reducing steadily over the last five years from a gap of £54.9million in 2015/16.



- Management and administration costs

Management costs are reported in note 4 to these financial statements. For the Group, including DGHP, management cost per unit was £1,138, down from £1,177 in 2015 and reflecting the savings in overhead costs achieved through the our group structure and shared working platforms. Since, 2015/16 the measure has been consistently been below the median for the sector as compared against other mainstream Scottish RSLs with a majority of stock classified as general needs. This has been achieved against a context where around one in four of the Group’s properties are high rise flats, where management costs are higher due to the investment in concierge and environmental management services we provide.

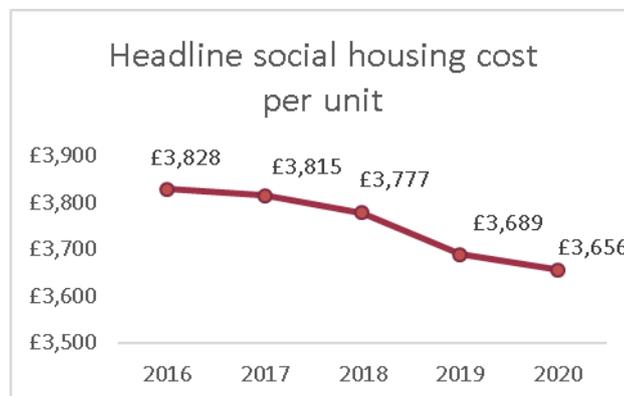
STRATEGIC REPORT (continued)



Source: Scottish Housing Regulator comparison of Scottish RSL unit costs 2018/19

- Operating cost per unit

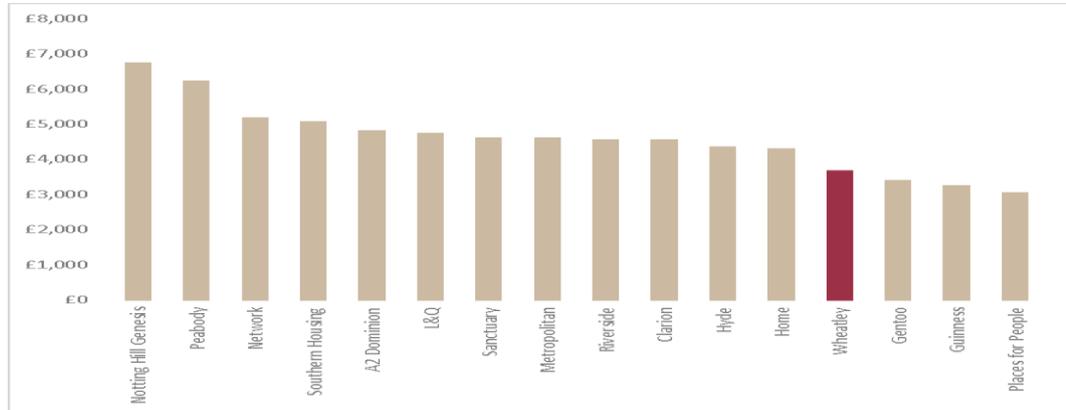
The overall cost per unit of the Group's social letting activities also continued to reduce, falling to £3,656 from £3,689 in 2018/19 and reporting a reduction over the five year period from £3,828.



The performance of the Group's RSLs is also benchmarked against a peer group of comparable social housing groups in the UK, to inform progress the Group's social landlords are making against the performance targets. In the key comparator of operating cost per unit, not only has the Group reduced cost over time but remains well placed within the peer group as shown in the chart below.

STRATEGIC REPORT (continued)

Social housing cost per unit



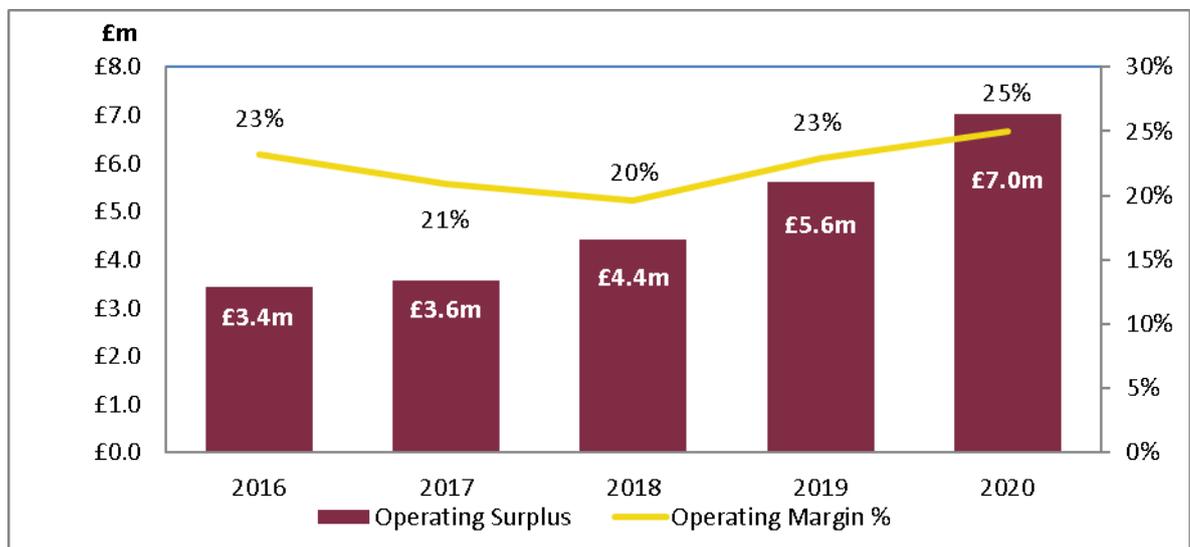
Source: 2018/19 statutory accounts, Wheatley 2019/20 statutory accounts

Performance in the RSLs is assessed using non financial measures too. The Group has a strategic objective of achieving over 80% of its RSL performance measures in the top quartile across the sector in Scotland. The measures are reported in the Annual Return on the Charter (“ARC”) to the Scottish Housing Regulator. In the period of *the Investing in Our Futures* strategy GHA, Dunedin Canmore and West Lothian have achieved over 80% of measures in the top quartile, which covers 90% of the Group’s housing stock. Given the short period of time it has been a member of the Group DGHP is not shown in the chart for 19/20.

Commercial Highlights

- Commercial activities operating surplus

Combined turnover from the Group’s factoring and private letting activities, delivered by YourPlace Property Management and Lowther Homes, increased to £28.1million up from £24.5million in 2019. Growth in private letting activities was achieved from a stable overhead cost base, taking advantage of economies of scale. This resulted in operating margin before valuation movements increasing to 25% up from 23% in the previous year.



STRATEGIC REPORT (continued)

TREASURY MANAGEMENT

Long term debt facilities

As at 31 March 2020, Wheatley Group had £1,824.5million of bond and bank funding facilities in place with total Group drawn debt balances of £1,478.9million.

The debt facilities of GHA, Cube, West Lothian Housing Partnership, Loretto Housing, Dunedin Canmore and Barony were provided through intra-Group arrangements with our RSL Group treasury vehicle, Wheatley Funding No.1 Ltd ("WFL1"). The funding facilities of WFL1 consisted of bank facilities from a syndicate of three commercial lenders, as well as two debt facilities from the European Investment Bank, a committed facility with HSBC, private note placements with BlackRock and bond funding raised on the debt capital markets. These loans are secured on property assets of these RSLs through a security trust structure.

In addition to group funding through WFL1, Dunedin Canmore Housing has a £16.5million direct loan from The Housing Finance Corporation ("THFC") secured on DCH property assets and a £16.0million unsecured loan from Allia Social Impact Finance Limited ("Allia").

Wheatley Funding No.2 Ltd ("WFL2") is the funding vehicle for the commercial side of the Wheatley Group with a £76.5million debt facility in place with Scottish Widows, secured against properties for mid-market rent.

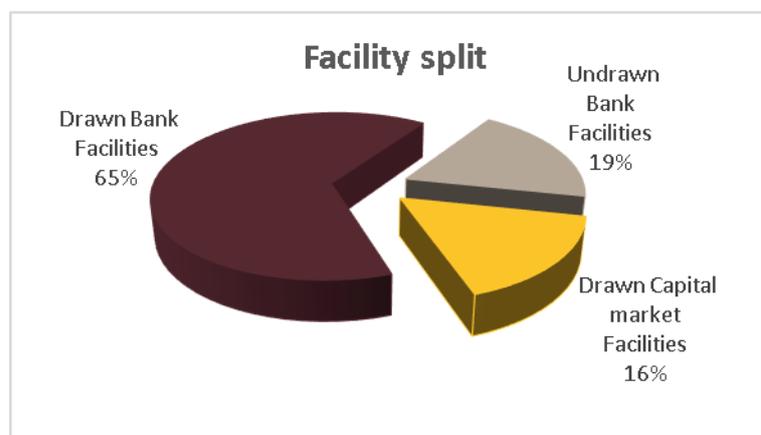
Dumfries and Galloway Housing Partnership Limited joined the Wheatley Group in December 2019. This timing coincided with the refinancing of some legacy debt facilities. The refinancing comprised of three new debt instruments; (1). A private note placement with M&G Investments Management Limited (a new lender to the Group); (2). A revolving credit facility with RBS (the Group's main transactional bankers); and (3). A direct loan from Allia. Legacy facilities from THFC and Allia were retained.

STRATEGIC REPORT (continued)

The funding facilities in place on 31 March 2020 comprised the following:

<u>Group Co</u>	<u>Facility</u>	<u>Principal</u>
WGC plc	Public bond - issued 2014/15	£300.0m
WFL1	Private Placement loan notes - issued 2017/18	£100.0m
WFL1	Private Placement loan notes - issued 2018/19	£50.0m
WFL1	HSBC facility	£100.0m
WFL1	Commercial bank syndicated facility	£657.3m
WFL1	European Investment Bank facilities (2003 & 2018)	£282.9m
DCH	THFC facilities	£16.5m
DCH	Allia (unsecured) loan	£16.0m
WFL2	Scottish Widows	£76.5m
DGHP	Private Placement loan notes – issued 2019/20	£114.0m
DGHP	RBS facility	£35.0m
DGHP	THFC facilities	£41.3m
DGHP	Allia facilities	<u>£35.0m</u>
		£1,824.5m

Group RSLs had drawn £1,179.7million from WFL1 at 31 March 2020. DCH's direct loans were drawn at £16.5million from THFC and £16.0million from Allia. In WFL 2, Lowther Homes had fully drawn the £76.5million facility. DGHP had fully drawn facilities from M&G, THFC and Allia, totalling £190.2million.



As at 31 March 2020, £345.6million (19%) of borrowing facilities were undrawn (2019: £411.9million, 26%).

The weighted average duration of drawn debt across the Group is 17.87 years. Under the Group Treasury Management Policy, no more than 10% of its total loan maturities fall due for

STRATEGIC REPORT (continued)

repayment in the immediate 18 month period. In April 2020, £141.5million of our Syndicated facilities were restructured with availability periods extended following the year end on 2 April 2020. The next point of significant re-finance risk for WFL1 arising in 2023/24 in relation to our £100.0million Revolving Credit Facilities with HSBC. The historic weighted average cost of drawn debt, inclusive of margins and hedging activities, was 4.95% at 31 March 2020 on an annual effective rate basis (2019: 4.75%). The increase in the interest rate resulted from debt moving from variable to fixed rates, in line with legacy hedging arrangements, and the rates applying to some of the legacy funding from the DGHP partnership.

Asset value (for debt security purposes) was £2.4billion at 31 March 2019, with £320million (13%) of assets being unencumbered.

Counterparty risk

The notional pooling of surplus cash across RSLs is used to enhance the Group's ability to earn interest on cash balances. Cash balances are held in accounts that earn interest and minimise balances held in zero interest accounts.

The Group operates a conservative counterparty risk management strategy that aims to minimise the risk of a financial loss, reputational loss or liquidity exposure as the result of counterparty to any treasury transaction becoming insolvent. As at 31 March 2020, all cash investments are held with counterparties who meet the criteria of the Group Treasury Management Policy.

Interest rate risk

The Group's Treasury Management Policy sets out an on-going objective in relation to the proportion of fixed versus floating rate debt, with the target proportion in the policy specified at 75 – 95% across the term of the debt. At 31 March 2020, 94% of Group borrowings were at fixed rates – the same level as at 31 March 2019.

In respect of bank loans, the Group hedges against interest rate risk through the use of embedded hedges within its bank facilities, the terms of which permit these loans to be classified as “basic” financial instruments under FRS 102.

The Group does not have any stand-alone derivatives across any of the debt instruments and no margin call clauses existed in any loan or derivative contracts entered into by Group entities.

Currency risk

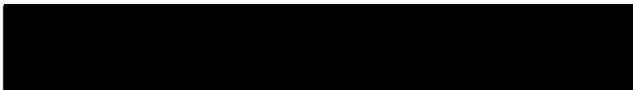
The Group borrows and invests surplus cash only in sterling and does not have any foreign currency risk.

STRATEGIC REPORT (continued)

Loan covenant compliance

Loan covenants relate to interest cover, borrowing levels relative to surplus generation and per unit, and asset cover, based on social housing asset values. Covenants are monitored monthly and were comfortably met throughout the year and at the year end for all loan facilities.

On behalf of the Board



16 September 2020

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

Result for the year

The result for the year and an analysis of the performance of the Group has been included within the Strategic Report.

Wheatley Board, Committee structure and related matters

Wheatley Housing Group ("the company") is the parent company of the Group which comprises a range of subsidiaries, referred hereafter as 'partners'. Our partners include: seven Registered Social Landlords; three commercial subsidiaries; and a 50:50 joint venture with Glasgow City Council - City Building (Glasgow) LLP.

