LORETTO HOUSING ASSOCIATION

BOARD MEETING

Monday 3 February 2025 at 2pm
Wheatley House Glasgow

AGENDA

1. Apologies for absence

2. Declarations of interest

3. a) Minute of meeting held on 25 November 2024 and matters arising
   b) Action list

4. Chair and Managing Director update

Main Business Items

5. Strategy 2026-31 pathway

6. Rent and service charges 2025/26

7. Financial projections 2025/26

8. [redacted]

9. Five-year Capital Investment Plan

10. [redacted]

Other business

11. Finance report

12. Performance report

13. [redacted]

14. Governance update (verbal)

15. AOCB

Date of next meeting: 24 March 2025

Report

To: Loretto Housing Board

By: Laura Henderson, Managing Director

Approved by: Alan Glasgow, Group Director of Housing

Subject: Strategy 2026-31 pathway

Date of meeting: 3 February 2025

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1. Purpose

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

2. Authorising and strategic context

2.1 Under our Terms of Reference, we are responsible for approving our 5-year strategy, within the strategic context of the overarching Group strategy. We agreed our current 5-year strategy in February 2021.

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

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

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

3. Background

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

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

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

4. Discussion

Key achievements

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

- **93%** of our customers said they were **satisfied with the overall service,** above the Scottish average;
- The development of **a new, integrated neighbourhood management approach** bringing clarity in how we are addressing local priorities;
- **A Strategic Asset Investment and Management Plan** which supports the **linking of asset investment to neighbourhood priorities** as well as meeting our current and future compliance obligations;
- Creating 14 jobs, **training places or apprenticeships** opportunities in 2023/24 and a further 20 to quarter three of 2024/25;
- **Successful migration to a cloud telephony platform** within our Customer First Centre **ahead of schedule**. The platform has enhanced our ability to communicate with tenants in responding to events such as severe weather, increased our business continuity resilience;
- **Continued refinement of our repairs service**, introducing new ways of working such as dedicated trade teams and enhanced performance reporting;
- **Significantly expanding the level of real-time customer feedback** through our My Voice and Localz platforms to provide instant customer satisfaction ratings within the CFC, NETs and Allocations and repairs. These tools have enabled the collection of feedback which is now regularly reviewed to drive continuous improvement in service delivery; and
- Continued to contribute to the Group leading the way nationally in alleviating homelessness, exceeding our target by **providing homes to nearly 100 homeless households in 2023/24 and a further 69 to quarter three in 2024/25.**

Pathway to our 2026-2031 strategy

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

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

Staff engagement

4.3 We have commenced the initial staff communication and engagement programme. The central element of this will be staff participation in '*Shaping our Future*' sessions seeking their feedback and views on what priorities should be reflected in our 2026-2031 strategy. This will include staff from different parts of the business, including housing, Stronger Voices, repairs and environmental, to discuss what our priorities should be and how we can maintain customer satisfaction together over the next strategy period.

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

Customer engagement – phase 1

4.5 Our existing strategy places customers at the heart of shaping our priorities and this will also be the case for the development of our new strategy. We intend to initially engage with a small sample of customers.

4.6 To ensure we are hearing a wide and diverse range of perspectives, we will also include a sample of customers not registered with our Customer Voice programme. This engagement is therefore likely to include around 20-30 of our customers. This initial phase will be supplemented by detailed customer engagement in the Summer.

4.7 To provide support and expertise to this element of the strategy development it is intended that the first phase of customer engagement will follow a similar approach to that for rent setting. We have engaged an independent research firm, which has supported our recent rent focus groups and customer satisfaction surveying, to facilitate discussions with at least 20 customers and synthesise the discussions into a customer view of what our key priorities should be.

Board strategy workshops

4.8 Our Board will have a strategy workshop in May and be updated on the relevant themes and priorities identified during staff and customer engagement and proposals on how they are reflected in the future strategy.

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

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

Staff and customer engagement – phase 2

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

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

4.13 For customers we would seek feedback through a digital survey and potentially some targeted focus groups. The intention is that around 50 of our customers will have contributed to the development of our strategy the Board will be asked to approve, contributing to 1000 customers across the Group feeding into our Group strategy.

Board review of draft strategies

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

5. Customer engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory, and charitable implications

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

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

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

10. Risk appetite and assessment

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

11. Equalities implications

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

12. Key issues and conclusions

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

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

13. Recommendations

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

LIST OF APPENDICES:

None.

Loretto Housing

Report

To:	**Loretto Housing Board**
By:	**Laura Henderson, Managing Director**
Approved by:	**Alan Glasgow, Group Director of RSLs**
Subject:	**Rent and service charges 2025/26**
Date of Meeting:	**3 February 2025**

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2025/26 rent, service and other charges increase; and
- Seeks Board approval for the 2025/26 rent, service and other charges increases.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board are responsible for agreeing the overarching parameters for rent setting. Thereafter each Registered Social Landlord **("RSL")** Board agrees their own rent increase within the agreed parameters. The Group Board agreed rent setting parameters at their meeting on 19 December 2024. The Board agreed that increase options of 6.9% and 7.9% should be the basis of consultation with our tenants and that this Board be delegated authority to apply either of these rent increase levels having considered the tenant consultation feedback.

3. Background

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

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

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

4. Discussion

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

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

4.3 The consultation maintained the relatively high response rate from last year, with **375** valid responses received as detailed below:

Table 1: Loretto results

Rent options	Responses
6.9%	**303** (80.8% of returns)
7.9%	**72** (19.2% of returns)
Total	**375** *(2024 – 368)*

4.4 This response showed stronger support for the 6.9% option but again demonstrated that there remains some appetite for and even higher rent increase where it will be focused on additional investment and neighbourhoods.

<u>Qualitative feedback</u>

4.5 We invited respondents to provide feedback on why they chose the option they did. Alternatively, if a tenant did not wish to support any options, they could provide feedback via post as to why (9 returns were received with feedback only). For those who selected an option, we received feedback from over 110 customers regarding the proposals.

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

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

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

Summary

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

5. Customer engagement

5.1 Our formal consultation was open and transparent, clearly setting out what each option would mean in terms of future investment and services to allow tenants to make an informed response to the two options we consulted on. Our final consultation brochure was informed by customer engagement via rent focus groups prior to the formal consultation, with feedback being considered by the Group Board in December 2024. We have updated rent focus group participants about how their input impacted the final brochure. The level of responses affirmed that our consultation approach resonated with tenants.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

8.2 Our financial projections confirm that, based on the proposed rent uplifts, we will have robust financial plans which will have the necessary 30-year provisions to continue to invest in our stock as per the Strategic Asset Investment and Maintenance Plan, including maintaining our stock in line with all legal and regulatory requirements such as Scottish Housing Quality Standard, electrical inspections and fire safety.

9. Legal, regulatory and charitable implications

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

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

10. Risk appetite and assessment

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

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

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

11. Equalities implications

11.1 Our customer engagement prior to formal consultation helps ensure a wide range of customer perspectives informs our final consultation approach. Civica issued our consultation material as per communication requirement including large print, braille and audio CD. To support customers whose first language is not English to request a translation, we also included a translation note in the Group's 5 top languages, informed by our translation/interpretation request data and results from the 2022 customer EDI survey.

12. Key issues and conclusions

12.1 Our consultation attracted 375 responses, with over 100 respondents also giving qualitative feedback. The proportion of respondents, at nearly 20%, indicating a preference for the higher rate of 7.9% on the basis of additional investment is very consistent with the qualitative feedback.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2025/26 rent, service and other charges increase; and

2) Approve a 6.9% rent, service charges and other charges (including garages and lock ups) for 2025/26 for all tenants effective from the 1st of April and 28 March 2025 for ex-Cube properties.

LIST OF APPENDICES:

NONE

Loretto Housing

Report

To: Loretto Housing Board

By: Lyndsay Brown, Director of Financial Reporting

Approved by: Pauline Turnock, Group Director of Finance

Subject: Financial Projections 2025/26

Date of Meeting: 3 February 2025

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1. Purpose

1.1 The purpose of this report is:

- To set out the updated financial projections for investment in assets and services over the period to 2030, in support of our strategy, *Your Home, Your Community, Your Future*; and
- To seek approval of these updated financial projections, the first year forming the budget for 2025/26.

2. Authorising and strategic context

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

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

3. Background

3.1 The UK has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households.

3.2 Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation to 2.5% (at December 2024) and while there are now signs of economic stabilisation, and potential for further interest rate reductions, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. Inflation, in line with market predictions increased slightly at the end of 2024, but forecasts are that it will remain close to the target prompting interest rate reductions from the current rate of 4.75% in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure.

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

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

3.4 The UK budget in October 2024 announced an extra 1.2% on employers’ national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing group staff costs by £2.8m, and Loretto’s staff costs by £0.1m, and the costs to provide services such as repairs, environmental services and housing management to tenants. This increase in national insurance contributions was not previously anticipated in our business plan.

4. Discussion

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

4.2 Included in the projections is provision for the continuation of investment in our services and assets and delivery of our programme of operating efficiencies (excluding inflation):

- Over the five-year period the business plan includes provision for investment of £22.4m in our existing housing stock;
- Our new build programme includes gross development spend of £118.1m projected over the five-year period and the completion of 406 additional new build homes for both social rent (368 units) and mid-market rent (38 units), in addition to the renovation of 18 existing social rent units into 19 homes at Duke Street to bring a total of 425 new homes into the letting pool; and
- Management and overhead costs decrease over the five-year period from £3,369 per unit in 2025/26 to £3,309 per unit in 2029/30. These efficiencies create capacity within Loretto to fund the debt required to meet our new build ambitions and invest in services for our customers.

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

Delivering Exceptional Customer Experience

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

- The demand for repairs, with feedback from tenants continuing to emphasise how important the repairs service is for them. Following the launch of the My Repairs service in the West in 2023 and the successful launch of ‘Book-it, Track-it, Rate-it’, we will continue to extend our collaborative working with City Building (Glasgow) LLP;
- Our neighbourhood delivery with the formation of the Neighbourhood Environmental Improvement Team to deliver environmental work in our communities. This forms part of our Strategic Asset Investment plan, with particular focus on neighbourhood priorities;
- Our Wheatley 360 wraparound services with provision of £0.36m in Loretto, in addition to the other RSLs, to provide ongoing funding. Wheatley 360 provide additional support and services to our tenants such as housing and money advice, homelessness and customer support; and
- Continuing our commitment to the Community Improvement Partnership **(“CIP”)** with the police and fire services, in addition to Group Protection. These partnerships support communities across several areas, such as fire prevention, and dealing with anti-social behaviour and crime. This work is delivered by Wheatley Foundation and Wheatley 360 and supported through donations from the RSLs, including Loretto.

4.4 These projections include funding of £1.3m over the next five years towards the Group’s IT capital programme, which is aligned to seven workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. The workstreams are:

- Digital Workplace, Workflows and Automation, including technology in hubs and support of the hybrid working model;
- Customer Self Service, including the review and replacement of our current customer self-service platforms;
- Housing and Care Transformation, supporting the new housing operating model through ongoing investment in staff mobile applications and services;
- Asset and Repairs Transformation including an ongoing programme of redevelopment of online repairs services for customers, aligned to ongoing improvement to operational analytics and reporting platform and improvements to customer communications supporting the evolution of ‘Book-it, Track-it, Rate-it’;
- Core Architecture supporting the management of current technical estate, upgrades to core platforms, replacement of Group firewalls and cloud connectivity improvements, legacy contract terminations and technology removals;
- Cyber Security including the ongoing investment in core platforms, cloud services, security platforms and software and disaster recovery services, support for delivery of Cyber Essentials certification; and
- Data, AI and Innovation, including projects ensuring the delivery of Group Data Strategy and improved analytics.

Making the most of our homes and assets

4.5 In 2025/26, we plan to spend around £9.1m in our existing properties between capital investment and repairs, equivalent to £3,202 per property. City Building will continue to play a key part in the investment in our customers' homes through its role as our delivery arm for repairs and investment work in the west.

4.6 In total, we plan to invest approximately £22.4m in improvements to our customers' homes in the first five years of the plan, with a further £23.4m in repairs. This funding will ensure our properties remain in a good state of repair, sufficient provision is available for all compliance requirements and reflects our tenants' consistent message on how important the overall quality of their home and neighbourhood is to them. Our investment programme includes priority projects identified when through our Customer Voice panels when developing our Asset Management Strategy.

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

- Continue to grow the planned funding for our cyclical compliance, with increased provision for fire door safety, asbestos, legionella and rope safety works, and our lifecycle replacement investment programme;
- Create a funding provision of £5.2m to deliver our neighbourhood plans (£2.8m) and a programme of environmental improvements (£2.4m); and
- Create capacity to build a programme of energy efficiency improvements to meet the zero targets in the new SHNZS with a provision of £1.2m over the first five years.

4.8 A key part of our Strategy is to continue to develop quality affordable homes for people in the areas in which we operate and to regenerate communities. We completed 259 new homes over the first three years of the Strategy and anticipate completing 39 units in 2024/25. Based on the 2025/26 projections a total of 383 homes will be added over the 2021-26 strategy period, all of which are social rent.

4.9 Over the five-year period from 2025 to 2030 our financial projections reflect the delivery of 406 additional new build homes for both social rent (368 units) and mid-market rent (38 units) in addition to the renovation of 18 existing social rent units into 19 homes. Over the 10-year period to 2033, the projections include provision for the development of around 958 new homes. Further details of the Loretto's five-year development programme are presented separately to this Board.

4.10 This is in the context of a challenging development landscape. The Scottish Government announced in its 2025/26 budget in December 2024 an increase, subject to agreement, in the funding for affordable housing with a budget of £768m for 2025/26, a real term increase of 26% from 2024/25. While the budget returns spending in cash terms to a level higher than it was two years ago (£752m), the overall budget in real terms (2024-25 prices) is 3% lower than it was in 2023/24. Our future pipeline relies on the availability of government grant for new projects to start on-site over the coming year. Our five-year programme reflects discussions with our local authority partners and the Scottish Government on likely AHSP funding availability and our development plan is assumed to be supported by £73.6m of grant income.