All members of the Group work collaboratively to ensure that each member can achieve more for their customers and communities through being part of the Group than they could on their own.

The Group is regulated by the Scottish Housing Regulator ("SHR") and complies with the SHR's Regulatory Framework and Regulatory Standards of Governance.

As at 31 March 2020, the company's Articles of Association allowed for the appointment of up to fifteen directors as follows:

- Up to nine Independent Non-Executive Directors
- Up to six subsidiary Chair Board Directors
- Up to two Co-opted Directors
- Up to one 'Other' Director

The Directors of the Group Board who served for some or all of the period from the start of the financial year to the date of signing the financial statements are listed below, together with any Group Committees served on at any point over the same period:

DIRECTORS' REPORT (continued)



Alastair MacNish OBE
Group Chair (Non-Executive Director)

Appointment

Alastair joined the Wheatley Group Board on 17 September 2012 and has been Chair since 31 March 2015.

Experience

A qualified accountant, he spent his career in local government, initially in finance and latterly serving five years as the Chief Executive of South Lanarkshire Council – Scotland's third largest local authority at the time.

Alastair is a former Chairman of the Accounts Commission and Audit Scotland, the public spending watchdog for local government. He has advised the Scottish Government on a wide range of issues, including chairing the Leadership Advisory Panel on Local Government Leadership Capacity and providing expert evidence to the Parliament Committees on budget setting. He also chaired Greenock Medical Aid Society and The Royal Caledonian Curling Club, as well as being a director of the Scottish Curling Trust and Board director of British Curling.

Directorships and Committee memberships

Wheatley Group Remuneration, Appointments, Appraisals and Governance Committee (Chair)
Wheatley Group Strategic Development Committee (Chair)
Wheatley Enterprises Limited (Non Executive Director)



Sheila Gunn
Group Vice Chair (Non Executive Director)

Appointment

Sheila joined the Wheatley Group Board on 6 November 2012 and was appointed Vice Chair on 28 October 2015.

Experience

A qualified solicitor, holding a LLB (Hons) from the University of Glasgow, Sheila worked in legal private practice for 23 years as a partner and Head of Employment at leading Scottish legal firm Shepherd & Wedderburn.

After leaving private practice to pursue a management career in industry, Sheila has a wide range of experience in regulation and corporate governance having held a wide range of Non-Executive Directorships, advisory roles and Committee memberships. She currently holds a number of Non-Executive roles across a range of sectors including as a member of the Accounts Commission, Non-Executive Director of the Scottish Building Society, a member of the PhoenixLife and Standard Life Assurance Limited Independent Governance Committees, a member of the ICAS Ethics Board and a trustee of the Chartered Banker Institute.

Directorships and Committee memberships

Wheatley Group Audit Committee
Wheatley Group Remuneration, Appointments, Appraisals and Governance Committee
Wheatley Group Strategic Development Committee
Wheatley Solutions Limited (Chair)
Lowther Homes Limited (Non Executive Director)
YourPlace Property Management (Non Executive Director)
Wheatley Enterprises Limited (Non Executive Director)



Jo Armstrong
Non Executive Director

Appointment

Jo joined the Wheatley Group Board on 24 June 2015.

Experience

Jo brings extensive business economics and corporate finance experience to the Wheatley Group, having had a professional career that spanned Scotland's financial services, the oil and gas sector as well as the civil service. Currently, Jo is a Panel Member of the UK Competition and Markets Authority; the Independent Chair of the Hub West Scotland PPP; a Member of the IoD Scotland's Advisory Board; and, is the Chair of OFGEM's Low Carbon Innovation Fund Expert Panel. Previously, she was a Budget Advisor to Scottish Parliamentary Committees, and holds two degrees in economics from the University of Strathclyde.

Group Boards and Committees

Group Development Committee (Chair)
Wheatley Group Capital PLC (Non-Executive Director and Chair)
Wheatley Funding No1 Limited (Non-Executive Director and Chair)
Wheatley Funding No2 Limited (Non-Executive Director and Chair)
Group Audit Committee
Group Strategic Development Committee
Group Remuneration, Appointments, Appraisals and Governance Committee

DIRECTORS' REPORT (continued)



Martin Armstrong
Director

Martin joined the Wheatley Group Board on 17 September 2012.

Experience

Martin is widely regarded as one of the foremost figures within affordable housing and the wider public sector. Under his leadership, Wheatley has established a formidable track record and reputation across the UK and in Europe as a leading housing, care and property-management group. Wheatley – which owns or manages almost 94,000 homes – has grown to encompass seven Registered Social Landlords, three commercial subsidiaries, an award-winning care organisation and a charitable foundation. His housing career, spanning more than 25 years and covering the length and breadth of England and Scotland, has been marked by a string of national and international awards and accreditations. These include the European Foundation for Quality Management's UK Award for Leadership and Quality Scotland's Leadership Award. In March 2018, Martin was named as Director of the Year in the large business category by The Institute of Directors Scotland. In 2014, he led Wheatley's £300 million debut bond issue on the capital markets.

Directorships and Committee memberships

Wheatley Enterprises Limited (Director)



Bernadette Hewitt
Subsidiary Chair Director

Appointment

Bernadette joined the Wheatley Board on 25 October 2016.

Experience

Bernadette joined the GHA Board in May 2014 and was elected Chair in October 2016. She has extensive experience of community engagement, community development and social enterprises and has previously been a member of the Glasgow Community Planning Partnership Strategic Partnership Board as well as Chair of the GHA North East Area Committee.

Bernadette currently holds directorships of the Barmulloch Community Development Company and the strategic partnership between Glasgow City Council, the Scottish Government and GHA - Transforming Communities Glasgow

Directorships and Committee memberships

GHA Board (Chair)
Group Audit Committee
Group Remuneration, Appointments, Appraisals and Governance Committee
Group Strategic Development Committee
Wheatley Solutions (Non-Executive Director)
Wheatley Enterprises Limited (Non-Executive Director)
City Building (Glasgow) LLP (Wheatley appointee)



James Muir
Subsidiary Chair Director

Appointment

James was co-opted to the Wheatley Group Board on 16 December 2015.

Experience

James is a Chartered Accountant and experienced business leader with over 25 years' experience in financial, operational and strategic roles across a range of sectors including utilities, health, financial and outsourcing services. He is currently the Chief Commercial Officer at V.Group, a leading independent provider of global marine services. He previously held roles within the V.Group as Business Development Director, Operations Director and Financial Controller.

Directorships and Committee memberships

Wheatley Care (Chair)

DIRECTORS' REPORT (continued)



John Hill
Subsidiary Chair Director

Appointment
John joined the Wheatley Board on 16 December 2015.

Experience
A qualified accountant, John retired having been Depute Chief Executive of West Lothian Council. He has significant experience at executive and senior management level in local government, including senior roles leading the council's operational services; housing, construction and building services; Direct Labour Organisation, and business services.

John has experience in Non-Executive and Board roles, including having served on the Improvement Service PSIF Board, Chairing West Lothian Recycling Ltd and as Scottish Secretary of the Association for Public Service Excellence.

Directorships and Committee memberships
West Lothian Housing Partnership Limited Board (Chair)
City Building (Glasgow) LLP (Wheatley appointee and Chair)



Peter Kelly
Subsidiary Chair Director

Appointment
Peter joined the Wheatley Board on 1 May 2016.

Experience
Peter is a Banking Partner at Scotland's largest law firm, Brodies LLP, and holds both a LLB (Hons) and BAcc from the University of Glasgow. He acts for lenders and borrowers in leveraged, real estate and corporate finance transactions. Peter also specialises in healthcare, renewables and third sector deals and is recognised as a ranked individual for Banking and Finance by Chambers & Partners.

Peter also has significant experience in the care sector, having served as a Non-Executive Director with the Balhousie Group and as Company Secretary of a nursing home.

Directorships and Committee memberships
Group Audit Committee
Cube Housing Association Limited Board (Chair)



Professor Paddy Gray
Non Executive Director

Appointment
Joined the Wheatley Board on 26 April 2017.

Experience
Paddy is one of the UK housing sector's most eminent figures. He is Professor Emeritus of Housing at the University of Ulster. In 2017, he was named the top "Power Player" in the UK housing sector by 24 Housing magazine.

Paddy is regarded as an authority on housing strategy and social policy, nationally and internationally, having served on advisory groups for the Northern Ireland Executive, UK Government and Northern Ireland Assembly. He has had more than 300 research papers on housing-related issues published and regularly contributes to international conferences and seminars.

Professor Gray is also an external examiner for housing degrees at several universities, including the University of Hong Kong. In 2010, he became the first Irish President of the UK Chartered Institute of Housing, having previously served as Vice President and Treasurer.

Directorships and Committee memberships
The Glasgow Housing Association (Parent Appointee and Vice Chair)

DIRECTORS' REPORT (continued)



Martin Kelso
Non-Executive Director

Appointment

Martin was appointed to the Wheatley Board on 1 June 2016.

Experience

A Chartered Accountant, also holding a MBA from Cranfield University, he has substantial senior experience in financial, general and change management roles. Martin Chair's the Group Audit Committee.

He has led successful programmes involving new business start-ups, merger and integration, business disposals rectification of control failures across a range of roles including as Interim Strategic Finance Director of Virgin Money, Finance Director of Intelligent Finance (HBOS) and commercial lending and finance roles at Halifax.

Martin currently provides expert financial and change management consultancy services across a range of sectors and is a volunteer with the Citizens Advice Bureau.

Group Boards and Committees

Group Audit Committee

Group Strategic Development Committee

Group Remuneration, Appointments, Appraisals and Governance Committee

Wheatley Group Capital PLC (Non-Executive Director)

Wheatley Funding No1 Limited (Non-Executive Director)

Wheatley Funding No2 Limited (Non-Executive Director)



Mike Blyth
Non Executive Director

Appointment

Mike joined the Wheatley Board on 17 September 2012 and retired from the Board on 25 September 2019.

Experience

Mike, who holds a BSc from the University of St Andrews, is a Chartered Accountant. He was a partner for 30 years in RSM (formerly Baker Tilly) where he held a number of senior management positions both locally and nationally. In addition, he headed up the not-for-profit group in the west of Scotland and, as such, provided audit and advisory services to a wide range of Registered Social Landlords the length and breadth of Scotland.

Mike has significant experience in Non-Executive roles, is a past Vice Chair of Erskine, member of the GHA Board and currently holds an appointment as a Non-Executive Director and Audit Committee Chair at Anglo Pacific Group plc, where he was previously the Chairman.



Ronnie Jacobs
Non Executive Director

Appointment

Ronnie joined the Wheatley Board on 17 September 2012 and retired from the Board on 25 September 2019.

Experience

Ronnie is a qualified surveyor and has over 30 years' experience in the private housing sector, in particular new build development. He has held a number of senior positions in the private housing sector, including Managing Director of Persimmon Homes and Miller Homes in Scotland and he recently retired as Scottish Regional Chairman of Miller Homes.

Ronnie has advised the Scottish Government on housing as part of the Housing Supply Task Force and has served on the Board of Homes For Scotland. He currently undertakes a range of advisory work on development and acquisitions

Directorships and Committee memberships

Lowther Homes Limited (Non-Executive Director)

Group Development Committee

DIRECTORS' REPORT (continued)



Mary Mulligan
Subsidiary Chair Director

Appointment

Mary joined the Wheatley Group Board on 25 October 2017.

Experience

Mary is a former Member of the Scottish Parliament, where she was Deputy Minister for Health and Community Care and Shadow Minister for Housing and Communities. For almost 25 years she has taken an interest in, and played a part in, developing housing policy.

She has worked in both the public and private sectors and has built good working relationships with partners in all sectors, including the voluntary sector.

Mary currently works in the third sector and was previously a Non Executive Director of the Wheatley Foundation.

Directorships and Committee memberships

Dunedin Canmore Housing Limited (Chair)



Jo Boaden
Non Executive Director

Appointment

Jo joined the Wheatley Group Board on 17 December 2018.

Experience

Jo started her career as an Environmental Health Officer in Glasgow and has since held a number of senior roles in housing, regeneration and social policy across the UK in both the public and private sectors. Jo retired as the Chief Executive of the Northern Housing Consortium, a well-respected membership organisation for housing providers across the North of England, in May 2019.

Jo is a Board member of the Regulator of Social Housing in England and the immediate past Chair of Your Homes Newcastle, an arms length management organisation responsible for managing council homes on behalf of Newcastle City Council. She won the prestigious Woman of the Year title at the 2018 Women in Housing Awards. Jo was awarded a CBE for services to housing in 2018 and holds a LLB (Hons) and MBA.

Directorships and Committee memberships

The Glasgow Housing Association (Parent Appointee)
Group Strategic Development Committee



Bryan Duncan
Non Executive Director

Appointment

Byran was appointed to the Wheatley Group Board on 17 January 2019

Experience

A Chartered Surveyor, he has spent more than 35 years specialising in commercial and residential property investment, development and asset management. Bryan's was an equity partner at Donaldsons LLP, a senior director at DTZ and is currently the founder/owner of Henry Duncan, a niche commercial and residential property investor, developer and financier. He also has a wide range of non-executive experience and currently serves as a Non-Executive Director of the Abernethy Trust Ltd, Hope for Glasgow Ltd, Cornhill Scotland and the London City Mission. Bryan holds an Executive MBA and Diploma in Management Studies.