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

Changing lives and communities

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

- Funding of £1.3m to the Wheatley Foundation (the "**Foundation**") over the first 5 years of the financial projections, which is Loretto's contribution to enabling the continued delivery of wide-ranging support by the Wheatley Foundation to customers across the Group including in the key areas of poverty social inclusion, and employability; and
- The Foundation projections extend the Helping Hand fund to March 2026, which provides assistance to our customers who are facing financial hardship with rent.

Developing our shared capacity

4.13 Over the next five years, we will continue to invest in our staff to ensure they have the exceptional skills, attitude, engagement and influence to excel in this hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and, in our leadership, apprenticeship opportunities and graduate programmes. Provision has been included to invest in apprenticeships for the environmental service staff (NETS) and in the Foundation.

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

Enabling our ambitions

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

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

Figure 1: Statement of comprehensive income

Statement of Comprehensive Income	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	17,338	18,545	19,965	21,393	22,873
Other Income (including MMR lease income)	96	109	222	226	297
Grant Income	10,042	8,269	10,638	9,579	12,509
	27,476	**26,923**	**30,825**	**31,198**	**35,679**
Service Costs	(389)	(399)	(409)	(419)	(430)
Management Costs	(4,336)	(4,815)	(4,986)	(4,931)	(5,172)
Repair and Maintenance Costs	(4,580)	(4,816)	(4,938)	(5,046)	(5,329)
Bad Debt	(266)	(326)	(404)	(424)	(444)
Depreciation	(7,807)	(8,313)	(8,973)	(9,788)	(10,546)
Operating Expenditure	**(17,378)**	**(18,669)**	**(19,710)**	**(20,608)**	**(21,921)**
Investment Property Valuation Movement	66	1,934	1,881	4,137	2,643
Operating Surplus	**10,164**	**10,188**	**12,996**	**14,727**	**16,401**
Operating Margin (%)	37%	38%	42%	47%	46%
Finance Costs	(4,185)	(4,602)	(5,155)	(5,820)	(6,537)
Housing Property Valuation Movement	(1,507)	(2,402)	(10,782)	(6,739)	(9,419)
Gain on Sale Properties	-	-	-	-	-
Total Comprehensive Income	**4,472**	**3,184**	**(2,941)**	**2,168**	**445**

4.17 Over the five-year period presented, Loretto's Total Comprehensive Income fluctuates due to property valuation movements and grant recognition on completed units. Total comprehensive income of £7.3m is projected. The deficit reported in year 3 of £2,941k is after accounting for the housing property valuation that includes the completed units at Duke Street built with no grant funding and therefore has had a greater downward valuation on completion with no offsetting release of grant.

4.18 Our annual rent and service charge consultation exercise is reported to the Board separately. The financial projections incorporate the proposed 6.9% increase in rent and service charge levels. The projections also assume a reduction to our operating cost base of 1.8%, with efficiency savings in the cost per unit over the five-year period.

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

Figure 2: Statement of Financial Position

Statement of Financial Position	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Housing & Investment Properties	182,503	209,039	222,356	239,595	268,453
Other Fixed Assets	2,381	2,688	3,072	3,551	3,654
Total Fixed Assets	**184,884**	**211,727**	**225,428**	**243,146**	**272,107**
Current Assets	3,400	3,400	3,400	3,400	3,400
Current Liabilities	(9,965)	(19,390)	(18,618)	(21,871)	(19,709)
Net Current Liabilities	**(6,565)**	**(15,990)**	**(15,218)**	**(18,471)**	**(16,309)**
Long-Term Liabilities	(97,783)	(112,017)	(129,431)	(141,728)	(172,406)
Net Assets	**80,536**	**83,720**	**80,779**	**82,947**	**83,392**
Retained Earnings	80,536	83,720	80,779	82,947	83,392
Total Reserves	**80,536**	**83,720**	**80,779**	**82,947**	**83,392**

4.20 The value of housing assets increases by £87.0m over the five years from 1 April 2025. The new build programme is funded by debt (and grant subsidy) with Loretto's net debt increasing by £57.1m over the same period. This additional debt and asset value results in a growth in net assets of £7.3m (equal to total comprehensive income) over the period.

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

[redacted]

[redacted]

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

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

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

[redacted]

[redacted]

[redacted]

4.24 [redacted]

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4.25 [redacted]

5. Customer engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Revised financial projections for Loretto are summarised in section 5 above and in Appendix 1. The financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 26 February 2025. The figures in the first year of the projections, 2025/26, will then form the basis of the annual budget which will be presented to the Board for approval in March 2025. Performance against the budget will then be monitored via the management accounts provided to the Board throughout the year.

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

9. Legal, regulatory and charitable implications

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

10. Risk appetite and assessment

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

11. Equalities impact

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This report presents the financial projections for the five-year period to 31 March 2030.

13. Recommendations

13.1 The Board is requested to:

1) Approve the updated projections for investment in assets and services over the five-year period to 31 March 2030; and
2) Agree that the projected 2025/26 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March.

LIST OF APPENDICES

Appendix 1 – 2025/26 Detailed Financial Projections

Loretto Housing Financial Projections 2025/26

Better homes, better lives

1. Headlines

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

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

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

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

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

We are forecast to invest £3.5m in existing homes this year and projected to complete 39 new build properties in 2024/25. This is in the context of a challenging development market coupled with the Scottish Government 2024/25 budget reduction to the Affordable Housing Supply Programme (AHSP).

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

Loretto has plans to deliver over 400 homes in the next 5 years and over the next 10 years approximately 950 properties will be developed including 80 properties for mid market rent. In addition, we will deliver the conversion of 18 existing units into 19 homes.

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

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

- Provision to deliver 406 additional new build homes for both social rent (368 units) and mid-market rent (38 units) in addition to the conversion of 18 existing social rent units into 19 homes in the first 5 years of the plan to bring 425 new homes into the letting pool.
- £23.4m of repairs spend in our existing housing stock in the first 5 years.
- £22.4m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £2.8m for our neighbourhood priorities and £0.9m provision to fund energy efficiency improvements to meet the new Scottish Housing Net Zero Standard (SHNZS)
- Provision of £1.3m for investment in our digital transformation and centres of excellence strategies.
- £1.5m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of value for money and operational efficiencies. This results in our operating costs per unit, excluding inflation, reducing from £3,369 to £3,309 over the 5 year period.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. Loretto's peak net debt of £193.8m is forecast to be reached in 2033/34 (year 9).

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

2. Key assumptions

The key financial assumptions in the 2025/26 Business Plan are highlighted below. All figures include VAT, where applicable, but not inflation (unless stated otherwise).

2.1 Stock

a) <u>Opening stock numbers</u>

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2024, updated for developments completed in 2024/25. The stock number includes 47 units which are managed by Loretto HA on behalf of other providers.

Table 1 – Split of stock by type

Unit Type	Units 31.3.2024	Forecast to complete 2024/25	Units 31.3.2025
General Needs and Supported	2,742	39	2,781
Shared Ownership	17	-	17
Total (Social)	**2,759**	**39**	**2,798**
Mid-Market Rent	17	-	17
Total	**2,776**	**39**	**2,815**

The 17 MMR units at Barclay Street are managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain for responsibility of Loretto, and these costs are contained within the business plan assumptions moving forward.

b) Units completed

In the previous five years, including the 2024/25 forecast completions, Loretto has completed 298 new build units. Table 2 outlines Loretto's developments in the previous five years.

Table 2 – Units completed

Year	Developments	Units
2020/21	No developments completed	-
2021/22	Cobblebrae, Dargavel	30
2022/23	Dargavel, Hallrule, Queens Quay, Sawmill Field, Vellore Road	205
2023/24	Maddiston	24
2024/25	Constarry Rd, Croy and East Lane, Paisley	39
At 31.03.2025		**298**

c) Projected new build completions and closing stock numbers

The 2025/26 projections assume a provision to deliver 406 additional new build homes for both social rent (368 units) and mid-market rent (38 units) in the first 5 years of the plan, in addition to the conversion of 18 existing social rent units to 19 homes. This will provide significant organic growth, increasing stock numbers to 3,222 and growth of over 14%.

The Loretto new build pipeline considers where new opportunities may emerge, driven by local authority housing strategy and the Strategic Housing Investment Programme that flows from it. The focus is on local authorities in the West of Scotland, with the exclusion of Glasgow City, noting that the development at Forfar Avenue, Cardonald is one exception to this given the previous discussion on the project with Glasgow City Council. The Loretto five-year plan allows for development activity across 7 local authority areas, particularly Renfrewshire and Falkirk along with North Lanarkshire, South Lanarkshire and East Dunbartonshire, increasing housing supply, and our presence in these areas.

Table 3 below shows the planned profile of both social rent and mid-market rent housing stock over the period of the projections.

Table 3 – Housing Stock Numbers

	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Stock – Social Rent	2,798	2,883	2,929*	3,006	3,084
New Build and renovation	85	46	77^	78	83
Closing Stock – Social Rent	**2,883**	**2,929**	**3,006**	**3,084**	**3,167**
Opening Stock – MMR	17	17	37	37	37
New Build and renovation	0	20	0	0	18
Closing Stock - MMR	**17**	**37**	**37**	**37**	**55**

** stock numbers Includes existing 18 units at Duke Street*

^includes 1 new unit at Duke Street added to stock numbers

2.2 Income

a) Rent and Service Charge Income

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

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 6.9% rent increase in April 2025. In addition to rental income, Loretto receives income from service charges. Based on current charges, forecast income is £1,359k per annum (net of amounts transferred to Wheatley Care) with supported accommodation, which includes service charges being significantly higher than general needs. Table 4 shows the rent and service charge growth assumptions over the next five years noting that future years' rent increase levels are considered annually by the Board

[redacted]

	2025/26	[redacted]	[redacted]	[redacted]	[redacted]
Rent and service charge	6.90%	[redacted]	[redacted]	[redacted]	[redacted]

b) Other Income

In addition to rental and service charge income, Loretto generates income from other sources.

Income Type	Service Description
MMR Lease Income	Lease income from Lowther Homes for the existing development at Barclay Street is £96k per annum, with income of £192k for the 38 new build units by year 5.

2.3 Cost Inflation Assumptions

Despite CPI in September 2024 dipping below the Bank of England target rate of 2.0%, as forecast, inflation has steadily crept back into the UK economy and rose to 2.6% in November falling marginally to 2.5% in December, with the UK Government Budget in October 2024 and Public Sector pay increases being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists now expect CPI won't fall back to the long term 2.0% target rate until closer to 2027. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to higher price increases.

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

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

Table 5 – Inflation assumptions

General Inflation Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
General cost inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Pay uplift	3.50%	[redacted]	[redacted]	[redacted]	[redacted]

2.4 Operating performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward. The high rate of voids for our supported housing properties reflects the specialist nature of this stock and the need to work in partnership with local authorities to fill void properties, rather than referring to an established waiting list.

Table 6 – Void rent loss, bad debt and arrears assumptions

Performance Assumptions	Current year	2025/26	2026/27	2027/28	2028/29	2029/30
Routine voids (%) *	1.9	2.5	2.4	2.4	2.3	2.3
Bad debts (%) – General Needs	3.0	3.0	3.0	3.0	3.0	3.0
Bad debts (%) – Supported	2.0	2.0	2.0	2.0	2.0	2.0
Arrears (£'000) – net of bad debt provision	161	203	203	203	203	203

**Blended rate for general and supported*

Voids for each category of rental income remains at a constant % of rental income although the blended rate notes an overall reduction due to the additional new builds in general needs increasing the level of rental income which attracts a lower void rate. The combined current year void performance to December 2024 is 1.86%. The assumptions in the business plan are therefore prudent compared to historical rates. Bad debts remain at a constant % of rental income.

The business plan assumptions on the movement in arrears continue to recognise the economic challenges facing our customers, together with our experience to date with Universal Credit. The 2025/26 business plan prudently assumes that all working age tenants on benefits move to UC by end March 2026, which is reflected in the increase in arrears from the current year to 2025/26, linked to the 5 week initial waiting period.

2.5 Management costs

Loretto's employee cost assumptions reflect costs in relation to delivering the direct staff structure including any costs associated with changes to the structure. Additionally, Loretto pays an appropriate share of the salaries of the Compliance and Investment, MyRepairs, New Build, Environmental Service (NETs) and Wheatley 360 staff teams. The increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £0.1m. SPF employer pension contributions of 6.5% (25/26), 17.5% (26/27) returning to 19.3% from 27/28 onwards have also been included in the projections.

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

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

Table 7 – Management cost assumptions (excluding inflation)

Management Costs	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Employee costs	1,543	1,614	1,694	1,540	1,643
Running costs	986	1,018	1,039	1,072	1,111
Recharges from Group	1,622	1,665	1,646	1,645	1,642
Total	**4,151**	**4,297**	**4,382**	**4,261**	**4,402**
Average Cost per Unit £	1,461	1,479	1,477	1,399	1,408

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

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service customers receive and their satisfaction levels. A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. fire door safety, gas servicing, electrical inspections, emergency lighting, window safety catches, TMVs, HIU inspections).

The provision for repairs recognises the demand that we have experienced in 2024/25, growth from the additional stock and legislative requirements, whilst also assuming a continuation of our close collaboration with City Building Glasgow. This results in an increase in the average repairs and maintenance cost per unit of 6.5%, excluding inflation, between the 2024/25 budget (stated in 2025/26 prices) and the projection for 2025/26. Table 8 summarises the revenue repairs and maintenance assumptions.