Directorships and Committee memberships

Lowther Homes Limited (Non-Executive Director and Chair)
Group Development Committee
City Building (Glasgow) LLP (Wheatley appointee)

DIRECTORS' REPORT (continued)



Angela Mitchell
Non Executive Director

Appointment

Angela was appointed to the Wheatley Group Board on 3 May 2019

Experience

A technology specialist, Angela is passionate about applying digital and IT to improve business outcomes. She has been a partner at Deloitte since 2010 where she oversees their public sector technology business across the UK as well as leading the Scottish public sector practice. Angela has over 23 years' experience in IT, digital consulting and in delivering transformation programmes. She has a strong track record in leading complex projects for clients across the public sector, including government, health and policing. For the last 10 years, Angela has sponsored Deloitte's Technology Women's Network which supports women to continue their careers in technology and encourages girls from school age to consider careers in STEM. She is also a member of the CBI's Women in Technology Group. Angela holds a BSc Hons (First class) in Laser Physics and Optoelectronics and a MSc in Business Information Technology Systems.

Directorships and Committee memberships

Group Audit Committee
Wheatley Solutions (Non-Executive Director)



Maureen Dowden
Subsidiary Chair Director

Appointment

Maureen was appointed to the Wheatley Group Board on 12 May 2020

Experience

Maureen has worked in housing for more than 35 years after a career that started in local government and went on to include senior positions at Glasgow Housing Association and Wheatley Group prior to retiring in early 2018. She has a particular expertise in corporate governance in regulated environments, and community empowerment and engagement. An experienced Non-Executive, Maureen is the Chair of Dumfries and Galloway Housing Partnership, Vice Chair of Thenue Housing and has previously held roles on the Boards of Quality Scotland Foundation, Loretto Housing and Supporting Communities Northern Ireland.

Directorships and Committee memberships

Dumfries and Galloway Housing Partnership (Chair)

DIRECTORS' REPORT (continued)

Attendance at scheduled meetings

Name	Group Board	Group Audit Committee	Group Remuneration, Appointments, Appraisals and Governance Committee	Group Strategic Development Committee	Group Development Committee
Alastair MacNish	6/6	-	6/6	1/1	
Sheila Gunn	5/6	3/4	5/6	1/1	
Martin Armstrong	6/6	-	-	-	
Jo Armstrong	6/6	3/4	4/4	1/1	4/4
Bernadette Hewitt	5/6	4/4	5/6	1/1	
James Muir	4/6	-	-	-	
John Hill	4/6	-	-	-	
Peter Kelly	3/6	3/4	-	-	
Professor Paddy Gray	5/6	-	-	-	
Martin Kelso	6/6	4/4	3/4	1/1	
Mike Blyth	3/3	2/2	3/3	-	
Ronnie Jacobs	2/3	-	-	-	
Mary Mulligan	3/6	-	-	-	
Jo Boaden	6/6	-	-	-	
Bryan Duncan	6/6	-	-	-	4/4
Angela Mitchell	5/5	4/4	-	-	

The Group Board is responsible for the strategic direction of the Group and financial planning.

Key responsibilities are:

- approval of the Group strategy;
- approval of the Group Business Plan, budget and any variations and amendments to them, together with other matters which fall within the role of the Group Board;
- approval of the creation of new subsidiaries and partnerships;
- approval of the Group governance arrangements, systems of internal control and delegations and identification of risk;
- defining and ensuring compliance with our values and objectives as a registered social landlord; and
- approving each year's Group financial statements.

The main activities and approvals of the Group Board during the year were:

- the development of a new 5-year Group strategy;
- agreement of the Dumfries and Galloway Housing Partnership constitutional partnership and associated Transformation Programme
- review of the Group approach to development, including constituting a Group Development Committee
- approval of the Group business plan and budget, including comprehensive stress testing of the business plan;
- approval of the Group's inaugural Scottish Housing Regulator Assurance Statement;
- raising additional finance from the capital markets;

DIRECTORS' REPORT (continued)

- approving new strategies and policy frameworks in core business areas, including a new Group wide Equality, Diversity and Human Rights policy;
- approval of a Fire Prevention Charter with the Scottish Fire and Rescue Service
- approval of large scale new build developments; and
- oversight of partner financial and operational performance.

The Board is supported in discharging its duties by four sub-Committees: Remuneration, Appointments, Appraisal & Governance; Group Audit; Group Strategic Development and Development Committee. The role and remit of the Committees are set out below:

Group Audit Committee

The Committee is made up of up to seven members from the Group Board and co-opted members. The Committee is responsible for:

- reviewing the Group's system of internal control, compliance assurance and risk management;
- providing an overview of the internal and external audit functions;
- scrutinising the financial statements;
- appointing and agreeing the remuneration of the external auditor;
- monitoring the implementation of internal audit recommendations;
- reviewing internal audit reports and external audit reports and management letters, and monitoring the implementation of audit recommendations arising therefrom;
- reviewing the internal audit plan and scope of work; and
- reviewing the effectiveness of the overall risk strategy.

The main activities of the Group Audit Committee during the year were:

- Overseeing the 2018/19 financial statements;
- Reviewing key accounting judgements and estimates;
- Reviewing the Group's annual assurance statement and supporting evidence;
- Overseeing the Dumfries and Galloway Housing Partnership due diligence;
- Approving the Group's strategic assurance plan;
- Reviewing the Group's assurance related policies;
- Reviewing the Group's strategic risk register and making recommendations to the Board on changes to risk profile and mitigations;
- Overseeing the Group's preparations for the Freedom of Information (Scotland) Act; and
- Reviewing the Head of Internal Audit's independence

The Committee reports to the Group Board via its Chair.

Group Remuneration, Appointments, Appraisals and Governance Committee

The Committee is made up of up to five members inclusive of the Group Chair, Vice-Chair, and the Chairs of GHA and the Group Audit Committee.

It is responsible for:

- approving the process for recruitment, selection, succession planning and appraisal of Board members;
- ensuring Board members within the Group have the necessary balance of skills and experience to fulfil their roles;
- evaluation and review of Group's governance framework;
- making recommendations to the Group Board regarding the appointment and remuneration of the Group Chief Executive and Group Board Directors; and
- Succession planning arrangements across the Group.

DIRECTORS' REPORT (continued)

The main activities of the Remuneration, Appointments, Appraisals and Governance Committee during the year were:

- oversight of the review of the Group's development governance on behalf of the Board;
- development of recommendations to the Board in respect of the Group's succession planning arrangements;
- review of the Group's approach to Board appraisal and expenses, hospitality and remuneration policies;
- oversight of the Group's Board member recruitment and approval of all appointments to subsidiary Boards, and
- annual review of the remuneration and conditions of the Group Chief Executive

The Committee reports to the main Board via its Chair.

Group Strategic Development Committee

The Committee is made up of up to seven members of the Group Board.

It is responsible for reviewing any new major strategic projects and initiatives on behalf of the Group Board.

The main activity of the Strategic Development Committee during the year was the refinancing of Dumfries and Galloway Housing Partnership.

The Committee reports to the Group Board via its Chair.

Group Development Committee

The Committee is made up of up to 8 members inclusive of at least one Group Board member and up to six members drawn from partners Boards.

It is responsible for:

- approving the Group's development strategy;
- approval of individual development projects within agreed criteria;
- approval of non-material cost variations;
- approval of land acquisitions or options to acquire; and
- allocation of the Group Development Fund.

The main activities of the Development Committee during the year were:

- approval of the 5 year Group Development strategy;
- approval of development projects;
- oversight of the approach managing, mitigating and monitoring development related counterparty risk; and
- oversight of development financial and operational performance

The Committee reports to the main Board via its Chair.

DIRECTORS' REPORT (continued)

Executive Team

The Executive Team provide day to day leadership of the Group and are responsible for the implementation of the strategic direction and financial planning on behalf of the Board.



Martin Armstrong
Group Chief Executive

Martin sits on the Board of Wheatley Housing Group and also leads the Group's Executive team



Tom Barclay
Group Director Property and Development

Tom was previously chief executive of Clyde Valley Group ("CVG") in Lanarkshire, one of Scotland's largest affordable housing developers. Co-chair of the Scottish Government's Joint Housing Policy and Delivery Group, he led CVG to number five on the Sunday Times' Top 100 Companies in the UK to Work For and Best Companies' three-star employee engagement status. A chartered quantity surveyor, he has extensive experience in project management, change management and organisational development. Tom, who has a MBA, is a former Scotland Chairman of the Royal Institute of Chartered Surveyors (RICS) and is Scotland representative on the RICS Global Board.



Olga Clayton
Group Director of Housing and Care

Olga joined Wheatley Housing Group in September 2013, and has over 25 years' experience in Scottish social housing. As Head of Housing at North Ayrshire Council, Olga led the transformation of the service achieving an 'A' rating from the Scottish Housing Regulator, winning Quality Scotland's top award for Business Excellence and achieving COSLA's Gold award for innovation in services. Olga also has substantial experience of developing partnerships and delivering services in the care sector.



Steven Henderson
Group Director of Finance

Steven Henderson joined Wheatley as Director of Finance in August 2013. He previously worked for the European Investment Bank in Luxembourg. An experienced Chartered Accountant, Steven has specialised in housing and regeneration finance throughout his career. He worked for PricewaterhouseCoopers in Glasgow and also held a senior position with Ernst & Young before moving to the European Investment Bank, where he was responsible for investment of £250 million of EU Structural Funds, as well as lending activity for the Bank in the social housing and water sectors in the UK.



Graham Isdale
Group Director of Corporate Affairs

A former UK Board director of one of the world's largest communications companies, Graham joined Glasgow Housing Association in 2009. He was previously instrumental in building two of the biggest independent PR consultancies in the UK and has handled major crisis, issues-management and communications assignments for multi-nationals all over the world, as well as FTSE 100 companies and Government departments and agencies. Graham is also a former regional newspaper editor.



Elaine Melrose
Group Director of Resources

Elaine joined Wheatley Housing Group in September 2013 from West Dunbartonshire Council where she was an Executive Director for Housing, Environmental and Economic Development. Elaine has wide strategic experience in everything from regeneration and community planning to infrastructure investments and has led key improvement activity in organisation culture and improving competitiveness.

DIRECTORS' REPORT (continued)

STATEMENT ON INTERNAL FINANCIAL CONTROL

1. Corporate Governance Statement

The Group complies with the Regulatory Standards of Governance and Financial Management issued by the Scottish Housing Regulator. In accordance with the UK Listing Authority's Listing Rule 17, details of the administrative, management and supervisory bodies which govern the Group, including Wheatley Group Capital plc, are set out on pages 25 to 35.

The internal control and risk management systems which cover the Group's consolidated annual financial statements are set out below.

2. Background and responsibility

The system of internal financial controls is designed to manage risk to a reasonable level (which is managed to within agreed levels of risk appetite) rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised;
- manage them efficiently, effectively and economically;
- safeguard assets against unauthorised use or disposition; and
- manage the maintenance of proper accounting records.

3. Overview of main features of the system of Internal Financial Control

The Board of Wheatley Housing Group is responsible for ensuring that an effective system of internal financial control is maintained within all members of the Group. This system of internal financial control can provide reasonable but not absolute assurance against material misstatement or loss.

The key methods by which the Board establishes the framework for providing effective internal financial control are as follows:

- Corporate Governance arrangements as outlined in the Corporate Governance Statement;
- regular meetings of the Board, and Subsidiary Boards, which have a schedule of matters that are specifically reserved for approval and are the subject of regular standard reports as required;
- arrangements under terms of reference for the Group Audit Committee to meet regularly and receive reports from management and internal and external auditors on the system of internal control in operation across the Group, and to oversee arrangements for provision of reasonable assurance that control procedures are in place and are being followed;
- written policies and procedures including Standing Orders setting out delegated authorities across Group Subsidiaries;
- an organisational structure to support business processes and with clear lines of responsibility;
- the employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal personal development programme;

DIRECTORS' REPORT (continued)

- an Internal Audit function with an annual Internal Audit Plan and producing an annual Internal Audit Report Opinion;
- adoption of a risk-based approach to internal control through evaluating the likelihood and impact of identified corporate risks, vesting responsibility for risk management and internal control with designated owners and with an ongoing process of monitoring and reporting progress against the company's key risks established through the corporate risk management framework;
- a Business Plan and Budget supporting strategic and operational plans, financial targets, regularly revised forecasts, a comparison of actual with budget and with forecast on a quarterly basis, operating cash flow and variance statements, and key performance indicators, all of which are reviewed by the Board; and
- measurement of financial and other performance against the Delivery Plan objectives and key performance indicators and targets.

4. Role of Internal Audit

The Internal Audit function has a pivotal role in the process of developing this Statement of Internal Financial Controls. As part of Internal Audit work, reviews are directed using a risk-based approach to assess the robustness of the implementation of the Group's key systems of internal control.

Internal Audit provides information on the various strengths and weaknesses on the approach the Group has adopted, and provides recommendations where improvements are necessary and desirable for good governance and effective risk management. Management across the Group is responsible for the implementation of improvements and agreed actions identified from Internal Audit activity.

In line with good practice, Internal Audit provides the Audit Committee and the Board with an Annual Internal Audit Report and Statement, which summarises all the work completed during the year. The overall Internal Audit opinion provided in the 2019/20 statement is detailed below:

“Based on our Group wide work undertaken in 2019/20 a substantial level of assurance can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and / or consistent application of controls exist. Management has agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee.”

Due to the Covid-19 pandemic, in March 2020 the Group followed UK Government advice and implemented virtual working arrangements while moving to an emergency service delivery model. This Internal Audit opinion expressed applies to the period before the emergency service delivery model was implemented.”

5. Risk and Control Framework

Wheatley Housing Group recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

DIRECTORS' REPORT (continued)

“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation’s purpose.”

Risk management is a key element of the Group’s overarching governance arrangements as it demonstrates that the Group has considered those areas which put the achievement of its strategic objectives under threat, that it has analysed the consequences of things going wrong and identified the actions and controls needed to prevent or limit these consequences; in accordance with agreed levels of risk appetite.

As the parent company, Wheatley Housing Group oversees the governance arrangements to address the risks associated with control of activities, and managing the risks, of all subsidiaries; to ensure that there is an appropriate use of funds across the Group; to ensure that risks to the core business of the Group are managed and mitigated to within tolerance and that strong governance arrangements are upheld by all subsidiaries to protect the reputation of the Group.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, whether or not they have a formally defined role in the process.

To ensure the successful implementation of the Risk Management Policy and Strategy, clear roles and responsibilities for the Risk Management process have been established. The Board has overall responsibility for ensuring the effectiveness of this framework. The Board also agrees risk appetite levels that are embedded within strategic risk registers and used to determine the Group’s approach to managing risk.

The Executive Team is the facilitator of the Risk Management Framework and processes. Its role is to ensure that Departmental Managers comply with the Risk Management Framework including monitoring of the risk registers on Pentana, which is the Group’s risk and performance management system. This ensures that Departmental Managers keep their risk registers up to date, new and emerging risks are identified and risk scores are challenged.

Risk Management forms an integral part of the culture and the way the Group is run. Risk Management plans are incorporated and embedded into business plans of all applicable sections of the organisation (e.g. service improvement plans, project plans, team plans, individual plans).

In this way, Risk Management is not the responsibility of senior management alone, but more appropriately the responsibility of all colleagues.

DIRECTORS' REPORT (continued)

Principal risks facing the Group

The most significant financial and operational risks facing the Group and key mitigations are summarised below:

Risk	Mitigation
Risk of customer and staff confusion in service delivery during the different phases of the Covid-19 pandemic	<ul style="list-style-type: none"> • Governance oversight by Group and Subsidiary Boards. • Well defined criteria for transition agreed. • Transition through remobilisation requires senior management approval and a full review of the previous stage. • Planning considerations include: <ul style="list-style-type: none"> • Health and safety implications • Customer views/impact • Trade union engagement
Covid-19 second wave	<ul style="list-style-type: none"> • Contingency plan in place for adapting local service models to respond to local lockdowns
New (post Covid-19) operating model implementation	<ul style="list-style-type: none"> • Group Board oversight • Detailed implementation and communication plans • Trade Union engagement and support
Brexit trade deal	<ul style="list-style-type: none"> • Supplier financial health assessment carried out and regular contract management meetings held • Monitoring of supply chains by operational leads • Regular engagement with Scottish Government as potential issues emerge • Use of procurement frameworks to mitigate the impact of: <ul style="list-style-type: none"> • supplier price increase risk • supplier insolvency • Management of appropriate stock levels in repairs and investment programmes • New build contracts procured on a fixed cost basis
Political and policy changes	<ul style="list-style-type: none"> • Established stakeholder management framework • Relevant staff members focussed on responding to changes in policy and administration as they arise • Group does not build homes for sale mitigating potential property market risk
Rent arrears including Universal Credit	<ul style="list-style-type: none"> • Ongoing campaigns and programmes of contact with customers affected by financial hardship • Dedicated Universal Credit team • Use of <i>GoMobile</i> for staff to assist customers with online transactions • Working with partners to influence UK and Scottish policy and funding environment • Small housing patch sizes allow staff to work proactively with customers to avoid arrears • Support available from Wheatley 360 welfare benefits advisors. • Group business plan contains sufficient headroom to mitigate the financial impact in relation to risk of increased bad debts and rent arrears
Building safety	<ul style="list-style-type: none"> • Regular external reviews of fire safety arrangements • Community Improvement Partnership focussed on fire prevention and education • Business continuity plans in place • Fire prevention and mitigation framework in place including approach to high rise block inspections and fire risk assessments
Compliance with funders' requirements	<ul style="list-style-type: none"> • Regular meetings with funders and investors representatives to update on financial status of the Group • Financial performance monitored monthly and reported to Group and Subsidiary Boards • Quarterly covenant compliance monitored by the Group Board • Covenant compliance monitoring tool implemented • Ongoing dialogue with credit rating agencies • Annual update and review by respective Boards of Group and Subsidiary business plans

DIRECTORS' REPORT (continued)

Principal risks facing the Group (continued)

Risk	Mitigation
Group Credit Rating	<ul style="list-style-type: none"> • Group's business plan based on maintaining strong levels of liquidity to mitigate refinance risk • Ongoing dialogue maintained with credit rating agencies to avoid unexpected rating changes • Mitigation drafting used in legal clauses avoiding cross default • Negotiation period on mitigation measures included in legal clauses • Maintenance of strong relationships with alternative funders
New funding sources and adverse market changes	<ul style="list-style-type: none"> • Strong levels of headroom maintained to provide sufficient cash resources with compliance reported to Group Board • Diversification of funding sources • Sterling borrowing only, no foreign currency exposure • Group IRR reviewed regularly to ensure projects are profitable
Cyber Security	<ul style="list-style-type: none"> • IT cyber security live tests undertaken and results report to the Group Board • Information security policy in place with training mandatory for all staff • Established processes across key risk areas • External assessment of group information security and IT general controls • Internal Security Working Group established
Care support services	<ul style="list-style-type: none"> • Clear governance and authorising environment in place. • Care assurance framework in place to monitor compliance with policies and procedures. • Close monitoring of changeover in service users and focus on redeployment of resources and improvements to help retention of users .
Falling Customer Satisfaction	<ul style="list-style-type: none"> • Key element of the Group strategy • Annual customer satisfaction surveys undertaken and action plans drawn up to address feedback every year • Small housing officer patch sizes to help personalise services under the <i>Think Yes</i> approach • Investment programme includes provision for addressing customer priorities
Governance structure	<ul style="list-style-type: none"> • Governance arrangements regularly reviewed by Scottish Housing Regulator, external consultants, internal and external audit functions. • Agreement of the Group authorising environment • Focus on skills balance and development of senior management and Board members. • Appropriate training initiatives in place, tailored in particular to tenant Board members. • Formal succession planning in place for Board members
Failure to achieve planned growth in commercial operations	<ul style="list-style-type: none"> • Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives. • Responsibility and accountability allocated at an appropriate level within the organisation and reported regularly to senior management and Board.
Failure to recruit, develop, retain staff and succession planning	<ul style="list-style-type: none"> • Performance appraisal system in place for all staff. • <i>MyAcademy</i> provides in-house training across the Group. • Training logs held for each staff member and completed as part of regular discussions. • Wheatley leadership development programme, succession planning and talent management programmes in place. • New graduate scheme, <i>Ignite</i>. • Regular surveys of staff satisfaction undertaken.

DIRECTORS' REPORT (continued)

Principal risks facing the Group (continued)

Risk	Mitigation
Compliance with laws and regulation	<ul style="list-style-type: none"> • Appropriate professional advice is sought in response to changes internally, externally and in relation to new offerings to customers. • Group wide Scottish Housing Charter Assurance process established by Tenant Scrutiny Panel to review outcomes. • FCA regulations considered when developing new products and services • Qualified personnel are employed by the Group to ensure compliance with legal and regulatory standards. • New product offerings follow a clear approval process • Compliance plan is monitored and issues raised to senior management and the Audit Committee. • Group-wide approach to information management with Privacy Impact Statements implemented across the Group. • On-going relationship with Scottish Housing Regulator.
Business continuity/disaster recovery	<ul style="list-style-type: none"> • Business continuity implementation Group collates, reviews and updates disaster recovery and business continuity plans • Annual testing of plans • Group assurance team monitor progress and robustness of plans.
Defined benefit pension liabilities	<ul style="list-style-type: none"> • Group pensions policy in place setting out approach to management of pension costs. • Wheatley defined contribution scheme established, default scheme for new joiners and auto-enrolment.
Housing Policy and Grant availability	<ul style="list-style-type: none"> • Regular engagement with Scottish Government representatives proactively presenting the case for housing investment directly and through representative bodies
Implementation of DGHP partnership promises	<ul style="list-style-type: none"> • Partnership implementation plan in place monitored by Group Board and DGHP Board

DIRECTORS' REPORT (continued)

Other matters:

Board's Statement on Section 172 of the Companies Act 2006

The Directors act in a way they consider, in good faith, would be most likely to promote the success of the Company and the Group for the benefit of its members as a whole. Key decisions and matters of strategic importance are considered and informed by the requirements of section 172. The Strategic Report on pages 6 to 24 sets out how we delivered activity on behalf of our stakeholders in line with our Group strategy during the year.

The Group exists for the benefit of its key stakeholders - the customers we serve in our RSL subsidiaries and the People We Work For in our care businesses. The interests of our stakeholders are understood through an open and transparent dialogue conducted through many varied channels, such as:

- Feedback obtained through the annual tenant satisfaction survey carried out by an independent company;
- Tenants are represented on all RSL Boards. Across the Group 22% of our Board members are tenants or service users;
- Formal consultation with tenants on rent increase proposals;
- Local engagement structures such as Local Housing Committees;
- Social media and online engagement;
- Publication of regular tenant newsletters and annual report to tenants; and
- The establishment of the Tenant Scrutiny Panel to review performance of the organisation under the Scottish Housing Charter.

The Group's employees are key to delivering the objectives of the organisation, represent the business externally and maintain the reputation of the Group with our stakeholders. The Group operates a policy of providing employees with information about the Group through formal recognition of a number of trade unions as well as internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Employees are encouraged to participate in regular discussions with their line managers as part of the Group's commitment to ensuring all staff are aware of their role in the Group's achievement of its five strategic platforms under the banner of "My Contribution". Regular meetings are also held between management and employees to allow a free flow of information and ideas.

In setting the strategy and through the preparation of the 30 year business plan, the Directors consider the likely consequences of decisions in the long term and ensure that the business continues to be financially viable and is able to meet all current and future financial commitments to its lenders.

The impact the Group has on its neighbourhood and the environment is a key element in the Group's purpose. More details of the Group's aims are set out in the Group's Statement on Environmental, Social and Governance.

Employees

Details of the Group's approach to employee engagement are provided in the s172 statement above. A large number of the Group's office based employees moved to home working during the Covid-19 outbreak. Engagement with home working employees has been continued utilising alternative technology solutions and remote working tools.

DIRECTORS' REPORT (continued)

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Streamlined energy and carbon reporting

For the year ended 31 March 2020, Wheatley Housing Group, including its wholly owned subsidiaries, reported the following energy usage and carbon emissions for the Group's corporate activities:

- Underlying global energy use for the year ended 31 March 2020 of 54,420,086 kWh
- Annual GHG emissions for the year of 19,999.38 tCO₂
- Emissions intensity ratio of 0.367 kgCO₂/kWh (as a composite of grid purchased electricity and gas carbon intensities provided by SAP table 12 emissions factors)

The methodology used to measure usage and emissions complies with the Energy Saving Opportunity Scheme ("ESOS") legislation and has been registered with the Scottish Environmental Protection Agency ("SEPA").

The Wheatley Group has set a strategic target of becoming a carbon neutral organisation by 2026 for its corporate activities and is working towards the Planet Mark certification for sustainability. A number of measures arising from the first phase of ESOS have been progressed during the year including the installation of a solar photovoltaic array at Wheatley House, an increase in the proportion of energy usage sourced from renewable generated contracts and the first phase of the migration of the corporate fleet from traditional petrol and diesel powered vehicles to electric.

The Group is engaging further with Scottish Government and local authorities in relation to how we work towards further reducing the CO₂ output of our housing stock.

Going concern

After making enquiries, including the update to the Group 30 year financial projections for the impact of the Covid-19 pandemic, the Group Board has a reasonable expectation that the Wheatley Housing Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the Group's financial statements. More detail on the Board's assessment of the use of the going concern basis is provided in note 2 to the financial statements.

Disclosure of information to auditor

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

Independent Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed at the forthcoming annual general meeting.

DIRECTORS' REPORT (continued)

Future Developments

The Strategic Report sets out future strategic objectives. The launch of the new 5 year strategy has been rescheduled until 2021 in light of changes to the aims and ambitions from the Covid-19 outbreak.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

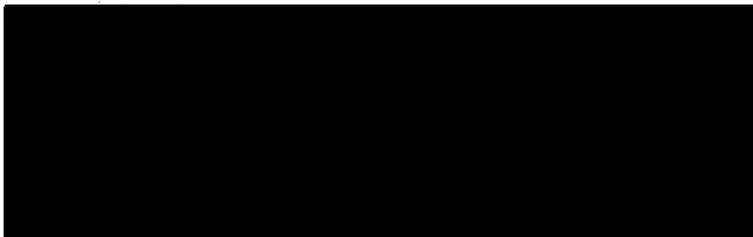
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



16 September 2020

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

Opinion

We have audited the financial statements of Wheatley Housing Group Limited (“the company”) for the year ended 31 March 2020 which comprise the Group Statement of Comprehensive Income, Company Statement of Comprehensive Income, Group Statement of Changes in Reserves, Company Statement of Changes in Reserves, Group Statement of Financial Position, Company Statement of Financial Position, Group Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2020 and of the group’s surplus and the result of the parent company for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements Order 2019.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors’ conclusions, we considered the inherent risks to the company’s business model, and analysed how those risks might affect the company’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the company will continue in operation

Other information

The directors are responsible for the other information, which comprises the Strategic Report, the Directors’ Report, the Statement on Internal Financial Controls, the Chair’s Report and the Chief Executive’s Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (continued)

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We are also required to report to you if, in our opinion:

- the Statement on Internal Financial Control on pages 36 to 38 does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 45, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (continued)

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

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

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



for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

21 September 2020

**GROUP STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £ 000	2019 £ 000
Turnover	3	357,057	333,552
Operating expenditure	3	(271,594)	(266,823)
Other gains/(losses)	9	229,343	(10,637)
Operating surplus		314,806	56,092
Share of profit in joint venture		29	50
Gain on disposal of fixed assets	10	667	1
Finance income	11	503	739
Finance charges	12	(71,930)	(57,392)
Movement in fair value of financial instruments	13	549	(4,727)
Surplus/(deficit) on ordinary activities before taxation		244,624	(5,237)
Taxation	14	(981)	(2,006)
Surplus/(deficit) for the financial year		243,643	(7,243)
Unrealised surplus on the valuation of housing properties		44,559	85,112
Unrealised surplus on the valuation of office properties		257	1,688
Actuarial (loss)/gain in respect of pension schemes		6,393	(6,896)
Total comprehensive income for the year		294,852	72,661

All amounts relate to continuing operations.