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

Repairs	2025/26	2026/27	2027/28	2028/29	2029/30
Responsive Repairs £000	2,547	2,571	2,598	2,636	2,677
Planned Maintenance £000	2,033	2,128	2,101	2,049	2,151
Total	4,580	4,699	4,699	4,685	4,828

b) Capital Investment

As part of our business planning and Asset Management Strategy, we have looked at the level of financial capacity within our financial projections to meet all our compliance obligations, for investment in existing homes, for delivery of our neighbourhood priorities and to support the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero Standard.

Table 9 summarises the capital investment programme for the next five years. Investment in existing stock in 2024/25 is forecast to be £3.5m. Over the next five years investment will continue with a further £22.4m, stated before inflation, or £23.6m including inflation, of planned investment in existing stock. On average, this provides an annual uplift of £0.98m (before inflation) investment in existing stock from 2024/25.

Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £2.8m (£2.9m including inflation) allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £0.9m (£1.0m including inflation) to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS).

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

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

Table 9 – Capital investment programme (excluding inflation)

Capital Investment	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Programme	3,268	1,681	2,986	3,297	4,785	16,017
Void Repairs	348	349	349	349	349	1,744
Capitalised Repairs	378	378	378	378	378	1,890
Medical Adaptations	120	120	120	120	120	600
Sub-total	4,114	2,528	3,833	4,144	5,632	20,251
Capitalised Staff	404	424	427	427	427	2,109
Total	**4,518**	**2,952**	**4,260**	**4,571**	**6,059**	**22,360**

Total (including inflation)	**4,518**	**3,025**	**4,473**	**4,917**	**6,680**	**23,613**

c) New Build Programme

The new build programme is set out in Section 1.1 to deliver 406 additional new homes for social and mid-market rent in addition to the conversion of 18 existing social rent units into 19 homes in the first 5 years of the plan.

Table 10 outlines the investment in new build homes over the next five years.

Table 10 – New build funding profile (including inflation)

New Build Programme	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	4,747	27,282	24,516	23,585	37,947	118,077
Grant Income (cash received)	1,765	19,728	13,280	13,796	24,981	73,550
Net Development Cost	**2,982**	**7,554**	**11,236**	**9,789**	**12,966**	**44,527**
Renovation of Duke Street	550	4,100	1,150	0	0	5,800
Development fund	75	0	0	0	0	75
Capitalised Employee Costs	819	865	888	906	924	4,402
Capitalised Interest	109	76	278	428	458	1,349
Net Cost	**4,535**	**12,595**	**13,552**	**11,123**	**14,348**	**56,153**
Completions	85	66	77*	78	101	407

**includes additional 1 unit from Duke Street conversion with existing 18 units already accounted for in stock numbers*

A provision of £75k has been included for a development fund. This can go towards projects of strategic importance to help where there is a small funding gap. It has not been assigned to a project at the present time and if unused will be rolled forward.

2.7 Initiatives and Other Provisions

a) Initiatives

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

The main one is our contribution to the Wheatley Foundation of £1.3m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. Most of the Foundation’s income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 90% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. Projects include the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Loretto over the long term.

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

Table 11 – Initiatives (excluding inflation)

Initiatives	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Donation to Wheatley Foundation	87	311	308	326	310
Other Initiatives	40	40	40	40	40

b) IT Capital Investment

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

Table 12 – IT Capital Contribution (excluding inflation)

IT Capital Programme	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000	£'000
IT Capital Contribution	282	269	259	253	247	1,310

The 5 year IT Capital Investment programme is aligned to 7 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace, Workflows and Automation
- Customer Self Service
- Housing and Care Transformation
- Asset & Repairs Transformation
- Core Architecture
- Cyber Security
- Data, AI and Innovation

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

- **Digital Workplace, Workflows and Automation** – An ongoing programme of technology and facility upgrades and improvements in Corporate office services (collaboration and meeting technology, remote and home working devices, software and support); improvements to software and platforms supporting staff and 3rd party engagement, content and document sharing and shared service delivery. A range of AI-enabled and RPA (robotic process automation), data integration and automation services to support efficient and effective business and customer service delivery.
- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners and ongoing improvements aligned to customer feedback, customer journey maps and customer outcomes. Ongoing integration of Group multi-channel services to STORM platform. Ongoing customer and community engagement and feedback service improvements through digital platforms including MS Dynamics and MyVoice, aligned with Stronger Voices and wider customer engagement programmes.
- **Housing and Care Transformation**– Housing service delivery transformation through improvements to staff mobile and desktop applications and services; housing platform upgrades and process improvements through business improvement projects and application consolidation. Key projects include replacement of Group factoring management system; upgrades and improvements to Group Housing Management System; improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery and improvements to customer payment collection platforms and services.
- **Asset and Repairs Transformation** –Technology and business change programme aligning Group West Repairs technology approach and service delivery models to a standard Group approach across platforms, reporting, customer communications and end-end service delivery. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.
- **Core Architecture** – A programme to ensure the ongoing maintenance, compliance and improvement of Group technology platforms, ensuring the security, stability and support of critical business operations. Delivery and implementation of cyber-technology platforms and services to ensure ongoing security compliance and technical control of applications, data, user activity and cyber-incident responsiveness. Key projects include the final stage of Group data centre terminations and cloud migrations; platform and software upgrades to ensure ongoing compliance and assurance of technology estate and replacement of Group Virtual Desktop services through cloud desktop and ‘secure-access, service edge’ approach for remote access and hybrid workers.

- **Cyber Security** – Investment and projects improving and advancing core cyber controls, supporting increasingly comprehensive compliance and audit requirements, extending services and logs subject to 24-hour alerting and monitoring services, and delivering Cyber Essentials certification for Care and Group.
- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and Data Strategy technology roadmap including improvements to reporting, analytics, and data aggregation platforms, including City Building repairs and compliance analytics. An AI (Artificial Intelligence) programme establishing Group AI strategy, governance and delivery roadmap across staff, manager and platform AI improvements.

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decreases over the five year period as set out in Table 13 below.

Table 13– Projected operating cost per unit (excluding inflation)

Operating Costs	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Operating Costs	9,571	10,104	10,228	10,071	10,342
Average No. of Units in year	2,841	2,906	2,968	3,045	3,126
Operating Cost per Unit (£)	3,369	3,477	3,447	3,307	3,309

The operating costs increase in year 2 due to a return to the higher rate of employers' pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26. In addition, from year 2 onwards there is a return to higher donations paid to the Foundation following increased donations paid over in 2023/24. This represents a 1.8% decrease in the operating cost per unit over the five year period, which includes value for money and efficiency savings gained through the service transformation and investment in technology.

2.9 Interest Rate assumptions

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

Table 14 – Interest rate assumptions

Interest	2025/26	2026/27	2027/28	2028/29	2029/30
Interest Payable (Group Funding)	4.50%	4.60%	4.65%	4.80%	4.90%
Interest Receivable	1.50%	2.00%	2.00%	2.00%	2.00%

3. Financial projections – next 5 years

a) Statement of Comprehensive Income

Table 15 – Statement of Comprehensive Income

Statement of Comprehensive Income	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	17,338	18,545	19,965	21,393	22,873
Other Income (including MMR lease income)	96	109	222	226	297
Grant Income	10,042	8,269	10,638	9,579	12,509
	27,476	**26,923**	**30,825**	**31,198**	**35,679**
Service Costs	(389)	(399)	(409)	(419)	(430)
Management Costs	(4,336)	(4,815)	(4,986)	(4,931)	(5,172)
Repair and Maintenance Costs	(4,580)	(4,816)	(4,938)	(5,046)	(5,329)
Bad Debt	(266)	(326)	(404)	(424)	(444)
Depreciation	(7,807)	(8,313)	(8,973)	(9,788)	(10,546)
Operating Expenditure	**(17,378)**	**(18,669)**	**(19,710)**	**(20,608)**	**(21,921)**
Investment Property Valuation Movement	66	1,934	1,881	4,137	2,643
Operating Surplus	**10,164**	**10,188**	**12,996**	**14,727**	**16,401**
Operating Margin (%)	37%	38%	42%	47%	46%
Finance Costs	(4,185)	(4,602)	(5,155)	(5,820)	(6,537)
Housing Property Valuation Movement	(1,507)	(2,402)	(10,782)	(6,739)	(9,419)
Gain on Sale Properties	-	-	-	-	-
Total Comprehensive Income	**4,472**	**3,184**	**(2,941)**	**2,168**	**445**

Rental income
Investment in the new build programme and assumed rental increases will generate 32% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Grant income
In line with SORP 2018, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base.

Expenditure
The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 1.8% reduction in operating cost per unit.

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

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

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

Gain on Sale
The business plan assumes no properties will be disposed of.

Total Comprehensive Income
The completion of new units has a significant impact on the reported total comprehensive income. Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the

year of completion. Under SORP 2018 new build grants are not considered when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are a prudent scenario. The deficit reported in year 3 of £2,941k is after accounting for the housing property valuation that includes the completed units at Duke Street which were built with no grant funding and therefore has had a greater downward valuation on completion with no offsetting release of grant.

Over the five year period total comprehensive income is £7.3m.

b) Statement of Financial Position

Table 16 – Statement of Financial Position

[redacted]

Housing Assets

The plan assumes Housing & Investment Property assets to increase £87.0m over five years from 1 April 2025 due to the construction of 406 additional new build homes and the renovation of 18 existing social rent units into 19 homes, and an assumed increase in the value of our existing stock as a result of investment.

Other Assets

This includes Lipton House. The increase in value reflects our continued investment in IT across the Group.

Current Assets

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

Current Liabilities

Current liabilities throughout the five year period include the deferral of new build grant income received until the relevant scheme is complete. Deferred grant income is a liability.

Long-Term Liabilities

Long-term liabilities relate to the loan due from Loretto HA to Wheatley Funding Limited 1 (“WFL1”), pension liability and long term other deferred income. The net balance due to WFL1, after deduction of cash balances, increases from £87.0m at March 2025 to £144.1m at March 2030, funding new build development. Peak net debt of £193.8m occurs in year 9 (2033/34).

Retained Earnings

During the five year period from 1 April 2025, retained earnings are projected to increase by the reported total comprehensive income of £7.3m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, partly offset losses linked to our borrowing costs during the development period.

c) Statement of Cash Flow

Table 17 - Statement of Cash Flow

[redacted]

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 32% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 1.8% over the same period.

Net Cash used in Investing Activities

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

Finance Costs

This reflects the interest due on our loan with WFL1. As expenditure is incurred to pay for our new build programme, Loretto will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2033/34, while core programme expenditure continues. Peak net debt is reached in 2033/34, which is year 9 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

Net Movement in Cash

In the first five years of the plan, we anticipate a £57.1m net cash outflow. This is due to significant repairs and investment spend in our existing properties, and the new build programme, in line with our strategic objectives.

4. Funding and debt profile

4.1 The debt profile for Loretto is as follows:

[redacted]

5. Key Parameters

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

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

£'000	2025/26	2026/27	2027/28	2028/29	2029/30
Income (excluding grant income and property valuation movement)	17,554	18,777	20,313	21,748	23,302
Underlying Operating Surplus/(Deficit)	176	108	603	1,140	1,381
Underlying Operating Margin (%)	1.00%	0.57%	2.97%	5.24%	5.93%

The underlying operating margin is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 4.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The underlying operating margin in 2025/26 of 1.00% increases to 5.93% over the five years due to additional rental income generated from completed new build units, as well as efficiency savings. In year 2 there is a reduction in margin due to a return to the higher rate of employers' pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26.

5.3 Cash flow strength
Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years**.** Revenue surplus removes items that are non-cash and/or unrelated to underlying operations, such as grant income, depreciation and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock. A ratio > 1 means that there is sufficient trading cash capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be over 1 to demonstrate sufficient capacity to repay capital.

[redacted]

[redacted]

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

The long-term financial projections show that debt can be repaid in year 29 of the plan with £28.7m of cash generated in year 30.

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

[redacted]

[redacted]

6. [redacted]

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

[redacted]

[redacted]

[redacted]

[redacted]

Loretto Housing

Report

To: Loretto Housing Board

By: Stephen Devine, Director of Assets and Sustainability

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

Subject: Five-year Capital Investment Plan

Date of Meeting: 3 February 2025

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1. Purpose

1.1 To seek approval of our five-year plan for capital investment in our existing homes for the period 2025/26-2029/30.

2. Authorising and strategic context

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

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

2.3 Investment in our existing homes, was the key theme of our strategy session in 2024. Discussions at this session have shaped the investment priorities set out here.

3. Background

3.1 The Group Asset Strategy was approved by our Group Board, after engagement with Group partner Boards, staff and customers, in June 2024. This strategy is built around five key drivers for investing in and managing our homes.

3.2 The broad direction in the Group Asset Strategy was translated into specific priorities for Loretto's stock through our Strategic Asset Management and Investment Plan. This plan was approved by the Board at its meeting in September 2024 and reflects our balance between the five key drivers based on, among other things, the condition of our homes, views on investment priorities from customers and staff and discussion with the Board at its strategy session.

4. Discussion

4.1 The capital investment plan discussed here is the third strand of our annual investment planning approach and how we ensure that our investment choices meet the direction set in the Group Asset Strategy, our priorities through our Asset Management and Investment Plan, and most importantly customer requirements.

4.2 Extensive discussions have been held with our frontline housing staff to inform our proposed capital investment plan. These discussions have supplemented the in-depth understanding of investment priorities we have through our asset management and repairs data. These discussions have also provided an opportunity for frontline staff to feed in views on priorities reflecting their understanding of customer and community needs and their dialogue with customers on what matters most.

4.3 Once this capital investment plan is approved, this plan will provide a basis for continuing engagement between our asset investment delivery teams and our local housing management teams to ensure customer priorities are delivered.

Capital investment plan

4.4 Our capital investment plan includes a core programme budget of £16.9m. This investment will ensure we meet our compliance obligations, significantly expand our component replacement programmes, make improvements linked to our neighbourhood plans, support our net zero ambition and target property types with particular investment needs. In addition to the core programme this investment is supplemented by £3.8m for improvements and capitalised repairs to void properties and £629k to support the delivery of medical adaptations to help customers remain independent in their homes for longer.

4.5 Our 2021-26 Strategy committed to delivering £14.2m of capital expenditure in our existing homes. Capital expenditure during this strategy period is shown below.

2021/22	2022/23	2023/24	2024/25 (est.)	2025/26*	Total
£2.9m	£2.2m	£2.1m	£3.5m	£4.5m	£15.2m

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

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

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

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

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

Compliance

4.9 Through our capital investment plan, we place a strong emphasis on ensuring our customer homes remain safe and secure. Over the five years of our investment plan, we will deliver £561k of capitalised improvements and spend £10m in revenue across a range of Home Safety related programmes encompassing:

Programme	Capitalised improvements
Gas:	▪ Annual gas servicing for 2,770 homes.
Electricity	▪ Domestic wiring upgrades where required through our periodic electrical inspection regime. ▪ Completion of our annual EICR programme.
Fire:	▪ Lifecycle replacement of LD2 smoke and heat detection across all stock types, and; ▪ Provision for planned improvement works as recommended in our Fire Risk Assessments.
Asbestos	▪ Funding for a rolling programme of annual asbestos re-inspections of relevant property common areas.
Water management	▪ Installation of Thermostatic Mixer Valves (TMV's) for our vulnerable customers. ▪ Inspection and testing of communal water tanks.
Lifts	▪ Annual inspection and maintenance works. ▪ One-off conversion to digital technology to mitigate risk of PSTN ("**Public Switched Telephone Network**") switch off.

Component Replacement

4.10 Ensuring our customers have modern components is a key priority. We plan to invest £16.6m over the next 5 years including £3.2m in 2025/26 improving components in our properties. The component replacement programme will also contribute to improvements in energy efficiency and our neighbourhoods.

Examples of what this investment is planned to deliver is shown in the table below.

Component	2025/26	2025/26 to 2030/31 (five years covered by investment plan)
Kitchens	82	410
Bathrooms	37	165
Windows	104	400
Heating Replacements	254	1,140

4.11 Addresses for these improvements have been identified using our asset data and through engaging with our frontline teams on priority areas.

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

Neighbourhood Priorities

4.13 The capital investment plan includes £2.9m of proposed investment to improve 65 blocks; benefiting circa 260 customers. As part of this investment, we plan to spend £615k in 2025/26 to improve 13 blocks and benefit circa 52 customers.

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

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

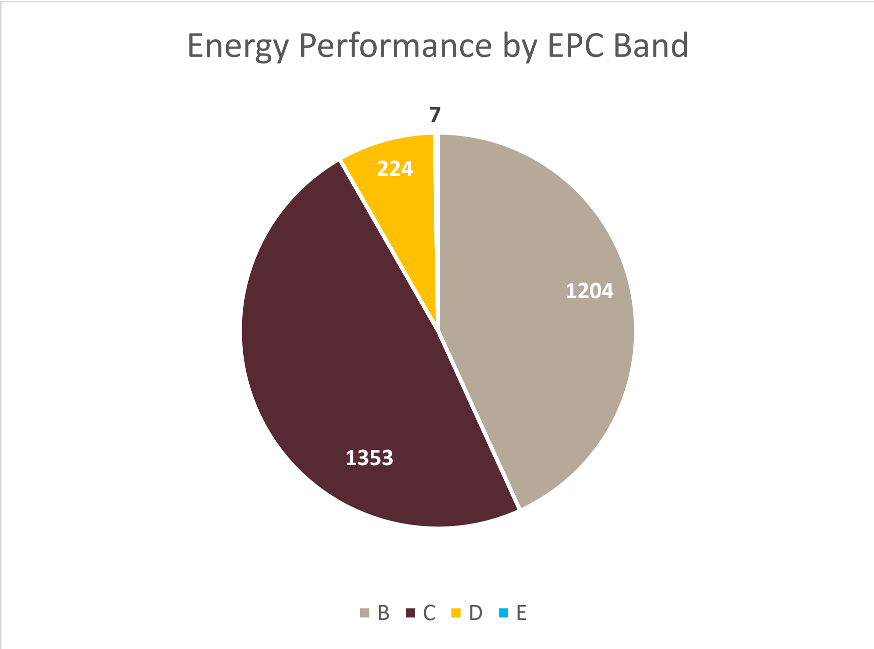
4.15 Works, above, undertaken by our ***environmental service*** will be carried out on a cyclic basis with the intention of ensuring that all 210 of our blocks are cleaned and improved over a three-year period. This is expected to benefit 1,394 customers.

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

Area	Number of Blocks
West Dumbartonshire (Major Fabric)	2
Renfrewshire (Major Fabric)	1
East Dumbartonshire (communal improvements)	3
Glasgow (communal improvements)	5
West Dumbartonshire (communal improvements)	2

Energy Efficiency

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



4.18 Our planned investment over the next five years in measures that will improve energy efficiency through component replacement is £5.6M. As part of this investment, we plan to spend £1m in 2025/26 to improve the energy efficiency in 320 homes through new windows, doors, efficient heating systems etc. We are also reviewing the investment needed for the seven properties that are at EPC band E to improve the energy efficiency. The works will include a combination of EWI/CWI, loft/underfloor insulation and upgrade of existing electric heating systems. These works will be planned as priority investment work over 2025/26 and 2026/27 financial years.

4.19 Our capital investment plan also includes £953k for Social Housing net Zero Standard **("SHNZS")** specific related investment. This investment will focus initially on fabric efficiency investment, beyond our core component replacement activities, including insulation top-up and draught proofing. However, this will be kept under review and priorities will change as need be to ensure alignment with Scottish Government policy on net zero for social housing once this is defined.

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

Particular stock types

4.21 Our stock base means we have stock types such as former care properties and flatted properties with particular investment requirements. While much of the investment needs in these properties are addressed through our other investment drivers, there are also more specific requirements because of the characteristics of the stock.

4.22 Our capital investment plan recognises the importance of our mechanical and electrical **("M&E")** infrastructure in ensuring our homes function correctly. This is particularly important in flatted complexes where vital services are required such as ventilation, water supply, CCTV and lifts. Our five-year plan includes over £300k for planned improvements to M&E components.

4.23 The capital investment plan also includes £730k of improvements to our stock where Wheatley Care services are provided. This has been informed by a condition survey and further supplemented through engagement with the site-based care teams to understand staff and customer priorities and the sequence of the programme has been profiled on that basis.

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

4.25 The programme also includes plans to re-purpose existing care offices back to residential dwellings. Feasibility studies are ongoing for the conversion of seven small offices and we plan to commence with the first conversion in early 2025/26. In addition, we are working with Glasgow City Council to develop plans for the conversion of the large office space at 1028-1040 Dumbarton Road into two large family homes for delivery in 2025/26.

5. Customer engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

10. Risk appetite and assessment

10.1 Our risk appetite for investing in existing homes and environments is “open”. This level of risk tolerance is defined as “prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level”. The proposals in this report reflect that risk appetite.

11. Equalities implications

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

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

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

12. Key issues and conclusions

12.1 Our core investment programme will deliver £16.9m of planned improvements in our property portfolio over the next five years including £3.2m in 2025/26.

12.2 The continuing focus of our programme is on delivering improvements that contribute the greatest value to our tenants and neighbourhoods, with 87% of our core programme geared towards known customer priority investment.

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

12.4 Safety remains a key priority for us with over £561k earmarked for property compliance and fire safety-related capital works over the next five years.

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

13. Recommendations

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

LIST OF APPENDICES:

Appendix 1: Five-Year Capital Investment Plan 2025-2030
Appendix 2: Output projections - key investment workstreams

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

PROPOSED LORETTO PROGRAMME (INC VAT)

WorkGroup	Investment Driver	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	TOTAL £'000	Number of Customers Benefiting over 5Yrs
Gas Heating	Component Replacement/Energy Efficiency	675	522	519	727	745	3,188	1,140
Electric Heating Renewals	Component Replacement/Energy Efficiency	29	30	30	31	32	152	30
Low-rise Fabric	Component Replacement/Neighbourhoods	225	100	236	409	1,277	2,247	37
Kitchen	Component Replacement	417	426	437	447	459	2,186	410
Bathroom	Component Replacement	128	12	100	181	188	609	165
Rewire	Component Replacement/Compliance	62	63	63	64	65	317	63
Windows & Doors	Component Replacement/Energy Efficiency	563	108	301	650	668	2,290	400
Environmental	Component Replacement/Neighbourhoods	722	330	500	650	284	2,486	124 Blocks
Common Work	Component Replacement/Neighbourhoods	230	-	224	215	920	1,589	104 Blocks
Mechanical & Electrical	Component Replacement/Particular Stock	60	60	60	60	60	300	150
EESSH/SHNZ	Component Replacement/Energy Efficiency	-	-	585	-	368	953	139
Fire Safety	Component Replacement/Compliance	42	42	42	42	42	210	42
Investment (Other) - Office Conversion	Component Replacement/Particular Stock	82	-	-	-	-	82	2
Capital Contingency		-	-	-	-	-	-	-
Core Programme Total		**3,235**	**1,693**	**3,097**	**3,476**	**5,108**	**16,609**	**2,805**
Smoke/Heat Detector Installs	Compliance	23	20	30	64	164	301	996
TMV Taps	Compliance	10	10	10	10	10	50	25
Core Programme & Capital Compliance Total (inc VAT)		**3,268**	**1,723**	**3,137**	**3,550**	**5,282**	**16,960**	**3,826**

Appendix 2: Output projections - key investment workstreams

Over the next five years **£16.9m** will be invested in our homes and communities. Output projections for some of the **key** investment work streams **over the next five years** are shown below:

Heating

The Central Heating programme has a total value across the five years of **£3.3m**. The programme consists of £1.6m for reactive gas boiler replacements where existing boilers breakdown and cannot be repaired. A further £1.6m has also been allocated to planned lifecycle replacement of older boiler types. New boilers being installed are hydrogen ready, meaning that they will accept up to a 20% blend of hydrogen should this be introduced into the gas network in the future. Finally, £150k has been allocated to planned lifecycle replacement of electric storage heating systems.

Low-rise fabric

The Low-Rise Fabric programme consists of the provision of External Wall Insulation and fabric component replacements such as fascia's, soffits and guttering. We have made provision of **£2.2m** over the next 5 years.

Kitchen, Bathroom and Rewire ("KBR")

We plan to invest almost **£3.1m** in new kitchens, bathrooms and rewiring over the next five years. £526k will be allocated to delivering ad hoc, reactive KBR installations in void and occupied properties where we have previously been refused access to complete this investment through our planned programmes. A further £2.4m will be invested in the lifecycle replacement of older kitchens and bathrooms across the portfolio and £185k will be invested in new mechanical extractor fans.

Windows and Doors

We plan to spend **£2.3m** on window replacements over the next five years, benefitting circa 400 tenants. The programme will include ad hoc reactive installations where we have previous been refused access or new acquisitions in addition to planned lifecycle replacements. Year one will see the completion of new windows and door installs at Windsor Crescent as well as new windows in Lennoxtown.

Environmental

We will invest almost **£2.5m** in improving the environment within our communities over the next five years. The programme will include improvements to Wheatley Care complexes at Inchyra, Maryhill, Moffat St, Burnside Terrace, Quarrywood, McGregor St and Fulbar St over years 1-3. This work will focus on improved bin storage provision, paths and fencing. We will also deliver further investment such as backcourt improvements, play park upgrades and improved car parking provision across a number of communities over the next five years.

Common Works

We have allocated **£1.6m** to deliver common area improvements encompassing investment such as common close painter work and foyer upgrades. We will also invest £190k in improving common areas in our assets with Wheatley Care provision.

Mechanical and Electrical

We will invest **£300k** via our M&E programme, which will see the replacement of Mechanical and Electrical infrastructure within our multi-flatted developments. The capital investment plan will include for the replacement of vital service components such as communal fans, water tanks, pumps, and CCTV.

EESSH/SHNZ

Much of the energy efficiency works are met through core investment activities, however, there is a provision of £953k where we will focus on draughtproofing, loft and floor insulation. This will be refined once the SHNZS is finalised.

We will continue to explore external funding opportunities such as from Scottish Government and ECO to maximise our existing programme and further support the delivery of our sustainability ambitions. Our plans will remain agile to react to the outcome of the consultation on the SHNZS.

Fire Safety

£210k has been allocated over the five-year plan to fund works recommended via fire risk assessments and enhanced fire safety measures for our most vulnerable customers including stove guards and fire-retardant bedding packs.

Capital Compliance

£351k of capital compliance works will be delivered over the next five-years to ensure our homes are safe and secure and to provide assurance that we are meeting our statutory and regulatory compliance obligations. This programme will encompass, smoke and heat detector lifecycle upgrades across all stock types and the installation of new Thermostatic Mixer Taps in vulnerable tenancies.

Loretto Housing

Report

To: Loretto Housing Association Board

By: Lyndsay Brown, Director of Financial Reporting

Approved by: Pauline Turnock, Group Director of Finance

Subject: Finance Report to 31 December 2024

Date of Meeting: 3 February 2025

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1. Purpose

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

- An overview of the management accounts for the period to 31 December 2024 and Q3 forecast.

2. Authorising and strategic context

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

3. Background

3.1 Financial performance

The results for the period to 31 December 2024 are summarised below.