The notes on pages 55 to 92 form part of these financial statements.

**COMPANY STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £ 000	2019 £ 000
Turnover	3	243	202
Operating expenditure	3	(243)	(202)
Operating surplus		-	-
Finance income		-	-
Finance charges		-	-
Surplus on ordinary activities before taxation		-	-
Taxation on surplus for the year		-	-
Surplus for the financial year		-	-
Total comprehensive income for the year		-	-

All amounts relate to continuing operations.

The notes on pages 55 to 92 form part of these financial statements.

**GROUP STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2020**

	Revenue Reserve £ 000	Revaluation Reserve £ 000	Total Reserves £ 000
Balance at 1 April 2018	625,228	148,050	773,278
Total comprehensive income for the year	72,661	-	72,661
Transfer of reserves for the revaluation of housing properties	(85,112)	85,112	-
Transfer of reserves for the revaluation of office properties	(1,688)	1,688	-
Balance at 31 March 2019	611,089	234,850	845,939
Total comprehensive income for the year	294,852	-	294,852
Transfer of reserves acquired on business combination	(157,285)	157,285	-
Transfer of reserves for the revaluation of housing properties	(44,559)	44,559	-
Transfer of reserves for the revaluation of office properties	(257)	257	-
Balance at 31 March 2020	703,840	436,951	1,140,791

**COMPANY STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2020**

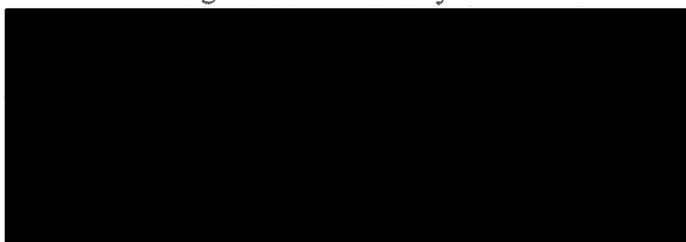
	Total Reserves £ 000
Balance at 1 April 2018	-
Result for the financial year	-
Balance at 31 March 2019	-
Result for the financial year	-
Balance at 31 March 2020	-

The notes on pages 55 to 92 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

	<i>Notes</i>	2020 £000	2019 £000
Fixed assets			
Social housing properties	17	2,350,753	1,887,279
Other tangible fixed assets	18	59,276	55,004
Investment property	19	222,779	200,235
Investment in joint venture	19	116	87
		<u>2,632,924</u>	<u>2,142,605</u>
 Pension asset	 26	 13,585	 15,774
Current assets			
Stock	20	606	303
Trade and other debtors	21	53,563	69,286
Cash and cash equivalents		116,361	33,644
		<u>170,530</u>	<u>103,233</u>
Creditors: amounts falling due within one year	22	(131,607)	(144,208)
		<u>38,923</u>	<u>(40,975)</u>
Net current assets/(liabilities)		38,923	(40,975)
 Total assets less current liabilities		 2,685,432	 2,117,404
 Creditors: amounts falling due after more than one year	 23	 (1,514,872)	 (1,221,319)
		<u>1,170,560</u>	<u>896,085</u>
Provisions for liabilities			
Pension liability	26	(4,943)	(8,027)
Provision for other liabilities	24	(24,826)	(42,119)
Total net assets		<u>1,140,791</u>	<u>845,939</u>
Reserves			
Share capital	25	-	-
Revenue reserve		703,840	611,089
Revaluation reserve		436,951	234,850
Total reserves		<u>1,140,791</u>	<u>845,939</u>

These financial statements on pages 55 to 92 were approved by the Board on 26 August 2020 and were signed on its behalf by:

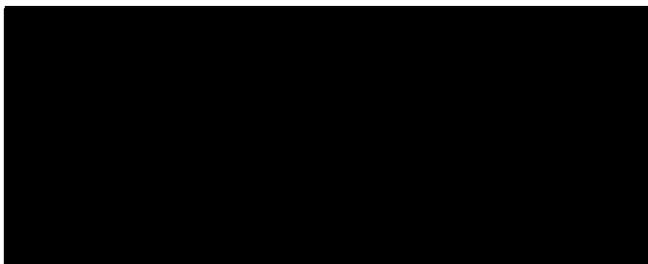


The notes on pages 55 to 92 form part of these financial statements.
 Company registration number SC426094.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

	<i>Notes</i>	2020	2019
		£000	£000
Trade and other debtors		-	-
Cash and cash equivalents		1	5
		<hr/>	<hr/>
Creditors: amounts falling due within one year	22	(1)	(5)
		<hr/>	<hr/>
Net current assets		-	-
		<hr/>	<hr/>
Total assets less current liabilities		-	-
		<hr/>	<hr/>
Total net assets		-	-
		<hr/>	<hr/>
Reserves			
Share capital	25	-	-
		<hr/>	<hr/>
Total reserves		-	-
		<hr/>	<hr/>

These financial statements were approved by the Board on 26 August 2020 and were signed on its behalf by:



The notes on pages 55 to 92 form part of these financial statements.

Company registration number SC426094.

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 £000	2019 £000
Net cash generated from operating activities	28	112,049	87,763
Cash flow from investing activities			
Improvement of properties		(66,330)	(63,760)
Acquisition of properties		(1,586)	(1,943)
Construction of new properties		(86,498)	(117,789)
Purchase of other fixed assets	18	(10,463)	(8,516)
Purchase of investment properties	19	-	(2,812)
Proceeds from sale of properties		2,524	2,577
Grants received	23	41,493	59,849
Finance income		173	275
		(120,687)	(132,119)
Cash flow from financing activities			
Finance charges		(72,194)	(58,285)
Cash obtained through acquisition		46,168	-
Bank loan drawn down		299,043	210,500
Repayments of bank loans		(181,170)	(126,439)
Taxation		(492)	(105)
		91,355	25,671
Net change in cash and cash equivalents		82,717	(18,685)
Cash and cash equivalents at 1 April		33,644	52,329
Cash and cash equivalents at 31 March		116,361	33,644
Cash and cash equivalents at 31 March			
Cash		116,361	33,644
Bank overdraft		-	-
		116,361	33,644

The notes on pages 55 to 92 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Legal status

Wheatley Housing Group Limited (“Wheatley”, “Wheatley Group” or “the Company”) is a limited company incorporated in Scotland under the Companies Act 2006. It is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The Company and its subsidiaries are referred to as “the Group”. The Group’s subsidiaries include housing associations, incorporated entities and charities. The principal activity of the Group is the provision of social housing and associated housing management services. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

2. Accounting policies

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

Basis of accounting

The financial statements of the Group and the Company are prepared in accordance with the Companies Act 2006, applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2019, and under the historical cost accounting basis, modified to include the revaluation of derivative financial investments, properties held for letting, investment properties and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102.

As noted in the Directors’ report on page 43, the financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group has revised forecasts based on updated scenarios, including severe but plausible downsides.

The Board, after reviewing the Group budgets for 2020/21 and the Group’s financial position as forecast in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios updated to take account of potential future changes in rent increases;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

- The property market – budget and business plan scenarios have taken account of delays in new build handovers;
- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being phased into future years;
- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – current available cash of £116.4m and unutilised loan facilities of £345.6m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

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

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

The Wheatley Housing Group Limited is a public benefit entity.

Accounting judgements and estimations

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

Judgements have been made in:

- determining the appropriate discount rates used in the valuation of housing and investment properties;
- component accounting and the assessment of useful lives;
- the assessment of the fair value of financial instruments;
- determining the value of the Group's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds; and
- allocation of share of assets and liabilities for multi-employer pension schemes. Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2020. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

New subsidiaries joining the Group are accounted for under section 19.6 of FRS 102, as combinations that are in substance a gift. Any gain on acquisition is recognised through the Statement of Comprehensive Income as a gain on business combination. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. On joining the Group, an exercise is undertaken to align subsidiary accounting policies to the Group policies which may result in a restatement of comparative figures in the subsidiary results prior to consolidation.

Segmental reporting

For the purposes of segmental reporting, the chief operating decision maker ("CODM") is considered to be the Board. The business segmental reporting is disclosed across notes 3, 4 and 5 and reflects the Group's internal reporting structure and is in accordance with the Determination of Accounting Requirements 2019, and in line with the segments reported to the CODM. Information about income and expenditure attributable is presented on the basis of the nature and function of housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the operational risks and the regulatory environment in which the Group operates.

Joint Venture

Wheatley Housing Group is a 50:50 joint owner in City Building (Glasgow) LLP ("CBG"). The investment in the joint venture is accounted for using the equity method as outlined in FRS 102 Section 15. The investment is recognised in the Statement of Financial Position at cost less any impairment. The Group's share of profits or losses of the joint venture are recognised in the Statement of Comprehensive Income and the initial investment is subsequently adjusted to reflect the Group's share. Where the Group's share of losses equals or exceeds the carrying amount of the investment the share of these losses are recognised as a provision to the extent that the Group has legal or constructive obligations or has made payment on behalf of the joint venture. The investment in the joint venture is recorded in the investing entity's stand alone financial statements at cost less impairment.

Related party disclosures

The Company has taken advantage of the exemption, available under FRS 102, from disclosing related party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, grants and other income. In respect of the Group Statement of Comprehensive Income, turnover also includes factoring, care contracts and income from market and commercial rental activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

Income from social lettings, service charges, factoring, market and commercial rental activities is recognised when it is receivable. Grant income is recognised when any associated performance conditions have been met and care contract income is recognised when services are delivered to customers as required under the agreement with each service commissioner.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the Statement of Financial Position.

Bad and doubtful debts

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

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Financial instruments

Financial assets

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies, bond finance and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Housing loans are classed as either basic or complex financial instruments under FRS 102. Loans are provided to RSL subsidiary members of the Group by its lenders through Wheatley Funding No. 1 Limited ("WFL1"). Loans are provided to commercial subsidiaries of the Group by Wheatley Funding No. 2 Limited ("WFL2"). All arrangements are classed as basic under the requirements of FRS 102, and are measured at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

Deposits and liquid resources

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

Pensions

Glasgow Housing Association participates in a defined benefit pension scheme arrangement with the Strathclyde Pension Fund ("SPF"). The Strathclyde Pension Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Dumfries and Galloway Housing Partnership participates in a defined benefit pension scheme arrangement with the Dumfries and Galloway Pension Fund ("DGPF"). The Dumfries and Galloway Pension Fund is administered by Dumfries and Galloway Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Both the SPF and DGPF ("the Funds") provide benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of both Funds are held separately from those of the participating entities.

During the year, Barony Housing Association participated in a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF") which is administered by the City of Edinburgh Council in accordance with the Local Government Pension Scheme (Scotland)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

Regulations 1998 as amended. On 31 January 2020, all assets and liabilities held on behalf of Barony Housing Association were transferred to Strathclyde Pension Fund and the employment contracts of active members of LPF were transferred to the Glasgow Housing Association on the same date.

Glasgow Housing Association, Barony Housing Association and Dumfries and Galloway Housing Partnership account for participation in the Funds in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The defined benefit fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Glasgow Housing Association's share of the SPF pension fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The assumptions used in valuing the defined benefit pension arrangements result in a pension asset being recognised on the Statement of Financial Position, on the basis that the future level of employers contributions so as to match the required funding level for the scheme. The pension asset would be realised in line with the assumptions relating to longevity. The movement in the Fund's surplus / deficit is split between operating charges, finance items and in the Statement of Comprehensive Income under actuarial gain or loss on pension schemes.

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Enterprise previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. Loretto members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013 with Dunedin Canmore members transferring on 1 April 2014 and Cube and West Lothian members transferring on 1 September 2014. Following the transfer of the operations of Dunedin Canmore Enterprise on 30 March 2017, Dunedin Canmore Housing became the participating employer in SHAPS in place of Dunedin Canmore Enterprise. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme.

In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the Group's share of the scheme assets and liabilities has been separately identified and included in the Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Group's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

A Group defined contribution scheme arrangement administered by the Salvus Master Trust is available to employees in certain subsidiaries of the Group.

Fixed assets – social housing properties

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

- **Valuation of social housing stock**

All social housing properties owned by the Group's subsidiaries are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Group's 30-year Business Plan which identifies the core stock which will be the subject of the Group's investment expenditure going forward and the stock which forms part of the demolition programme until 2020/21, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement works that result in incremental future benefits to the landlord from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

Increases in the valuation of social housing properties are reported as other comprehensive income, accumulated in equity and reported as a revaluation reserve. Revaluation decreases reduce the accumulated gains and thereafter are recognised in profit or loss. Subsequent valuation gains are recognised in profit or loss to the extent they reverse a valuation decrease previously recognised in profit or loss.

On disposal, the value of the property is offset against the proceeds of sale and the gain or loss on disposal is taken to the Statement of Comprehensive Income.

- **Depreciation and impairment**

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

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

	<u>Economic Life</u>
Land	not depreciated
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works and common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical and Plumbing	25 yrs
Structure and roofs	50 yrs
Windows and doors	30 yrs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

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

Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

Previously, the structure and roofs component of certain housing properties was depreciated over an economic life of 75 years. The estimated economic life of these components was revised from 75 years to 50 years to ensure a consistent approach across the Group, and the revised estimate used from 2018/19 reporting onwards.