	Year to Date (Period 9)		
	Actual £000	**Budget £000**	**Variance £000**
Turnover	14,407	12,617	1,790
Operating expenditure	(11,929)	(12,081)	152
Operating surplus	**2,478**	**536**	**1,942**
Operating margin	*17.2%*	*4.2%*	*13.0%*
Net interest payable	(2,763)	(2,981)	218
Deficit	**(285)**	**(2,445)**	**2,160**
Net Capital Expenditure	**10,928**	**10,569**	**(359)**

4. Discussion

4.1 Period to 31 December 2024

4.2 A statutory deficit of £285k has been reported for the period to 31 December 2024, which is £2,160k favourable to budget. The favourable position is mainly due to the additional grant income from earlier than budgeted new build completions at Croy, reduced voids and running costs compared to budget to date.

4.3 Key points to note:

- Within income, a year-to-date void rate of 1.86% is reported compared to the budgeted rate of 2.51%;
- In operating costs, total costs are £152k favourable to budget:
  - Employee costs are £12k favourable to budget linked to a vacancy in the team, partly offset with additional spend from Wheatley Solutions for group employee costs;
  - Total running costs are £108k favourable to budget, linked to savings in cleaning costs at a care site, following a decision by Wheatley Care to undertake all cleaning at the site in-house and savings in council tax on voids, with the 2024.25 charge for Duke Street being lower than anticipated, the timing of direct spend and lower group recharges due to efficiency savings in IT running costs and several Wheatley Solutions departments currently reporting lower costs; and
  - Revenue repairs and maintenance spend is £4k lower than budget. Responsive repairs are £174k favourable to budget, offset by compliance spend being £170k higher than budget due to the acceleration of EICR checks.
- Net capital expenditure is £359k higher than budget, mainly due to the full grant for South Crosshill being received in the previous year, but the spend occurring in 2024/25 as planned. This is partially offset with lower spend at Duke Street, due to the timing of the budget.

4.4 Q3 Forecast out-turn

	FY Out-turn (Q3)		
	Actual £000	**Budget £000**	**Variance £000**
Turnover	22,225	23,378	(1,153)
Operating expenditure	(16,220)	(16,335)	115
Operating surplus	**6,005**	**7,043**	**(1,038)**
Operating margin	*27.0%*	*30.1%*	*(3.1%)*
Net interest payable	(3,841)	(4,157)	316
Surplus	**2,164**	**2,886**	**(722)**
Net Capital Expenditure	**14,303**	**13,909**	**(394)**

4.5 The forecast reports a statutory surplus of £2,164k for the full year out-turn to March 2025, which reports an unfavourable variance of £722k to budget. The reduction in grant income on new build completions now forecast to complete in 2025/26 is the contributing factor for unfavourable movement. Excluding the adjustment for grant income on new build completions, the underlying trading performance is strong with improved void rent loss helping to increase net rental income coupled with savings reported in revenue expenditure and repairs expenditure expected to finish the year in line with the budget.

4.6 Key points to note:

- Total income is forecast to be £1,153k unfavourable to budget with the reduced recognition of grant income due to the anticipated delay (24 units out of 48) in new build completions at East Lane, Paisley, only partly offset by early completion of 15 units at Constarry Rd, Croy;
- Favourable performance in void loss rent at P9 has led to a forecast saving of £100k. In addition, a decrease in the intra group gift aid income of £78k from Wheatley Developments Scotland is forecast, linked to the lower forecast new build spend. Being an intra group item the gift aid does not impact the overall financial performance at a group level;
- Total operating costs are forecast to be £115k favourable to budget mainly due savings in direct running costs for council tax and cleaning and value for money savings realised in IT contracts in Wheatley Solutions. Revenue repairs and maintenance are forecast in line with budget;
- Interest is forecast to be £316k lower than budget with the earlier than budgeted receipt of the fixed rate £125m private placement at a lower interest rate, timing of the drawdowns and a lower base rate charged on the variable loans than budgeted;
- Net capital expenditure is forecast to be £394k higher than budget. Net investment spend is forecast to be £50k higher than budget, due to additional capacity available within the RSL Borrower Group interest cover covenant for works to be delivered in Loretto. The additional works were Board approved as part of the Q1 forecast. Net new build spend is forecast to £393k higher than budget due to the full grant receipt for South Crosshill being received in the prior year, partly offset with the re-profiling Duke Street.

4.7 The forecast variations to budget are managed within the overall parameters of the RSL Borrower Group budget for 2024/25 of which Loretto is part. The RSL borrower group continues to remain compliant with covenants.

5. Customer engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The statutory deficit for the period to 31 December 2024 is £2,160k favourable to budget. Delivery of our cost efficiency targets embedded within the 2024/25 budget is a key element of continuing to demonstrate value for money. After adjusting the net operating surplus for new build grant income, depreciation, one-off payments not related to underlying surplus, and including capital expenditure in our properties, an underlying surplus of £756k is reported which is £794k favourable to budget driven by an improved net operating surplus position due to higher net rental income, lower expenditure and the timing of investment spend.

8.2 The forecast underlying statutory surplus for the full year out-turn to 31 March 2025 is £481k favourable to budget mainly due to the favourable forecast interest position, partly offset by the agreement to increase expenditure on the investment programme following the change to the interest cover covenant recognised in line with our objective to provide high-quality housing and invest to improve the energy efficiency of our homes.

9. Legal, regulatory and charitable implications

9.1 There are no direct legal, regulatory and charitable implications arising from this report.

10. Risk appetite and assessment

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

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

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the financial performance for the period to 31 December 2024 and the Q3 forecast for 2024/25.

13. Recommendations

13.1 The Board is requested to note the Finance Report for the period ended 31 December 2024 and Q3 forecast at Appendix 1.

LIST OF APPENDICES:

Appendix 1: Period 9 – 31 December 2024 Finance Report

Loretto Housing

Period to 31 December 2024

Finance Report

Wheatley Group

1a. Operating Statement – Period to 31 December 2024

	Period To 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	12,816	12,818	(2)	17,103
Void Losses	(238)	(322)	84	(423)
Net Rental Income	**12,578**	**12,496**	**82**	**16,680**
Grant Income	**1,709**	**0**	**1,709**	**5,766**
Other Grant Income	**37**	**37**	**0**	**117**
Other Income	**83**	**84**	**(1)**	**815**
Total Income	**14,407**	**12,617**	**1,790**	**23,378**
EXPENDITURE				
Employee Costs - Direct	918	934	16	1,246
Employee Costs - Group Services	674	670	(4)	885
ER / VR	0	0	0	0
Direct Running Costs	1,333	1,419	86	1,905
Running Costs - Group Services	349	371	22	507
Revenue Repairs and Maintenance	3,211	3,215	4	4,464
Bad debts	101	129	28	172
Depreciation	5,343	5,343	0	7,156
TOTAL EXPENDITURE	**11,929**	**12,081**	**152**	**16,335**
OPERATING SURPLUS / (DEFICIT)	**2,478**	**536**	**1,942**	**7,043**
Net operating margin	*17.2%*	*4.2%*	*13.0%*	
Interest Payable	(2,763)	(2,981)	218	(4,157)
STATUTORY SURPLUS / (DEFICIT)	**(285)**	**(2,445)**	**2,160**	**3,124**

	Period To 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**4,981**	**11,528**	**(6,547)**	**14,933**
Investment Programme	2,593	2,936	343	3,496
New Build Programme	13,133	18,870	5,737	24,959
Other Capital Expenditure	183	291	108	387
TOTAL CAPITAL EXPENDITURE	**15,909**	**22,097**	**6,188**	**28,842**
NET CAPITAL EXPENDITURE	**10,928**	**10,569**	**(359)**	**13,909**

Income and Expenditure account – key points

A net operating surplus of £2,478k, £1,942k favourable to budget and a statutory deficit of £285k, £2,160k favourable to budget is reported. Grant income from earlier than budgeted new build completions and a favourable expenditure position compared to budget is contributing to the favourable performance.

- Net rental income is £82k favourable to budget due to lower than budgeted voids. Void losses in the period are £84k favourable with a rate of 1.86% against a budget of 2.51%.
- Total employee costs (direct and group services) are £12k favourable to budget linked to a vacancy in the team, partly offset with additional spend from Wheatley Solutions for group employee costs.
- Total running costs are £108k favourable to budget, linked to savings in cleaning and council tax on voids, the timing of direct spend and lower group recharges due to efficiency savings in IT running costs and several Wheatley Solutions departments currently reporting lower costs.
- Revenue repairs and maintenance is £4k favourable to budget. Responsive repairs are £174k favourable to budget, offset by compliance spend being £170k higher than budget due to the acceleration of EICR checks.
- Bad debts are £28k favourable to budget. A prudent approach was taken when setting the budget.
- Net Interest payable is £218k favourable due to the timing of loan drawdowns compared to budget and a lower base rate on the variable loans compared to budget.

Net capital expenditure of £10,928k is £359k higher than budget.

- Capital investment income (grant) is £6,547k lower than budget due to the phasing of new build grant claims; at Forfar, which is not yet on site, and South Crosshill, which was received in full in the prior year.
- New build spend is £5,737k lower than budget due to the timing of spend for Forfar Avenue and Duke Street, which is partially offset with spend at Bank Street and Constarry Road being ahead of budget.
- Investment programme expenditure of £2,593k relates to core programme works, capitalised repairs and voids. Capitalised repairs and void repairs both report spend slightly higher than budget and is being closely monitored to align spend to budget for the full financial year.
- Other capital expenditure of £183k relates to Loretto's contribution to Wheatley Group IT costs, with the favourable position reflecting the timing of IT projects being undertaken.

1b. Underlying surplus – Period to 31 December 2024

Loretto Housing

Key comments:

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, including capital expenditure on our existing properties.
- At December, the underlying surplus is £756k, £794k favourable to budget. The variance to budget is primarily driven by an improved net operating surplus position due to higher net rental income, lower expenditure and the timing of investment spend.

Loretto Underlying Surplus - December 2024				
	YTD Actual £k	YTD Budget £k	YTD Variance £k	FY Budget £k
Net operating surplus	2,478	536	1,942	7,043
add back:				
Depreciation	5,343	5,343	0	7,156
less:				
Grant income	(1,709)	0	(1,709)	(5,766)
WDS gift aid income	0	0	0	(703)
Net interest payable	(2,763)	(2,981)	218	(4,157)
Total expenditure on Investment Programme	(2,593)	(2,936)	343	(3,496)
Underlying surplus	**756**	**(38)**	**794**	**77**

2a. Repairs & Investment Programme – YTD December 2024

Repairs & Maintenance Expenditure	1 April 2024 - 31 December 2024			2024/25
	Actual £k	Budget £k	Variance £k	Budget £k
Responsive Repairs	1,632	1,806	174	2,439
Cyclical (local)	51	51	-	94
Compliance Revenue	1,528	1,358	(170)	1,931
Total	**3,211**	**3,215**	**4**	**4,464**

Investment Programme	1 April 2024 - 31 December 2024			2024/25
	Actual £k	Budget £k	Variance £k	Budget £k
Investment Programme Grant Income				
Adaptations	37	37	0	117
Total	**37**	**37**	**0**	**117**
Investment Programme Expenditure				
Adaptations	101	88	(13)	117
Core programme	1,623	2,104	481	2,394
Capitalised repairs	281	212	(69)	287
Capitalised staff	273	271	(2)	362
Void repairs	315	261	(54)	336
Total	**2,593**	**2,936**	**343**	**3,496**

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Repairs and maintenance

- Revenue repairs and maintenance spend of £3,211k is £4k favourable to the budget of £3,215k.
- Responsive repairs are £174k favourable to budget, noting that completed jobs are broadly in line with the same period last year and job numbers in line with our expectations.
- Overall revenue compliance costs are £170k unfavourable to budget mainly due to the timing of the programme at this point in the year (notably compliance EICR checks have been accelerated).

Investment Programme

- Investment Programme expenditure of £2,593k in the year is £343k favourable to the budget. The favourable position is due to lower core programme spend, linked to timing of the works.
- Higher spend is reported in in adaptations, capitalised repairs, capitalised staff and void repairs and our repairs and housing teams are closely monitoring the spend to manage the spend within the overall budget.

2b. New Build Programme – Period to 31 December 2024

			Period To December 2024			Full Year
	*Status	Contractor	Actual	Budget	Variance	Budget
Vellore Road	Complete	Lovell	0	36	36	36
East Lane	On site	JR Group	4,586	4,939	353	5,054
Forfar Avenue	Approved	McTaggart	16	3,543	3,527	4,793
South Crosshill	On site	BWD Trading	3,764	3,771	7	4,804
Constarry Road, Croy	Complete	Miller Homes	2,746	1,706	(1,040)	2,149
Barrhill	Feasibility	Cala West	0	0	0	2
Dargavel North	Feasibility	Taylor Wimpey	0	40	40	1,151
Bank Street	On site	McTaggart	1,466	1,092	(374)	1,936
Jackton Green	Feasibility	Avant Homes	0	7	7	32
Manse Avenue	Not Progressing	Not Progressing	0	18	18	342
Duke St	TBC	TBC	60	3,168	3,108	3,813
Prior Year	-	-	40	0	(40)	0
Total Social Rent			**12,678**	**18,320**	**5,642**	**24,112**
Land Acquisition	-	-	0	75	75	100
Capitalised Insurance	-	-	6	8	2	10
Capitalised Interest	-	-	0	0	0	114
Capitalised Staff Costs	-	-	449	467	18	623
Total New Build Investment			**13,133**	**18,870**	**5,737**	**24,959**
Grant Income			**4,944**	**11,491**	**(6,547)**	**14,816**
Net New Build Costs			**8,189**	**7,379**	**(810)**	**10,143**
Grant Income Completions (Recognised in OPS)			**1,709**	**0**	**1,709**	**5,766**

Capital Investment Income

Grant income reported within the capital budget represents the cash received in the year and outstanding claims accrued.

New Build Expenditure

East Lane, Paisley: 48 units social rent. Approved in November 2022 and an above benchmark grant was awarded. The project started on site in May 2023, but then paused to deal with additional Council queries. Works resumed in November 2023. While completions are budgeted for March 2024, the forecast assumes handover of 24 units in March with the remainder at the start of 2025/26.