• New Build

Housing properties in the course of construction and land for future development is held at cost and are not depreciated. Completed new build units are transferred to completed properties when ready for letting.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including direct development staff costs; and
- Other directly attributable internal and external costs.

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

• Properties held for demolition

Demolition programme housing properties have a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so are held at nil on the Statement of Financial Position. Under FRS 102 there is no constructive obligation at the year-end to provide for these costs.

Investment properties

Housing for mid-market and market-rent is valued on an open market value subject to tenancies basis ("MV-T") at 31 March. The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The properties are held as investment properties not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

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

Changes in the valuation of investment properties are reported in the Statement of Comprehensive Income in profit or loss and disclosed within other income and gains.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government and local authorities and is utilised to subsidise the costs of housing properties.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2010. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Other tangible fixed assets

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

	<u>Economic Life</u>
Office premises (valuation)	40 yrs
District heating (cost)	30 yrs
Furniture, fittings and office equipment (cost)	5-7 yrs
Computer equipment (cost)	3-7 yrs
Community Infrastructure (cost)	20 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made at the end of each reporting period.

Provisions

The Group only provides for liabilities at the year end where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

Taxation

As charities, The Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Loretto Care Dunedin Canmore Housing Limited, Barony Housing Association Limited and Dumfries and Galloway Housing Partnership Limited are exempt from corporation tax on their charitable activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. A charge for taxation is made in the Group's non-charitable subsidiary companies, based on their taxable profit for the year. In accordance with FRS 102, full provision is made for all material timing differences.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

2. Accounting policies (continued)

Value Added Tax

The Group is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on Glasgow Housing Association refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

Development Agreement

Glasgow Housing Association has entered into agreements with Glasgow City Council whereby the undertaking of catch-up repairs and improvement works remained with the City Council, with that obligation sub-contracted to Glasgow Housing Association. This has been shown on the Group's Statement of Financial Position as a debtor offset by a provision of an equal amount. As work progresses, both amounts will be reduced by the appropriate amount.

3. Particulars of turnover, operating costs and operating surplus

Group

	2020			2019	
	Turnover	Operating Costs	Other gains/(losses)	Operating surplus/(deficit)	Operating surplus/(deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	297,002	(207,766)	-	89,236	70,710
Other activities (note 5)	60,055	(63,828)	-	(3,773)	(3,981)
Other income and gains (note 9)	-	-	229,343	229,343	(10,637)
Total	357,057	(271,594)	229,343	314,806	56,092
Total for previous reporting period	333,552	(266,823)	(10,637)	56,092	

Company

	2020			2019
	Turnover	Operating Costs	Operating surplus	Operating surplus
	£ 000	£ 000	£ 000	£ 000
Other activities (note 5)	243	(243)	-	-
Total	243	(243)	-	-
Total for previous reporting period	202	(202)	-	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

Group	General Needs	Supported Housing	Other	2020 Total	2019 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	231,274	9,267	1,241	241,782	217,422
Service charges	3,893	1,811	59	5,763	5,317
Gross income from rents and service charges	235,167	11,078	1,300	247,545	222,739
Less rent losses from voids	(1,675)	(218)	(49)	(1,942)	(1,643)
Net income from rents and service charges	233,492	10,860	1,251	245,603	221,096
Grants released from deferred income – new build	50,106	415	-	50,521	50,969
Grants released from deferred income – other capital grant	-	-	-	-	2,133
Other revenue grants	282	596	-	878	469
Total turnover from social letting activities	283,880	11,871	1,251	297,002	274,667
Management and maintenance administration costs*	58,724	2,466	368	61,558	59,806
Service costs	6,097	769	112	6,978	7,556
Planned and cyclical maintenance including major repairs costs	20,992	663	141	21,796	18,168
Reactive maintenance costs	37,708	1,002	206	38,916	37,432
Bad debts – rents and service charges	2,914	87	14	3,015	3,403
Depreciation of social housing**	72,526	2,397	580	75,503	77,592
Operating costs from social letting activities	198,961	7,384	1,421	207,766	203,957
Operating surplus from social lettings	84,919	4,487	(170)	89,236	70,710
Operating surplus from social lettings for the previous reporting period	68,050	2,961	(301)	70,710	

*Included in management and maintenance administration costs in 2018/19 is a charge of £2,265k for GMP indexation pension costs (note 26).

**Depreciation of social housing in 2018/19 includes an additional £12,225k for the change in the estimate of the useful life of the structure of certain of the Group's social housing properties.

Company

There were no activities in the Wheatley Housing Group Limited entity results classified as social letting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

5. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

Group	Grants From Scottish Ministers £ 000	Other Income £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2020 Operating Surplus /(Deficit) £ 000	2019 Operating Surplus /(Deficit) £ 000
Wider role activities to support the community	-	122	-	122	(10,729)	(10,607)	(12,523)
Care activities	429	13,085	-	13,514	(13,050)	464	726
Factoring	-	14,754	-	14,754	(13,518)	1,236	1,418
Investment Property	-	15,015	-	15,015	(4,473)	10,542	9,945
Support activities	2,129	3,782	-	5,911	(6,504)	(593)	(464)
Owners' improvement activities	-	1,292	-	1,292	(1,406)	(114)	(671)
Demolition activities	-	-	-	-	(354)	(354)	(677)
Other income	-	8,218	-	8,218	(1,391)	6,827	8,534
Depreciation – Non Social Housing Organisation	-	-	-	-	(6,694)	(6,694)	(5,729)
Restructuring Development & Construction of Property Activities	-	1,229	-	1,229	(1,529)	(300)	(528)
			-				
Total from other activities	2,558	57,497	-	60,055	(63,828)	(3,773)	(3,981)
Total from other activities for the previous reporting period	2,672	56,213	-	58,885	(62,866)	(3,981)	
Company							
	Grants From Scottish Ministers £ 000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2020 Operating Surplus £ 000	2019 Operating Surplus £ 000
Provision of Group services	-	243	-	243	(243)	-	-
Total from other activities	-	243	-	243	(243)	-	-
Total from other activities for the previous reporting period	-	202	-	202	(202)	-	

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

6. Board members' emoluments

Board members received emoluments of £217,039 (2019: £192,425) in respect of their services to Wheatley Housing Group Limited. These amounts are fully recharged to Wheatley Solutions and onwards to operational subsidiaries.

Emoluments were paid to the following Board members.

	2020	2019
	£	£
Alastair MacNish	32,370	30,000
Sheila Gunn	19,961	18,500
Mike Blyth (part year)	7,893	15,000
Bernadette Hewitt	19,961	18,500
Paddy Gray	12,408	11,500
Jo Armstrong	14,559	11,500
John Hill	12,408	11,500
Ronnie Jacobs (part year)	7,893	15,000
Peter Kelly	12,408	11,500
Martin Kelso	14,359	11,500
James Muir	12,408	11,500
Mary Mulligan	12,408	11,500
Angela Mitchell (part year)	11,252	-
Bryan Duncan	14,343	2,389
Jo Boaden	12,408	3,348
Elizabeth Walford	-	3,577
Kate Willis	-	5,611
	217,039	192,425

In addition, £6,003 (2019: £4,067) was paid to Board members for reimbursement of expenses.

7. Officers' emoluments

	2020	2019
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	1,401	1,347
Emoluments payable to the highest paid key management	296	282
Employer pension contributions	55	52
Total emoluments payable to the highest paid key management	351	334

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

More than £160,000 but not more than £170,000	1	1
More than £170,000 but not more than £180,000	-	4
More than £180,000 but not more than £190,000	4	-
More than £280,000 but not more than £290,000	-	1
More than £290,000 nut not more than £300,000	1	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

7. Officers' emoluments (continued)

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff.

There were six senior officers in post at 31 March 2020. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson	Group Director of Finance
Tom Barclay	Group Director of Property and Development

8. Employees

In the year to 31 March 2020, the average full time equivalent number of employees of the Group, including senior officers, was 2,597 (2019: 2,680). The total number of staff employed was 2,678 (2019: 2,746). No staff are directly employed by the Company.

Group	2020	2019
	£ 000	£ 000
Staff costs (for the above persons)		
Wages and salaries	72,585	68,783
Social security costs	8,197	7,224
Employer's pension costs	12,206	10,245
FRS 102 Pension adjustment	2,886	6,144
	95,874	92,396

The FRS 102 pension adjustment in 2018/19 includes an estimate by the pension scheme actuary of the potential impact of the McCloud ruling and GMP equalisation (note 26).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

9. Other income and gains

	2020	2019
	£000	£000
Group		
Loss on revaluation of investment property:	(11,595)	(10,637)
Dumfries and Galloway Housing Partnership group		
Fair value of net assets acquired	240,938	-
Consideration	<u>-</u>	<u>-</u>
Gain on business combination	<u>240,938</u>	<u>-</u>
Total other income and gains	<u>229,343</u>	<u>(10,637)</u>

Dumfries and Galloway Housing Partnership Limited, Novantie Limited and DGHP 3 Limited joined the Group on 12 December 2019, with 100% of all three entities being acquired within the normal course of the Group's operations. No fundamental reorganisation or restructuring occurred as a result. In accordance with FRS 102, the gain arising on business combination is therefore recognised within operating surplus.

Since joining the Group, Dumfries and Galloway Housing Partnership Group has generated revenue of £14,555k and contributed an operating surplus for the year of £1,721k.

The following amounts were recognised at the acquisition date:

	£000
Fixed assets	365,902
Investment properties	8,537
Current assets	50,793
Current liabilities	<u>(6,759)</u>
Net current assets	44,034
Long term liabilities	(174,494)
Provisions	<u>(3,041)</u>
	240,938
Revenue reserve	83,862
Revaluation reserve	<u>157,076</u>
Total reserves	240,938

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

10. Gain on disposal of fixed assets

This represents net income from the sale of properties under tenants' Right-to-Buy ("RTB") entitlement and from other property disposals including Shared Ownership sales.

Group	2020	2019
	£ 000	£ 000
Right-to-Buy		
Proceeds from disposal of properties	-	534
Value of properties disposed	-	(332)
Surplus on sale of fixed assets	<u>-</u>	<u>202</u>
Other properties (including shared ownership)		
Proceeds from disposal of properties	2,524	2,043
Value of properties disposed	(1,857)	(2,244)
Surplus/(deficit) on sale of fixed assets	<u>667</u>	<u>(201)</u>
Total gain on disposal of fixed assets	<u>667</u>	<u>1</u>

11. Finance income

Group	2020	2019
	£ 000	£ 000
Bank interest receivable on deposits in the year	173	81
Net return on pension asset	330	658
Total	<u>503</u>	<u>739</u>

12. Finance charges

Group	2020	2019
	£ 000	£ 000
Interest payable	62,551	54,167
Other financing costs	9,191	3,087
Net cost on pension	188	138
Total	<u>71,930</u>	<u>57,392</u>

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs on the Group's funding arrangements and the amortised interest on the contingent efficiencies loan.

Interest of £2.2m (2019: £3.7m) has been capitalised at a weighted average interest rate of 4.89% (2019: 4.68%) . The rate is specific to the funding drawn in the year and invested in housing under construction.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

13. Movement in fair value of financial instruments

Group	2020 £ 000	2019 £ 000
Movement in the Scottish Government loan	549	4,723
Movement in discount to arrears balances (note 21)	-	4
	549	4,727

14. Tax on surplus on ordinary activities

Group	2020 £000	2019 £000
Total tax expense recognised in the Statement of Comprehensive Income:		
<u>Current tax:</u>		
Current tax on income for the year	435	102
Adjustment in respect of prior periods	-	19
	435	121
<u>Deferred tax:</u>		
Origination and reversal of timing differences	259	1,978
Effects of changes in tax rates	287	(201)
Adjustment in respect of prior periods	-	108
	546	1,885
Total Tax	981	2,006

The Company had no tax charge for the year (2019: nil).

The charitable status of Glasgow Housing Association, Dunedin Canmore Housing, Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Barony Housing Association, Dumfries and Galloway Housing Partnership Limited, Loretto Care and Wheatley Foundation Limited means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the Group's other non-charitable subsidiary companies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

14. Tax on surplus on ordinary activities (continued)

Factors affecting the tax charge for the current period

Group	2020	2019
	£000	£000
Reconciliation of effective tax rate		
Surplus/(deficit) for the year	243,643	(7,243)
Total tax expense	981	2,006
Surplus/(deficit) excluding taxation	<u>244,624</u>	<u>(5,237)</u>
Tax using the UK corporation tax rate of 19% (2019:19%)	46,479	(995)
Effects of:		
Charitable (surpluses)/losses not subject to tax	(45,520)	5,678
Qualifying charitable donations	(570)	(574)
Under provision in prior year	-	19
Expenses not deductible	302	44
Tax rate changes	287	(201)
Gain on disposal of chargeable assets	3	
Effect of indexation allowance on chargeable gains	-	(1,965)
Total tax expense included in Statement of Comprehensive Income	<u>981</u>	<u>2,006</u>

The Company has no tax charge for the year (2019: nil).