Forfar Avenue: 30 units for Livingwell. Approved in November 2023 and grant funding approved in February 2024. Building warrant and planning Consent received in June 2024. Grant to fund the development is not available in 2024/25 so site start remains deferred pending a funding route being agreed with GCC.

South Crosshill Rd, Bishopbriggs: s75 project with Barratt Homes for 44 social rent units. WDS Board approved in August 2023 with grant awarded February 2024. Full grant funding from Allia received mid-May. Second/final Golden Brick payment made in April 2024 ahead of budget.

Constarry Road, Croy: 15 units social rent. Approved in November 2023 and grant awarded February 2024. Site start was March 2024 and completion handover of all units occurred in December 2024 ahead of programme.

Barrhill: s75 project with Cala (West) for 18 social units. Planning public consultations took place in 2023. Cala programme delayed pending Council consultation on developer contributions.

Dargavel North: s75 opportunity for 20 social rent units with Taylor Wimpey who intend buying the affordable land tranche in Q2 2025/26. Plan is to conclude contracts in Q2 2025/26.

Bank Street, Coatbridge: 17 units social rent. Approved in February 2024 for the land acquisition and tender. Grant funding now confirmed. Land acquisition and building contract concluded in August 2024 with works on site also starting August 2024.

Duke Street: 19 units social rent. Technical and structural assessments have delayed the start of the remediation and conversion project at Duke Street. An alternative delivery route is being progressed through our Framework and project management responsibility is transferring from Hub West to the development team.

Dargavel Phase 3: Dundas Estates acquired the site from the administrators for Stewart Milne and are negotiating with us to progress the project with the support of Renfrewshire Council. Subject to WDS Board approval, there may be golden brick payments in 2024/25.

3. Balance Sheet

Loretto Housing

	31 December 2024 £k	31 March 2024 £k
Tangible Fixed Assets		
Housing Properties	171,550	160,975
Investment Properties	1,190	1,190
Other Assets	1,369	1,378
	174,109	163,543
Current Assets		
Rent and service charge arrears	674	551
less: Provision for rent arrears	(413)	(385)
Prepayments and accrued income	298	3
Intercompany balances	427	43
Other debtors	1,269	2,650
	2,255	2,862
Cash at Bank and in Hand	1,123	714
	3,378	3,576
Short Term Creditors		
Trade creditors	(224)	(254)
Accruals	(1,334)	(2,581)
Deferred income	(5,769)	(3,611)
Rent and service charges in advance	(1,289)	(1,294)
Intercompany balances	(4,462)	(3,562)
Other creditors	(535)	(485)
	(13,613)	(11,787)
Net Current Assets	(10,235)	(8,211)
Long Term Creditors		
Amounts due after one year	(85,678)	(77,928)
Deferred Income	(6,209)	(5,132)
Pension Liability	(3,304)	(3,304)
Net Assets	**68,683**	**68,968**
Capital and Reserves		
Share Capital	-	-
Revenue Reserve - b/fwd	72,272	59,987
Current year surplus/(deficit)	(285)	12,285
Pension Reserves	(3,304)	(3,304)
Association's Funds	**68,683**	**68,968**

Key Comments

The balance sheet as at 31 March 2024 reflects the audited position.

- **Fixed Assets** - Expenditure is capitalised in accordance with our accounting policy.
- **Investment Properties** –Barclay Street Mid-Market Rent properties, leased to Lowther Homes.
- **Current Assets (excluding cash)**– Currents assets are £607k lower than the March 2024 position, due to the timing of other debtors settlements, partly offset by an increase net rent arrears (due to the timing of HB receipts), prepayments and intercompany balances.
- **Short Term Creditors –** Amount due within 1 year are £1,826k higher than the March 2024 position, mainly due to the timing of intercompany settlements and the increase in deferred income, partially offset by a reduction in accruals due to timing.
- **Deferred income (ST and LT)** – This relates to grant income for schemes currently on site. Upon completion of the properties this income will be released to the I&E as grant income.
- **Long-Term Creditors** - This includes £85.7m of loans due to Wheatley Funding No 1 Ltd, excluding deferred loan fees.

4a. Q3 2024/25 Forecast

Loretto Housing

	Full Year 2024/25		
	Forecast £k	Budget £k	Variance £k
INCOME			
Rental Income	17,103	17,103	0
Void Losses	(323)	(423)	100
Net Rental Income	**16,780**	**16,680**	**100**
Grant Income New Build	**4,591**	**5,766**	**(1,175)**
Grant Income Other	**117**	**117**	**0**
Other Income	**737**	**815**	**(78)**
Total Income	**22,225**	**23,378**	**(1,153)**
EXPENDITURE			
Employee Costs - Direct	1,226	1,246	20
Employee Costs - Group Services	893	885	(8)
ER / VR	0	0	0
Direct Running Costs	1,825	1,905	80
Running Costs - Group Services	484	507	23
Revenue Repairs and Maintenance	4,464	4,464	0
Bad debts	172	172	0
Depreciation	7,156	7,156	0
TOTAL EXPENDITURE	**16,220**	**16,335**	**115**
OPERATING SURPLUS / (DEFICIT)	**6,005**	**7,043**	**(1,038)**
Net operating margin	*27.0%*	*30.1%*	*-3.1%*
Interest Payable	(3,841)	(4,157)	316
STATUTORY SURPLUS / (DEFICIT)	**2,164**	**2,886**	**(722)**

	Full Year 2024/25		
	Forecast £k	Budget £k	Variance £k
INVESTMENT			
Total Capital Investment Income	**6,901**	**14,933**	**(8,032)**
Investment Programme	3,546	3,496	(50)
New Build	17,320	24,959	7,639
Other Capital Expenditure	339	387	48
TOTAL CAPITAL EXPENDITURE	**21,205**	**28,842**	**7,637**
NET CAPITAL EXPENDITURE	**14,303**	**13,909**	**(394)**

Comments:

The forecast operating surplus of £6,005k is £1,038k unfavourable to budget. After taking account of financing costs, the statutory surplus of £2,164k is £722k unfavourable to budget with the reduction in grant income on new build completions being the contributing factor for unfavourable movement.

- Net rental income is £100k higher than budget due to the favourable void performance noted to P9.
- Grant income is £1,175k unfavourable to budget due to the anticipated delay in East Lane completions (24 out of 48 units), partly offset with early completion of 15 units at Constarry Rd, Croy.
- Other income is £78k lower than budget due a decrease intra group gift aid income from Wheatley Developments Scotland, linked to the lower forecast new build spend.
- Employee costs are forecast to be £12k lower than budget, due to the direct staff vacancies resulting in a £20k favourable position which is partly offset by an unfavourable group position of £8k due to planned changes in the staffing structure in Wheatley Solutions.
- Running costs are forecast to be £103k lower than budget, with direct costs £80k favourable due to a saving on cleaning and council tax on voids. The reduction of £23K in group services is due to value for money savings realised in IT contracts in Wheatley Solutions.
- Revenue repairs and maintenance are in line with budget. The repairs costs to date are trending in line with expectations in both cost and demand levels as the improvement plan continues to be a focus.
- Interest is forecast to be £316k lower than budget with the earlier than budgeted receipt of the fixed rate £125m private placement at a lower interest rate than budgeted, timing of the drawdowns and a lower base rate charged on the variable loans than budgeted.

Net capital expenditure is forecast at £14,303k and is £394k higher than budget.

- Capital investment income is forecast £8,032k lower than budget due to receipt of the full grant for South Crosshill in March 2024 and the re-profiling of the development programme, in particular Forfar Avenue.
- Investment programme is forecast to be £50k higher than budget with the RSL borrower group interest cover covenant change creating additional capacity for works to be delivered in Loretto (Board approved in Q1 forecast).
- New build investment expenditure is forecast to be £7,639k lower than budget due to re-profiling of various developments, in particular Forfar Avenue and Duke Street.
- A small reduction is forecast in other capital expenditure linked to IT.

4b. Underlying surplus – Q3 forecast 2024/25

Key comments:

- As with the year to date results to 31 December 2024, the Q3 Forecast full year out-turn Operating Statement (Income and Expenditure Account) is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).

- An underlying surplus of £558k is expected for the full year as shown in the chart below after adjusting to exclude the accounting adjustments for the recognition of grant income, group gift aid and depreciation, but including capital expenditure on our existing properties to reflect the underlying cash surplus/deficit on our letting activity.

- The forecast underlying surplus is £481k higher than the budgeted full year surplus. The variance is due to the favourable forecast interest, partly offset by additional investment spend, approved by the Board earlier in the year, over and above the budgeted investment programme in recognition of our objective to provide high quality housing and investing to improve the energy efficiency of our homes. The movement in the underlying surplus in Loretto is favourable and contributes to the RSL Borrower Group position, where an overall underlying surplus is reported for the financial year to date. Financial performance continues to be managed within the overall budget parameters and covenants for the RSL Borrowers.

Loretto Underlying Surplus - Q3 forecast 24/25

	Forecast £k	Budget £k	Variance £k
Net operating surplus	6,005	7,043	(1,038)
add back:			
Depreciation	7,156	7,156	0
less:			
Grant income	(4,591)	(5,766)	1,175
WDS gift aid income	(625)	(703)	78
Net interest payable	(3,841)	(4,157)	316
Total expenditure on Investment Programme	(3,546)	(3,496)	(50)
Underlying surplus	**558**	**77**	**481**

Loretto Housing

Report

To: **Loretto Housing Board**

By: **Laura Henderson, Managing Director**

Approved by: **Alan Glasgow, Group Director of Housing**

Subject: **Performance Report**

Date of Meeting: **3 February 2025**

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1. Purpose

1.1 The purpose of this report is to provide an update on performance against targets and strategic projects for 2024/25 to the end of Q3.

2. Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for monitoring performance against agreed targets. We measure progress with the implementation of our five-year strategy via the Group Performance Management Framework.

2.2 The Group Board agreed an updated programme of strategic projects and performance measures and targets at its meeting in April 2024. Our Board subsequently agreed our own specific performance measures and targets at its meeting on 20 May 2024.

3. Background

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

4. Discussion

4.1 The following sections present a summary of key measures and strategic projects. Strategic measures can be found in Appendix 1 and Strategic projects are found in Appendix 2. SPSO and ARC complaints can be found in Appendix 3.

Delivering Exceptional Customer Experience

Customer First Centre

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

Table 2

Measure	2024/25		
	Value YTD	Target	Status
Loretto - CSAT score (customer satisfaction)	4.6	4.5	
Loretto - Call abandonment rate	6.44%	5%	
Loretto - Call abandonment rate - those waited over 30secs and abandoned	4.48%	4%	
Group - % of contacts to CFC resolved within CFC	89.61%	93%	

4.3 Customer satisfaction with the CFC (known as CFC CSAT) remains the key measure, ensuring we place our customers' voices at the heart of performance management. Our overall CFC CSAT score YTD is now achieving target at 4.6 at the end of quarter three with December achieving 4.8. This is also an improvement from 4.5 at the end of quarter two. Overall, customers tell us that they value the service they receive and consistently report that staff are friendly, helpful and polite.

4.4 The call abandonment rate for our customers has increased during quarter three to 6.44%, from 5.01% in quarter two, and is now above the 5% target. The call abandonment rate after 30 seconds, whereby our customers waited over 30 seconds and then abandoned their call, better represents the aspect of the service that may be in the CFC's control. This is 4.48%, against a 4% target.

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

4.6 At the beginning of quarter three, the abandonment rate in Loretto was 9.01%. We therefore revised our geographical approach in recognition of the higher abandonment rates within Loretto which means overflow calls now flow to WHE, creating a larger pool of advisors. This has meant a reduction in AWT and abandoned calls, to 8.65% in November and 7.35% in December, meaning quarter three performance was 8.42%. We will continue to monitor this closely to ensure this revision continues to show the improvement expected.

4.7 Our Customer Experience (CX) Team is working with the CFC Leadership Team to launch our new CX approach. This approach combines several approaches within the CFC that have a direct impact on CX, comprised:

- My Voice feedback;
- Repeat caller information;
- Quality Management themes; and
- Complaints information.

4.8 Our aim is to be able to draw our key themes more readily, and ensure actions are prioritised and both reviewed and reported on for impact.

Complaints

4.9 We continue to be very responsive to complaints, exceeding our Stage 1 and Stage 2 targets of five and 20 days respectively, as set out in the table below. Further results are presented in Appendix 3.

Table 3

Charter - average time for a full response to complaints (working days) ***Stage 1 - 5-day , Stage 2 – 20-day target***				
Subsidiary	**2023/24**		**2024/25 – YTD**	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**
Loretto	3.48	15.17	3.65	15.65

4.10 There is a very slight upward trend in the overall number of complaints this year compared to the same months for last year but with an increase of only three complaints in the quarter. We are still satisifed that the service improvements and introduction of new ways of working from April this year are having an impact. These changes were influenced by lessons learned from repair complaints in areas such as ensuring the right operative for the right task and delivering the repair right first time, are having a positive impact.

4.11 The introduction of the new point of delivery repairs **(“POD”)** model, which focuses on completing the repair right first time, has meant there has been a further reduction in complaints for the second quarter in a row. We continue to work with our colleagues in the My Repairs Team and at City Building Glasgow to drive improvements for our customers to complete repairs to the customer’s satisfaction.

4.12 These teams have been driving the next stage of further improvement as introduced last quarter including:

- Training in place on communications skills for our planners so they are skilled in communicating with customers where appointments need to be rearranged;
- Working with Performance colleagues in City Building Glasgow and My Repairs Team to review our data on repairs in preparation for reducing the number of repairs where Inspectors are sent as the first visit and outstanding and ongoing repairs to identify any blockages; and
- Working with our IT department so staff are able to identify multiple requests for the same issue.

4.13 We have been carrying out work as per actions from last quarter on supporting complaint handling which included:

- Reviewing our staff support, guidance and training, taking into account feedback from customer focus groups which highlighted communication and delivering commitments as a key priority;
- Increasing the level of quality assurance of both written responses and CFC calls;
- Using the updated data classification of repairs to allow better analysis of the root cause of the complaint;

- Increasing the frequency and profile of complaints reporting within operational performance meetings as well as senior staff meetings (e.g. Executive Team);
- Periodically taking a deeper dive into various categories complaints as to identify the recurring issues to drive improvements in performance; and
- Using this information to review cases with all frontline staff to deliver learning journeys from these.

Tenancy Sustainment

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

4.15 We continue to support our new customers to sustain their tenancies and to deliver strong performance in the Charter measure and our revised indicator (which excludes deaths and transfers to other homes in the Group).

4.16 We consistently exceed the target for both these measures and we are better than the Scottish average of 91.2% for 2023/24 and expect to continue this performance for the remainder of the performance year.

Table 4

Tenancy Sustainment	Charter – All lets	2024/25 Target - Charter		Charter – Homeless Lets		Revised	2024/25 Target - Revised	
Loretto	94.92%	90%		95.51%		94.85%	91%	

Allocations CSAT

4.17 Our Allocations MyVoice survey commenced on 1 August 2023 to measure our customers' satisfaction with the process of getting their new home. Satisfaction for the rolling year is 4.7, exceeding the 4.5 target.

Table 5

Allocations CSAT	2024/25 – Rolling year	2024/25 Target	
Loretto	4.7	4.5	

Making the Most of Our Homes and Assets

Development Programme

4.18 Our target is to deliver 48 new social homes in 2024/25. Year-to-date to the end of quarter three we had 15 units completed against a year to date target of 0.

Table 6

Sites	Handovers (YTD)	Target (YTD)	Difference and handovers to 31st December
Loretto	15	0	+15
Constarry Gardens (Social)	15	0	+15
Totals	**15**	**0**	**+15**

4.19 The Loretto development team is progressing follow on actions for both projects for Dargavel 3A and the redevelopment of the existing building at Duke Street in Glasgow.

Repairs

4.20 Our ‘Book It, Track It, Rate It’ app aims to improve visibility and communication during the repair journey. Year-to-date this quarter, our Rate It score is 4.6 out of 5 (from 948 responses).

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

Volume of Emergency Repairs

4.22 The table below shows our position against the strategic result to reduce the volume of emergency repairs by 10% by 2026 compared to the updated baseline year of 2022/23. The target for 2024/25 is a reduction of 3.5%.

4.23 Emergency repair numbers are 202 more repairs than the same point in 2023/24, a variance of 6.9% and above target. For context, 3,128 emergency repairs in 2024/25 is 30.98% of all responsive repairs completed and compares to 28.53% at the same point last year.

4.24 Emergency repairs volumes are a consequence of customer reports and are affected by external factors such as weather conditions. We will continue to review the raising of emergencies locally with the CFC teams to ensure that repairs being raised are appropriately diagnosed as emergencies.

Table 7

Completed emergency repairs	YTD 23/24	YTD 24/25	Variance
Loretto	2,926	3,128	6.90%

Repairs Timescales and Right First Time

4.25 Our average time taken for emergency repairs is 3.29 hours at the end of quarter three, above the 3-hour target. This is an increase compared to 2.89 hours last quarter and 3.09 hours in 2023/24.

4.26 The table below also shows the average time taken for non-emergency repairs at 8.73 days, above this year’s target of 7.5 days. This is a significant improvement on last quarter (9.11 days) and quarter one (10.36 days) yet remains above our average for 2023/24 of 8.61 days.

4.27 The MyRepairs team (“MRT”) continues to actively engage with our customers on existing repairs, ensuring their concerns are addressed promptly. MRT are also overseeing complex repairs referred by the Housing Team, providing customers with a single point of contact for these cases and making the whole process smoother and more efficient.

4.28 Moreover, we are committed to gathering valuable insights which are instrumental in driving our service improvement actions. City Building performance is key to improving tenant experience and satisfaction. We are now actioning several primary issues affecting repair delivery which we reported last quarter and this targeted action is now in place for the second quarter in order to ensure a more efficient and satisfactory repairs service for our customers:

1) POD repairs system - this system ensures we do not have a resource availability issue when required to meet demand;
2) Geography – The geographical spread of our stock necessitates efficient work planning to maximize productivity and minimize travel time. Again, with access to the full POD repair system, we can greatly reduce any impact the geographical challenges create for our customers; and
3) Materials – Our stock includes some non-standard materials, impacting the prompt and first-visit completion of repairs. The van stock replenishment and ordering arrangements in place through our suppliers for all trades will minimise any issues.

Table 8

Repairs completion timescales (Charter)	Emergency (hours)			Non-emergency (days)		
	Target	YTD Value		Target	YTD Value	
Loretto	3.00	3.29		7.5	8.73	

4.29 Right first-time performance to the end of quarter three is at 87.67%. A slight improvement on 87.23% last quarter but remains below the 90% target and the position reported last year (89.92%).

Table 9

Percentage of repairs right first time (Charter)	2023/24	2024/25 YTD	Target	
Loretto	89.92%	87.67%	90%	

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

4.30 We continue to monitor the performance of repairs in relation to mould, with updates provided to help facilitate greater scrutiny over these types of repairs. The CFC raises every job related to damp, mould, condensation or rot as a mould inspection line.

4.31 We have attended 70.9% of mould inspections within 2 working days to the end of quarter three. Over half (53.26%) of inspections that took more than two days related to customer choice of the appointment time. The table below details the inspections with category of severity. We have had no severe cases.

Table 10

Inspection completed	Category			
	No Mould Found	3 (mild)	2 (moderate)	1 (severe)
338	101 (30%)	231 (68%)	6 (18%)	0

4.32 In this quarter, 76.48% of remedial mould repairs were completed within 15 working days. In future, as with inspections, we will report what proportion of those outwith 15 working days related to customer requests. In December, the in month average time was 10.2 days to complete these repairs.

4.33 On 14 January 2025, the SHR published three new ARC indicators for reporting on damp and/or mould and work is underway to define the data required to complete these indicators to begin in the new Performance year 2025/26 and to be reported in May 2026.

4.34 Many of our staff, most within CBG, have now been through specialist training with accreditation for damp and mould. We are introducing training in Quarter 4 specifically tailored to the CFC,including a diagnostic questioning set which will allow better diagnosis of the issue when it is first reported.

4.35 Data driven diagnosis based on archetype, standard remediation by archetype, and detailed analysis of case data to better match the work required with the skillset of the tradesperson is being reviewed by the Performance co-ordinator at My Repairs Team. This will also support our improvements in response to the issues customers raise through repairs complaints.

4.36 Still in place over the winter months of quarter three are:

- Contacting customers who have reported issues with damp and mould on two or more occasions this year to identify and put in place any individual support that is needed to mitigate reoccurrence;
- Continuing our ‘Damp and Mould, we need to be told’ campaign to the frontline delivery teams, reiterating our messaging around the seriousness of damp and mould in tenants' homes and their responsibility when in tenants' homes to identify and report immediately any issues relating to damp or mould to ensure we respond timeously; and
- Increasing the level of resources within our My Repairs team for follow-ups with customers to ensure issues have been resolved to their satisfaction.

Medical Adaptations

4.37 Time to complete medical adaptations remains within the 25-day target year-to-date, with the average days to complete at 17.72 days, an improvement on 21.09 days last quarter. We have completed 61 adaptations year-to-date and have only one household waiting.

Table 11

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD	Target
Loretto	1	61	17.72	25

Gas Safety

4.38 We continue to be 100% compliant position for gas safety, with no expired gas certificates and expect this to remain the same for the remainder of the performance year.

Compliance

4.39 We have made good progress up to the third quarter of the year. All of our relevant properties (51) are compliant with Legionella assessment requirements. All safety checks have been completed on passenger and domestic lifts.

4.40 We are making excellent progress with inspections of electrical installation certificates due to expire before the end of 2024/25, with 89.14% already complete. At the end of quarter three, we have only one property without a valid EICR, a reduction of two since last quarter. The remaining property is a complex case, staff are supporting the customer and working with partner agencies to get to a position that we can get access to complete the work. We are also progressing legal action, to be used as a last resort, if required.

Health and Safety

4.41 We continue with the positive position of no reportable RIDDOR incidents in 2024/25. We have not lost any days this year due to work-related accidents.

4.42 We also have no Health and Safety Executive or local authority environmental team interventions this year, the same position that we have maintained since the measure started in 2021.

4.43 We have received no new employee liability claims during quarter three, and none during 2024/25.

Workplace Fires

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

Changing Lives and Communities

Peaceful Neighbourhoods

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

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

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

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

4.48 Our strategic measure is for over 80% of customers across our Group to live in neighbourhoods categorised as peaceful by the end of the strategy period. At the end of quarter three, the Group-wide percentage of tenancies categorised as Peaceful reduced from 76.92% in quarter one to 74.36%. We are, however, still performing better than this year's target of 75% at 93.99%. It should be noted that we also monitor our own repeat ASB cases measure by RSL, reported later in this section and showing the relatively low number we have.

Anti-Social Behaviour (ASB) Resolved

4.49 By the end of quarter three, the resolution rate for our ASB cases was 97.92%, just below the target of 100% and the highest in Group.

Table 12

ASB Resolution Rate	YTD	2024/25 Target	
Loretto	97.92%	100%	

4.50 ASB resolution and timescales remain a strong performance focus over the coming periods.

Repeat Anti-Social Behaviour cases – number of repeat addresses

4.51 Year-to-date to December ASB was recorded at 32 repeat addresses. This compares to 45 for the full year 2023/24. Only 1% of our properties have issues with repeat incidences of ASB.

Accidental Dwelling Fires

4.52 Year-to-date to December, we have had four accidental dwelling fires. We had only one during 2023/24 which was a reduction from 6 in 2022/23. The four fires in 2024/25 have each been minor with no damage to property or person.

Table 13

Number of recorded accidental dwelling fires	2024/25 YTD	2023/24
Loretto	4	1

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

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

Table 14

Fire Risk Assessments	2024/25 YTD	Target
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%

4.55 As at the end of December, we had no outstanding/ overdue mandatory actions arising from five FRA visits that took place during quarter three (eight YTD).

Reducing Homelessness

4.56 We have provided 69 homes to homeless households this year-to-date. Our percentage of relevant lets made to homeless applicants has decreased from 55% in Q2 to 53.93% in Q3, yet we are still meeting our 50% commitment (relevant lets exclude mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants).

Table 15

Reducing Homelessness	2024/25 Number of lets to homeless applicants (ARC) - YTD	2023/24 Number of lets to homeless applicants (ARC) – full year
Loretto	69	99

Neighbourhood environmental customer satisfaction (Ad-hoc)

4.57 Our NETs MyVoice survey commenced in October 2023 to measure our customers' satisfaction with an ad-hoc service they requested, such as bulk uplift, tree work or weeding from our Neighbourhood Environmental Teams ("NETs"). Satisfaction for the rolling year is 4.0 against a 4.3 target.

Table 16

NETs CSAT (Ad-hoc)	2024/25 – Rolling year	2024/25 Target
Loretto	4.0	4.3

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

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

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

Progress made so far informed by the thematic, and other forms of customer insight, include:

- **Improving communications:** In January, we had an external communication campaign to promote NETs services featuring in the Glasgow Times, Herald, Clydebank Post, and our own social media/website. We are reviewing the information on our website around environmental services, and will update this to provide clearer, more localised, detail around our services, signpost to support (for instance with waste management), and promote good news stories;

- **Enhancing partnership working:** Held joint sessions in Wheatley House with operational staff from Loretto and Glasgow City Council to resolve blockages. We also have a new agreement with West Dunbartonshire Council for free dumping of waste. We are exploring further enhancements around partnerships with local authorities;

- **Supporting staff with environmental engagement:** Stronger Voices Officers are being supported to ThinkYes for customers with training held around driving customer satisfaction and communication techniques in January, as well as NETs staff who will receive training around improved NETs service standards this quarter;

- **Encouraging and supporting Keep Scotland Beautiful (KSB) trained customers:** KSB updated their walkabout assessments following thematic feedback, and we are working on a young person's campaign with KSB to engage younger customers in environmental services. From 2025/26, NETS Lead will also organise one KSB walkabout each year in a different location outwith a customer's' local area; and

- **Ensuring sharing best practice**: Linking to our neighbourhood approach, this quarter, we are launching a Neighbourhood staff Community of Excellence including staff from NETS, Repairs and frontline team to share good practice throughout the Group, consider how we use customer insight to influence local authorities, address blockages and develop innovation in the service.

<u>Jobs and Opportunities</u>

4.61 42 children and young people from our homes have been supported this year through the Imagination Library and the Click & Connect Youth Access sessions.

4.62 To the end of December, the Wheatley Works staff have supported 20 training and employment opportunities for people in our homes and communities including Plumber and Gas Engineering Apprenticeship, Construction Placements with McTaggart's Construction and Web Design Training Academy with our partner, Generation UK.

4.63 Over 300 people from our homes and communities accessed support to alleviate the impacts of poverty. This has included support through Welfare Benefits Advice, Starter Packs and our My Great Start service.

Table 17

Indicator	Target (YTD)	Current Performance YTD	2023/24
Loretto - Number of children and young people benefiting from targeted Foundation programmes in Wheatley Communities	25	42	42
Loretto - Total number of jobs, training places or apprenticeships created for customers and communities	6	20	14
Loretto - Number of people accessing services which help alleviate poverty in Wheatley Communities	151	302	371

Developing our Shared Capability

Sickness Absence

4.64 We are currently outperforming the 3% sickness target at 0.44% year-to-date. This is a slight decrease from the position at the end of 2023/24 (0.45%) and there has been zero sickness in housing for five months now.