15. Auditor's remuneration

	2020	2019
	£'000	£'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	14	13
Audit of financial statements of subsidiaries pursuant to legislation	229	163
Other audit related services	8	8

16. Financial commitments

Capital commitments

All capital commitments of the Group were as follows:

Group	2020	2019
	£000	£000
Expenditure contracted for, but not provided in the financial statements	130,326	105,939
Expenditure authorised by the Board but not contracted	52,670	50,725
	<u>182,996</u>	<u>156,664</u>

The Group has access to sufficient funding through cash or bank lending facilities to meet the capital commitments.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

16. Financial commitments (continued)

Operating leases

At 31 March the Group had commitments under non-cancellable operating leases as follows; the Company had no such commitments:

Group	2020 Land and Buildings	2020 Other	2019 Land and Buildings	2019 Other
	£000	£000	£000	£000
Operating lease payments due:				
Within one year	697	175	772	720
In the second to fifth years inclusive	1,259	282	1,277	474
Over five years	86	70	13	164
	2,042	527	2,062	1,358

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

17. Fixed assets – Social Housing Properties

Group	Core Stock £ 000	Housing Under Construction £ 000	Shared Owner- ship £ 000	Total £ 000
At Valuation				
At 1 April 2019	1,758,177	110,624	18,478	1,887,279
Acquired in the year	357,705	7,507	-	365,212
Additions	67,916	90,198	-	158,114
Disposals	(3,372)	(1,787)	(337)	(5,496)
Transfers	81,667	(107,435)	-	(25,768)
Revaluation	(29,267)	-	679	(28,588)
At 31 March 2020	2,232,826	99,107	18,820	2,350,753
Depreciation				
At 1 April 2019	-	-	-	-
Acquired in the year	-	-	-	-
Charge for year	(74,030)	-	(586)	(74,616)
Disposals	1,454	-	15	1,469
Revaluation	72,576	-	571	73,147
At 31 March 2020	-	-	-	-
Net Book Value - valuation				
At 31 March 2020	2,232,826	99,107	18,820	2,350,753
At 31 March 2019	1,758,177	110,624	18,478	1,887,279
Net Book Value – historic cost equivalent				
At 31 March 2020	2,368,056	99,107	21,396	2,488,559
At 31 March 2019	2,057,217	110,624	22,304	2,190,145

Total expenditure on repairs and capital improvements in the year on existing properties was £128.6m (2019: £121.3m). Of this, repair costs of £60.7m (2019: £55.6m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £67.9m (2019: £65.7m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £67.9m (2019: £65.7m) in the year include:

- £49.9m for component additions including:
 - £4.1m on bathrooms;
 - £0.3m on external environment;
 - £5.9m on external wall finishes;
 - £7.7m on heating system boilers;
 - £8.0m on internal works and common areas;
 - £3.3m on kitchens;
 - £8.5m on mechanical, electrical and plumbing;
 - £6.9m on structure and roofs; and
 - £5.2m on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

17. Fixed assets – Social Housing Properties (continued)

- The remaining balance of £18.0m of additions to existing properties not associated with a specific component includes £9.4m on void improvements, £1.6m of property acquisitions and £2.5m of medical adaptations.

Of the £49.9m of component additions, £23.0m formed part of a major strategic investment projects during the year. All subsidiaries in the Wheatley Housing Group Limited account for social housing properties at valuation. Additions to housing under construction include capitalised interest costs of £2.2m (2019: £3.7m). Interest has been capitalised at the weighted average interest cost for the Group of 4.89% (2019: 4.68%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Group's demolition programme, as detailed in the Group's 30-year Business Plan for 2019/20. The demolition programme identifies 245 (2019: 117) properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the Existing Use for Valuation – Social Housing ("EUV-SH") calculation, and so is held at nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the year-end date to provide for these costs.

The Group's social housing properties, with the exception of Dumfries and Galloway Housing Partnership, have been valued by Jones Lang LaSalle Limited. The social housing properties of Dumfries and Galloway Housing Partnership have been valued by Savills (UK) Limited. Both valuers are independent professional advisers qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. The valuations were prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2020 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-6.50% have been used depending on the property archetype (2019: 5.75-7.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.9% in 2020/21 and +0.5% thereafter for retained stock, in line with the Group's 30 year Business Plan (2020/21). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

Included in core stock are 966 garages and 1,197 parking sites owned by Dumfries and Galloway Housing Partnership held at a value of £4.0m. These have been valued at market value subject to tenancy ("MV-T"), the Directors consider the difference between EUV-SH and MV-T for these properties to be immaterial.

During the year the Group did not dispose of any properties (2019: 11 properties) to tenants under Right to Buy entitlements. Properties disposed of in the prior year were valued at £0.332m.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

17. Fixed assets – Social Housing Properties (continued)

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Group at 31 March is shown below:

	2020	2019
Social Housing		
General needs	59,091	48,670
Shared ownership	374	378
Supported housing	1,884	1,587
Housing held for long-term letting	61,349	50,635
Housing approved/planned for demolition	245	117
Total Units	61,594	50,752

18. Fixed assets - other tangible fixed assets

Group	Community Infra- structure	Office Premises £ 000	District Heating £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost						
At 1 April 2019	10,259	15,607	10,801	34,289	46,807	117,763
Acquired in the year	-	120	-	3,610	-	3,730
Additions	2,692	17	144	1,724	5,418	9,995
Disposals	-	-	-	(15)	-	(15)
Revaluation	-	(165)	-	-	-	(165)
At 31 March 2020	12,951	15,579	10,945	39,608	52,225	131,308
Depreciation						
At 1 April 2019	(1,072)	-	(3,209)	(24,342)	(34,136)	(62,759)
Acquired in the year	-	-	-	(3,029)	-	(3,029)
Charge for year	(601)	(422)	(278)	(2,537)	(2,843)	(6,681)
Disposals	-	-	-	15	-	15
Revaluation	-	422	-	-	-	422
At 31 March 2020	(1,673)	-	(3,487)	(29,893)	(36,979)	(72,032)
Net Book Value						
At 31 March 2020	11,278	15,579	7,458	9,715	15,246	59,276
At 31 March 2019	9,187	15,607	7,592	9,947	12,671	55,004

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

19. Investments

Investment properties

Group	Properties held for market rent £ 000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2019	187,850	12,385	200,235
Acquired in the year	8,046	490	8,536
Additions	450	-	450
Transfers	25,768	-	25,768
Disposals	(615)	-	(615)
Revaluation	(11,653)	58	(11,595)
At 31 March 2020	209,846	12,933	222,779
Net Book Value			
At 31 March 2020	209,846	12,933	222,779
At 31 March 2019	187,850	12,385	200,235

Market rent properties, with the exception of those owned by Dumfries and Galloway Housing Partnership, were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2020. Market rent properties owned by DGHP were valued by Savills (UK) Limited, and independent professional advisor at the same date.

The number of properties held for market rent by the Group at 31 March were:

	2020	2019
Market Rent Properties		
Total Units	2,115	1,830

The Group's commercial properties, with the exception of those owned by Dumfries and Galloway Housing Partnership, were valued by an independent professional advisor, Jones Lang LaSalle, on 31 March 2020 in accordance with the appraisal and valuation manual of the RICS. Commercial properties owned by DGHP were valued by Savills (UK) Limited an independent professional advisor at the same date.

In determining the valuation of investment properties, it is assumed that there are no restrictions on the ability to realise the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

19. Investments (continued)

Investment in joint venture

	2020	2019
Group	£000	£000
Investment in joint venture	116	87

The Group is a 50:50 joint venture partner in City Building (Glasgow) LLP. The investment in City Building (Glasgow) LLP is recognised in the financial statements at cost less any impairment. The Group's share of profits or losses of the joint venture are recognised in the Statement of Comprehensive Income and the initial investment is subsequently adjusted to reflect the Group's share.

20. Stock

	2020	2019
Group	£ 000	£ 000
Stock at maintenance depot	606	226
Balances owed by third parties – development costs	-	77
	606	303

Stock at maintenance depot relates to consumable parts held at our workshop in Edinburgh in relation to our repairs and investment service for our subsidiaries in the east of the country.

Balances owed to third parties relates to amounts owed by third party Housing Associations for their contractual share of the development costs incurred by the Group to date and not yet settled.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

21. Debtors

Group	2020 £ 000	2019 £ 000
Due in more than one year:		
Development agreement	20,478	38,420
	20,478	38,420
Due within one year:		
Arrears of rent and service charges	15,377	15,173
Adjustment to discount arrears balances with payment plans (note 13)	(71)	(71)
Less: provision for bad and doubtful debts	(7,612)	(4,488)
	7,694	10,614
Prepayments and accrued income	9,865	6,375
Other debtors	15,526	13,877
	53,563	69,286
Total	53,563	69,286

Included in debtors is a balance of £20.5m (2019: £38.4m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the housing properties transferred. The Council has sub-contracted Glasgow Housing Association to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure (note 24) and as work progresses both of these balances will be utilised when the work is actually undertaken.

22. Creditors: amounts falling due within one year

Group	2020 £ 000	2019 £ 000
Amounts falling due within one year:		
Trade creditors	9,135	9,222
Accruals	35,655	45,770
Deferred income (note 23)	49,318	66,255
Rent and service charges received in advance	10,216	9,177
Salaries, wages, other taxation and social security	2,511	2,440
Corporation tax	116	165
Housing loans	9,228	4,050
Other creditors	15,428	7,129
	131,607	144,208
Total	131,607	144,208

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

22. Creditors: amounts falling due within one year (continued)

Company	2020 £ 000	2019 £ 000
Amounts falling due within one year:		
Trade creditors	-	-
Accruals	-	-
Corporation tax payable	-	-
Amounts due to Group undertakings	1	5
Total	1	5

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

Group	2020 £000	2019 £000
Scottish Government loan	36,693	35,531
Housing loans - bank facilities	932,358	654,683
Housing loans - bond finance	296,386	295,659
Housing loans - private note placement	223,771	223,223
Deferred income	25,372	11,511
Other creditors	292	712
Total	1,514,872	1,221,319

The Scottish Government made available to Glasgow Housing Association £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2019: £100.0m) has been received and this is an interest-free loan with repayment due in 2040/41. The amount due of £36.7m at 31 March 2020 is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date. This treatment is consistent with FRS 102 which requires financial instruments to be measured at amortised cost. The movement in the balance in the year relates to:

- interest costs £ 1.7m (2019: £1.6m)
- fair value movement gain of £0.5m (2019: loss of £4.7m)

Interest costs are reported within finance charges (note 12). The movement in the fair value is reported on the face of the Statement of Comprehensive Income.

Housing Loans

Registered Social Landlord's borrowing arrangements are in place via a Group funding structure which consists of bank and capital markets debt, secured on charged properties owned by RSLs within the Wheatley Housing Group. RSL Group funding was made up of a committed facility of £657.3m from a syndicate of commercial banks, two committed facilities totalling £282.9m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,490.2m for the RSL borrower group through Wheatley Funding No.1 Limited, a wholly-owned subsidiary of the Wheatley Housing Group Limited. The RSL borrowing group comprises Glasgow Housing Association, Cube Housing Association, West

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

Lothian Housing Partnership, Dunedin Canmore Housing, Barony Housing Association and Loretto Housing Association.

Dumfries and Galloway Housing Partnership has separate facilities provided directly to the Company. In December 2019, on joining the Group, the borrowing arrangements for DGHP were restructured and the previous facility in place with Dexia was repaid and a new £114.0m facility was put in place with M&G secured on a portion of the Company's properties. A facility of £40.0m is in place with The Housing Finance Corporation. The loan premium of £1,602k received on drawdown is being amortised over the life of the loan and at the 31 March 2020 stood at £1,186k (2019: £1,239k). A further £35.0m facility is in place with Allia under the Scottish Government Charity Bonds Programme and a new revolving credit facility of £35.0m is in place with the Royal Bank of Scotland.

Additional facilities are provided through direct loans to Dunedin Canmore Housing comprising of a committed facility from The Housing Finance Corporation of £16.5m and a £16.0m unsecured Scottish Government Charitable Bond with Allia Limited.

Bond finance is repayable in 2044/45, and has a coupon rate of 4.375%.

Lowther Homes Limited has access to a £76.5m facility provided through Wheatley Funding No.2 Ltd ("WFL2") via an agreement with Scottish Widows through Bank of Scotland. Interest on the new facility has been charged at a rate of 3.77%.

Borrowings are repayable as follows:	2020	2019
	£ 000	£ 000
In less than one year	9,228	4,050
In more than five years	1,452,515	1,173,565
	1,461,743	1,177,615

The deferred income balance is made up as follows:

	Housing Association Grant £ 000	Other £ 000	Total Deferred Income £ 000
Deferred income as at 1 April 2019	71,504	6,262	77,766
Acquired in the year	8,057	236	8,293
Additional income received	37,268	4,225	41,493
Released to the Statement of Comprehensive Income	(50,891)	(1,971)	(52,862)
Deferred income as at 31 March 2020	65,938	8,752	74,690

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2020	2019
	£ 000	£ 000
Deferred income to be released to the Statement of Comprehensive Income:		
In less than one year (note 22)	49,318	66,255
In more than one year but less than five years	25,289	11,511
In more than five years	83	-
	<u>74,690</u>	<u>77,766</u>

Financial instruments

	2020	2019
	£'000	£'000
Financial assets:		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	33,085	30,896
Total	<u>33,085</u>	<u>30,896</u>

	2020	2019
	£ 000	£ 000
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and deferred income	148,043	152,381
Bank loans	1,461,743	1,177,615
	<u>1,609,786</u>	<u>1,329,996</u>
<u>Measured at fair value:</u>		
Scottish Government loan	36,693	35,531
Total	<u>1,646,479</u>	<u>1,365,527</u>

Income earned and expense payable on the financial assets and liabilities is disclosed in note 11 and 12 respectively.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

24. Provisions for liabilities and charges

Group	Development Agreement	Insurance	Deferred tax	Dilapidation Provision	Total
	£ 000	£ 000	£000	£'000	£ 000
At 1 April 2019	38,420	434	2,454	810	42,118
Acquired in the year	-	-	95	-	95
Created	-	-	705	-	705
Utilised	(17,942)	-	-	(150)	(18,092)
At 31 March 2020	20,478	434	3,254	660	24,826

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the Development Agreement between Glasgow Housing Association and Glasgow City Council and as work progresses the provision will be utilised when the work is actually undertaken.

Insurance

A provision has been made in respect of the excess arising on all outstanding insurance claims.

Deferred tax

Deferred tax is provided to take account of timing differences between the treatment of certain items for financial statement purposes and their treatment for tax purposes. Deferred tax is provided for all material timing differences and for the unrealised gain or losses on investment properties in certain subsidiaries in the Group.

Dilapidation provision

This provision represents the estimated costs of dilapidation works required under lease contracts for office properties leased by group entities.

25. Share capital

Wheatley Housing Group Limited was incorporated on 13 June 2012 and is a Company Limited by Guarantee and therefore does not have any Share Capital.

There were no balances in reserves for the company at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

26. Pensions

Strathclyde Pension Fund, Dumfries and Galloway Pension Fund and Lothian Pension Fund

The funds are part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The Group subsidiary Glasgow Housing Association Limited participates in the Strathclyde Pension Fund ("SPF") which is administered by Glasgow City Council and is a defined benefit scheme. Dumfries and Galloway Housing Partnership participates in the Dumfries and Galloway Pension Fund ("DGPF") which is administered by Dumfries and Galloway Council and is a defined benefit scheme.

Barony Housing Association Limited previously participated in the Lothian Pension Fund ("LPF") which is administered by Edinburgh City Council and is a defined benefit scheme. On 31 January 2020, the pension assets and liabilities of Barony held in LPF were transferred to the Strathclyde Pension Fund. The assets of the funds are held separately from those of the respective Association with investments under the overall supervision of the Fund Trustees.

The latest full actuarial valuation was carried out as at 31 March 2017. The next full actuarial valuation is due as at 31 March 2020 but is not yet available at the date of these financial statements.

The share of the total liabilities reported at 31 March 2019 in Strathclyde Pension Fund for Glasgow Housing Association and Lothian Pension Fund for Barony Housing Association include an estimate for the impact of the equalisation of Guaranteed minimum pension ("GMP") and the McCloud/Sargeant Ruling. The pension fund assets and liabilities of the Dumfries and Galloway Pension Fund acquired when Dumfries and Galloway Housing Partnership joined the Group also include an estimate for the impact of GMP and McCloud/Sargeant.

The Scottish Public Pensions Agency commenced consultation on a proposed remedy for McCloud/Sargeant in July 2020. Its effect on the currently recognised financial liability is not expected to be material and there is insufficient information on which to base a further adjustment.

TPT Retirement Solutions - Scottish Housing Association Pension Scheme

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Housing participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") defined benefit section. This is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme. Loretto Housing Association Limited and Loretto Care transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013, Cube Housing Association and West Lothian Housing Partnership transferred with effect from 1 September 2014 and Dunedin Canmore transferred on 1 April 2014.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

26. Pensions (continued)

reference to individual employer experience. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2020.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Wheatley Housing Group Defined Contribution Scheme

The Group also operates a defined contribution scheme through the Salvus Master Trust. These arrangements are open to all employees who are not members of the Strathclyde Pension Fund, Lothian Pension Fund, SHAPS defined benefit or defined contribution scheme, or any other group scheme.

Employer contributions vary pro rata with the level of contributions chosen by the individual employee member, and range from 8% to 12%. Employer contributions are capped at 12%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

26. Pensions (continued)

Group Defined Benefit assets and obligations

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

	31 March 2020	31 March 2019
Discount rate	2.45%	2.35%
Future salary increases	2.20%	*2.00%
Inflation	1.90%	2.60%

* Salary increases are assumed to be 2.20% p.a for 2019/20 and 2.00% thereafter.

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.7 years (male) (2019: 21.4 years), 22.9 years (female) (2019: 23.4 years).
- Future retiree upon reaching 65: 22.2 years (male) (2019: 23.7 years), 24.6 years (female) (2019: 25.8 years).

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

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

Movements in present value of defined benefit obligation

	SPF 2020 £ 000	LPF 2020 £ 000	DGPF 2020 £000	SHAPS 2020 £ 000
Opening defined benefit obligation	431,154	22,129	-	66,453
Defined benefit obligation acquired	-	-	18,428	-
Current service cost	13,764	492	250	-
Interest cost	11,406	482	138	1,704
Loss on curtailment	-	-	(18)	-
Actuarial(gains)/ losses	(40,412)	3,562	(2,444)	(1,930)
Contributions by members	2,278	74	38	-
Estimated benefits paid	(8,336)	(344)	(59)	(2,118)
Expenses	-	-	-	57
Transfer in/(out) on settlement	26,395	(26,395)	-	-
Closing defined benefit obligation	436,249	-	16,333	64,166

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

26. Pensions (continued)

Movements in fair value of plan assets

	SPF 2020 £ 000	LPF 2020 £ 000	DGPF 2020 £000	SHAPS 2020 £ 000
Opening fair value of plan assets	445,865	23,192	-	58,426
Fair value of plan assets acquired	-	-	15,483	-
Expected return on plan assets	11,716	502	109	1,544
Actuarial (losses)/gains	(33,693)	695	(2,148)	314
Contributions by the employer	7,665	220	137	3,822
Contributions by the members	2,278	74	38	-
Estimated benefits paid	(8,336)	(344)	(51)	(2,118)
Transfer in/(out) on settlement	24,339	(24,339)	-	-
Closing fair value of plan assets	449,834	-	13,568	61,988

	SPF Value at 31 March 2020 £000	LPF Value at 31 March 2020 £ 000	DGPF Value at 31 March 2020 £000	SHAPS Value at 31 March 2020 £ 000
Present value of funded defined benefit obligations	(435,922)	-	(15,706)	(64,166)
Present value of unfunded defined benefit obligations	(327)	-	(627)	-
Fair value of plan assets	449,834	-	13,568	61,988
Net asset/(liability)	13,585	-	(2,765)	(2,178)

Expense recognised in the Statement of Comprehensive Income

	SPF 2020 £ 000	LPF 2020 £ 000	DGPF 2020 £000	SHAPS 2020 £ 000
Current service cost	13,014	492	250	-
Past service cost	750	-	-	-
Losses on settlements or curtailments	-	-	-	-
Net interest on defined benefit obligation	(310)	(20)	28	160
Administration costs	-	-	-	57
	13,454	472	278	217

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is a £6,393k gain (2019: £6,896k loss).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

26. Pensions (continued)

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

	2020	2019
	£ 000	£ 000
Equities	287,025	315,959
Corporate bonds	142,859	136,081
Property	59,854	47,378
Alternatives	21,696	16,358
Cash	13,956	11,707
	525,390	527,483
Actual (loss)/ return on plan assets	(20,961)	28,218

27. Related party transactions

The company retains a register of Directors' interests. During the year there were no interests in related parties that require to be disclosed or declared by Directors.

Directors received emoluments for their services to Wheatley Housing Group Limited. Details are included in Note 6.

Tenant and factored homeowners Directors

The following Directors are tenants of Glasgow Housing Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage:

Bernadette Hewitt

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

	2020
	£ 000
Rent charged during the year	5
Arrears balances outstanding at 31 March 2020	-

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

27. Related party transactions (continued)

Other related parties

Related party interests and transactions during the year are as follows:

	Invoiced/paid in the year £ 000	Year end balance £ 000
2020		
City Building (Glasgow) LLP	90,604	(5,498)
Strathclyde Pension Fund	7,665	-
Lothian Pension Fund	220	-
Dumfries and Galloway Pension Fund	137	-
TPT Retirement Solutions – Scottish Housing Association Pension Fund	3,822	-
Bernadette Hewitt - Transforming Communities: Glasgow	-	-
Bernadette Hewitt - Barmulloch Community Development	-	-
Steven Henderson - Scotcash CIC	-	-

All transactions were on commercial terms and at arm's length.

The Wheatley Housing Group Limited has a 50:50 share in City Building (Glasgow) LLP with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries in the west of Scotland.

During the year GHA held nomination rights to a directorship of Transforming Communities: Glasgow ("TC:G"). Bernadette Hewitt serves as a GHA nominated director on the board of TC:G.

During the year GHA held nomination rights to a directorship of Scotcash CIC. These rights allow GHA to nominate up to two directors to the board of Scotcash with Steven Henderson serving on the board during the year.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

28. Cash Flow Analysis

Reconciliation of surplus to net cash inflow from operating activities

	2020	2019
	£ 000	£ 000
Surplus/(deficit) for the year	243,643	(7,243)
Less: Gain on business combination	(240,938)	-
	2,705	(7,243)
Depreciation of tangible fixed assets	82,197	83,321
Increase in stock	(36)	(125)
Decrease/(increase) in debtors	2,139	(5,227)
Decrease in creditors and provisions	(6,485)	(4,771)
Pensions costs less contributions payable	2,614	5,964
Adjustment for investing or financing activities:		
Gain from the sale of tangible fixed assets	(667)	(1)
Grants utilised in the year	(52,862)	(56,122)
Interest receivable	(503)	(739)
Interest payable	71,930	57,392
Movement in fair value of financial instruments	(549)	4,727
Loss on investment activities	11,595	10,637
Share of joint venture profit	(29)	(50)
	112,049	87,763
Net cash inflow from operating activities	112,049	87,763

29. Subsidiary and associated undertakings

The ultimate parent company is Wheatley Housing Group Limited. The Company has fifteen immediate subsidiaries – Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Wheatley Funding No.1 Limited, Wheatley Funding No.2 Limited, Wheatley Enterprises Limited, Lowther Homes Limited, YourPlace Property Management Limited, Dunedin Canmore Housing Limited, Barony Housing Association Limited, The Wheatley Foundation and Wheatley Solutions Limited, Loretto Care and Dumfries and Galloway Housing Partnership. During the year Loretto Care was a subsidiary of Loretto Housing Association Limited and became a wholly owned subsidiary of Wheatley Housing Group on 11 May 2020. Wheatley Housing Group Limited retains constitutional control of all subsidiary undertakings.

The objective of Wheatley Funding No.1 Limited is the provision of finance to the Registered Social Landlords in the Group, excluding Dumfries and Galloway Housing Partnership Limited. Wheatley Funding No.1 Limited is the parent of Wheatley Group Capital plc, the vehicle for raising bond financing. Wheatley Enterprises Limited is a non-trading holding company overseeing commercial activity which, through YourPlace Property Management Limited, delivers factoring services to homeowners. Lowther Homes Limited is involved in investment

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

29. Subsidiary and associated undertakings (continued)

property acquisition and offers its properties for private and mid-market rent. Wheatley Funding No.2 Limited provides finance to Lowther Homes Limited.

Wheatley Housing Group Limited is a 50:50 joint venture partner with Glasgow City Council in City Building (Glasgow) LLP. The Group's share of the results of City Building (Glasgow) LLP are accounted for using the equity method.

The results of Scotcash CIC have not been consolidated as an associate undertaking into these accounts as they are not material to the Group's operations. Scotcash provides accessible and affordable finance to individuals with limited access to banking services. GHA has provided start-up funding to Scotcash and has no outstanding obligations.

The legal form and share capital of each immediate subsidiary of the Wheatley Housing Group Limited is as follows:

Subsidiary	Legal status	Issued share capital
The Glasgow Housing Association Limited	Co-operative and Community Benefit Society	9 x £1 shares
Cube Housing Association Limited	Co-operative and Community Benefit Society	75 x £1 shares
Dunedin Canmore Housing Limited	Co-operative and Community Benefit Society	81 x £1 shares
Wheatley Funding No.1 Limited	Company Limited by Guarantee	No share capital
Wheatley Funding No.2 Limited	Company Limited by Guarantee	No share capital
Wheatley Enterprises Limited	Company Limited by Shares	100 x £1 ordinary shares
Lowther Homes Limited	Company Limited by Shares	100 x £1 ordinary shares
YourPlace Property Management Limited	Company Limited by Shares	1 x £1 ordinary shares
Loretto Housing Association Limited	Co-operative and Community Benefit Society	130 x £1 shares
West Lothian Housing Partnership Limited	Company Limited by Guarantee	No share capital
Barony Housing Association Limited	Co-operative and Community Benefit Society	54 x £1 shares
Wheatley Solutions Limited	Company Limited by Shares	100 x £1 shares
The Wheatley Foundation Limited	Company Limited by Guarantee	No share capital
Dunfries and Galloway Housing Partnership Limited	Company Limited by Guarantee	No share capital

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

29. Subsidiary and associated undertakings (continued)

The Company exercises its functions as parent of the entities listed above through ownership of 100% of the share capital in all Companies Limited by Shares, through the ownership of a parent share with controlling rights in all Co-operative and Community Benefit Societies, and through a controlling interest as a member of the Companies Limited by Guarantee.

Transactions between wholly-owned Group companies and closing balances do not require to be disclosed under FRS 102.

30. Post balance sheet event

During the year, agreement was reached to transfer the care activities of Barony Housing Association to Loretto Care. Following a successful ballot, agreement was also reached with the tenants of Barony Housing Association to transfer the housing properties owned by Barony in West Lothian and Bo'ness to West Lothian Housing Partnership Limited and all other Barony housing properties to Dunedin Canmore Housing Limited, both Wheatley Group subsidiaries.

Barony care services transferred to Loretto Care in April 2020 following approval from the Care Inspectorate (Scotland). Following the transfer of the Barony care contracts, Loretto Care has traded as Wheatley Care.

The transfer of Barony properties to West Lothian Housing Partnership took place on 17 May 2020. The transfer of the remaining properties and all other business of Barony is expected to take place through a transfer of engagement to Dunedin Canmore during 2020/21.

SUPPLEMENTARY INFORMATION

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