Table 18

Sickness Rate	Target	2024/25 YTD	2023/24
Loretto	3%	0.44%	0.45%

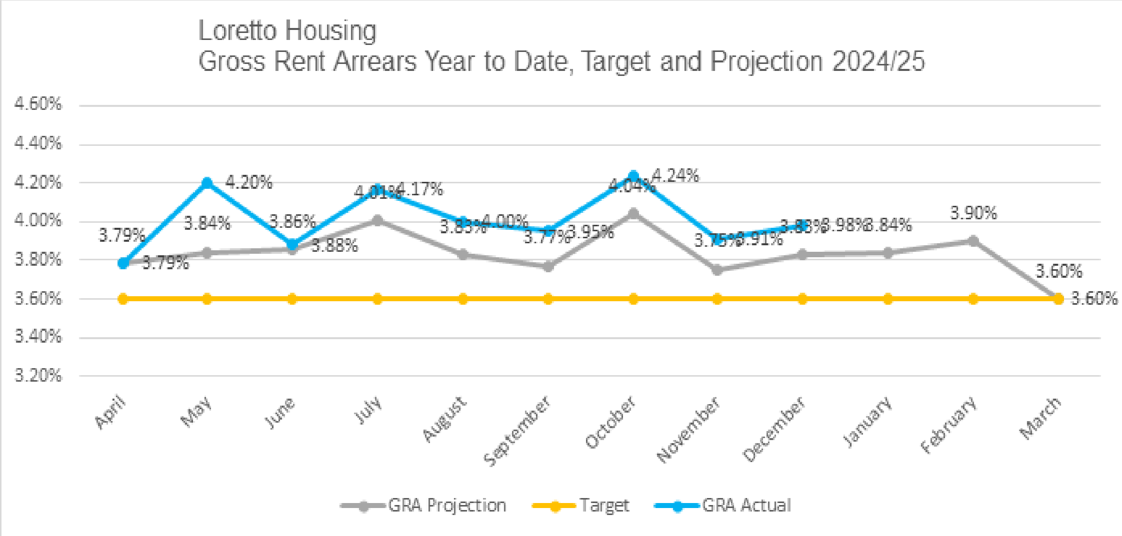
4.65 Employee Relations will be rolling out their "HR Essentials" managers training programme for 2025 which will be available in January for managers to book on My Academy.

Enabling our Ambitions

Gross Rent Arrears

4.66 Our GRA has increased from 3.95% to 3.98% and is 0.38% above the 3.6% target for 2024/25. To achieve target, we estimate that our GRA needs to reduce by £50k between now and year-end 2024/25. Currently, we remain above our projection for this point in the year. The SHR Scottish average for 2023/24 was 6.7%, which we continue to outperform.

Chart 1



4.67 We remain commited and positive to working towards year-end targets as we continue to focus on income performance as a team during weekly meetings, as well as performance focused VMBs. These are held twice per month, one for predicting end of month performance and one for reviewing performance results, ensuring detailed discussions that are patch specific. Weekly discussions on GRA help understand the impact of arrears, supporting a full team understanding and the importance of FT, WO, and SST. These discussions also cover the monetary value and percentage of GRA.

4.68 Focus this new year has been contacting tenants for non-payment and we managed to recoup £4,600 in the first week in January. We have continued the rent campaign with a focus on tenants who have not paid, new cases and defaulted arrangements.

4.69 We continue to enhance cross-patch working by engaging with varied contacts, escalating cases, and increasing referrals to wrap-around support services. Our one team approach ensures we are effectively addressing arrears across different areas and providing comprehensive support to customers. Bulk SMS texts are being sent for rent reminders and arrears, which has proven to be an efficient way to communicate with many of our tenants simultaneously with a positive impact.

4.70 We are also increasing home visits, particularly for customers with failed payments or those with new or increasing arrears. These visits allow us to have face-to-face interactions with tenants, understand their situations better, and offer personalised support.

4.71 We continue to note the ongoing impact of customers transitioning to Universal Credit (UC) through managed migration. Our teams responds promptly to identify and support those affected, offering assistance through wrap-around services. Technical arrears also continue to increase for those receiving Housing Benefit (HB) some of which will resolve by year-end.

Average Days to Re-Let (Charter)

4.72 Performance on average days to re-let was 11 days in December, an increase of almost 3 days since the last quarter, which takes account of the festive period closure. Our average days to re-let at 10.72 days for the year-to-date is still well below the 16 day target.

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

Table 19

Average days to re-let (Charter)	2024/25 YTD		2024/25 Target	2023/24 Results	Charter revised YTD (no meter amendments)
Loretto	10.72		16	10.87	10.72

Invoice Payments

4.74 Year-to-date, 96.81% of invoices were paid in 30 days or fewer in quarter three, an increase from the end of quarter two (96.26%).

Procurement

4.75 By the end of quarter three, 99.35% of contracted expenditure was compliant with procurement rules and just above the 99% target, about the same as the end of 2023/24 (99.56%).

Summary of Strategic Project Delivery

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

Table 20

Complete	On track	Slippage	Overdue
1	2	1	1

4.77 No projects completed during quarter three.

4.78 One project is overdue its completion date:

- Develop a data and technology enabled approach to managing and monitoring building compliance – was expected to complete by the 31st of December 2024. Milestone 4, a draft proposal is in progress.

4.79 One project is currently slipping, albeit with significant progress being made:

- **Improving and evolving our multi-channel customer first centre –** Following launch of our geographical teams for all subsidiaries earlier in the financial year, we have been progressing our Storm system enhancements. Our aim is to scope, test and refine each enhancement to ensure we maximise value. We are already piloting our customer call transcription and have scoped and developed our natural language processing proof of concept (POC). While this POC will underpin future automation of identification and verification (IDV), we are undertaking testing during quarter four. In parallel, we are working closely with our supplier to refine our automated quality assurance, adding additional testing. While work continues on existing enhancements, our proposals for year two enhancements are in draft and will be considered by the Executive Team during February as planned**.**

4.80 All remaining projects are currently on track.

5. Customer engagement

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

6. Environmental and sustainability implications

6.1 Our Group sustainability framework includes a refined sustainability performance framework overseen by the Wheatley Solutions Board.

7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2024/25 have been developed and prioritised with IT, digital and data interdependencies a key factor.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in quarterly performance reporting. We are also required to involve tenants in the scrutiny of performance, which we do through the Group Scrutiny Panel, and to report to tenants on performance by the end of October each year, which we have.

10. Risk appetite and assessment

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

11. Equalities implications

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

12. Key issues and conclusions

12.1 We have strong performance against our targets for 2024/25 in several key areas including average days to re-let, tenancy sustainment, CFC and allocations CSAT scores, medical adaptation completion timescales, lets to homeless applicants, jobs and training places created, the number of children and young people benefitting from targeted Foundation programmes, the number of people accessing services to help alleviate poverty, sickness absence and re-letting times. Average time to complete non-emergency repairs and arrears remain key areas of focus.

13. Recommendations

13.1 The Board is asked to note the contents of this report.

LIST OF APPENDICES:

Appendix 1: Strategic Measures Dashboard
Appendix 2: Strategic Projects Dashboard
Appendix 3: SPSO and ARC Complaints

Appendix 1 - Loretto Housing Board - Delivery Plan 24/25 - Strategic Measures

1. Delivering Exceptional Customer Experience

Measure	2023/24 2023 Value	YTD 2024/25 2024 Value	YTD 2024/25 2024 Target	YTD 2024/25 2024 Status
% Annual Tenant Visits		82.08%	70%	
% new tenancies sustained for more than a year - overall	93.88%	94.42%	90%	
% new tenancies sustained for more than a year - homeless	94.55%	95.51%		
% new tenancies sustained for more than a year - revised	94.52%	94.85%	91%	
Group - % of contacts to CFC resolved within CFC		89.61%	93%	
CFC CSAT	4.3	4.6	4.5	
Allocations CSAT	4.7	4.7	4.5	
Abandonment Rate	5.33%	6.44%	5%	
Call abandonment rate after 30 secs		4.48%	4%	

2. Making the Most of Our Homes and Assets

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
Average time taken to complete emergency repairs (hours) – make safe	3.07	3.29	3	
Average time taken to complete non-emergency repairs (working days)	8.61	8.73	7.5	
% reactive repairs completed right first time	89.92%	87.67%	90%	
Number of gas safety checks not met	0	0	0	
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service	85.51%	91.8%	90%	
Average time to complete approved applications for medical adaptations (calendar days)	18.09	17.72	25	
New build completions - Social Housing	24	15	0	
Number of RIDDOR	0	0		
Number of HSE or LA environmental team interventions	0	0	0	
Number of accidental fires in workplace	0	0	0	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue	1	4		
Number of new employee liability claims received	0	0		
Group - Number of open employee liability claims	13	9		
Number of days lost due to work related accidents		0		

3. Changing Lives and Communities

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% ASB resolved	100%	97.92%	100%	
% Lets Homeless Applicants - overall	62.26%	55.2%		
% Relevant lets to Homeless Applicants	60.2%	53.93%		
Group - Percentage of Community Benefit job and training opportunities arising through the spend associated with new home construction and our investment programme that have been secured by Wheatley customers	45.58%	66.25%	30%	
Total number of jobs, training places or apprenticeships created for customers and communities	14	20	7	
Number of children and young people benefiting from targeted Foundation programmes in Wheatley Communities	42	42	30	
Number of people accessing services which help alleviate poverty in Wheatley Communities	371	307	230	
Group - Repeat antisocial behaviour cases in period – number of repeat addresses	952	700	403	
NETS Adhoc CSAT	3.9	4	4.3	
Group - % of our customers live in neighbourhoods categorised as peaceful	76.16%	77.40%	75%	
Loretto - % of our customers live in neighbourhoods categorised as peaceful		94.25%	75%	
Group - The percentage of HMOs that have a current fire risk assessment in place	100%	100%	100%	
Group RSLs - Number of accidental dwelling fires (reduce by 10% by 2025/26) (Upper limit 195 for 2024/25)	120	70	195	

4. Developing Our Shared Capacity

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
Sickness Rate	0.45%	0.44%	3%	

5. Enabling Our Ambitions

Measure	2023/24	YTD 2024/25		
	2023	2024		
	Value	Value	Target	Status
% lettable houses that became vacant	5.52%	5.52%	8%	
Average time to re-let properties	10.87	10.72	16	
Loretto C - Gross rent arrears (all tenants) as a % of rent due	3.67%	3.98%	3.6%	
Loretto A - Gross rent arrears (all tenants) as a % of rent due	4.07%	4.42%		
Loretto B - Gross rent arrears (all tenants) as a % of rent due	3.12%	3.37%		
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	93.57%	96.81%	96%	
% of contracted expenditure compliant with procurement rules	99.56%	99.35%	99%	

Appendix 2 - Loretto Housing Board - Delivery Plan 24/25 - Strategic Projects

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

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				04. Group Executive team agree service, process and technology changes required to improve the customer journey and respond to the pulse survey findings	30-Sep-2024	Yes	
Asset strategy (b)	28-Feb-2025		85%	01. Asset strategy featured as a key theme in Group partner Board strategy workshops	31-May-2024	Yes	The role out of our asset strategy and the approach that it sets out is progressing to plan including through informing the 5 year capital investment plans that Boards are due to consider in February and providing an effective mechanism for engaging frontline staff on customer priorities.
				02. Customer and staff engagement session	31-May-2024	Yes	
				03. Internal review and sign-off	31-May-2024	Yes	
				04. Group Board approval of Group Asset Management strategy	30-Jun-2024	Yes	
				05. Group partner asset management plans approved	30-Sep-2024	Yes	
				06. Staff launch of group asset management strategy and group partner asset management plans	31-Oct-2024	Yes	
				07. Agreed approach through strategy informs 2025 investment plans	28-Feb-2025	No	
Develop a data and technology enabled approach to managing and monitoring building compliance (b)	31-Dec-2024		75%	01. Review our existing compliance cycles, data management, integration and management information arrangements	31-Jul-2024	Yes	Milestones 1-3 completed and Milestone 4 in progress to provide a draft proposal to take back to ET.
				02. Build our future building compliance model including desired compliance cycles, key data, data flows, degree of integration, required management information and desired customer touchpoints and functionality	31-Oct-2024	Yes	

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

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

Appendix 3 – Q3 2024/25 - ARC and SPSO measures

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

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

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

Charter (ARC) Measures

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

1.5 Charter - number of complaints received:

Charter – complaints received* excluding complaints carried over						
	*2023/24			2024/25 YTD		
	Stage 1	Stage 2	All	Stage 1	Stage 2	All
Loretto	355	28	383	231	30	261

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

Charter - average time for a full response to complaints (working days)				
Subsidiary	2023/24 Stage 1 - 5-day target, Stage 2 – 20-day target		2024/25 – YTD Stage 1 - 5-day target, Stage 2 – 20-day target	
	Stage 1	Stage 2	Stage 1	Stage 2
Loretto	3.48	15.17	3.65	15.65

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

Charter - average time for a full response to complaints (working days)		
Subsidiary	2023/24Target – not targeted	YTD 2024/25 – not Targeted
Loretto	4.39	5.08

SPSO Measures

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

1.9 Stages of complaints are defined as:

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

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

Indicator 1 - total number of complaints received

1.11 Stage 1 and Stage 2 complaints numbers have reduced compared to the same period in 2023/24. At the end of Q3 2023/24 Loretto had received 247 Stage 1 and two Stage 2 complaints. In Q3 2024/25 Loretto has received 231 Stage 1 (6.5% reduction) and one Stage 2 (50% reduction) complaints.

SPSO Indicator 1 - total number of complaints received - YTD		
Subsidiary	Stage 1 (this includes escalated complaints as they were first received at Stage 1)	Stage 2 (directly received as Stage 2, i.e. not escalated from Stage 1)
Loretto	231	1

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

1.12 Loretto is exceeding target of 95% for stage 1 and achieving 100% for stage 2 for Q3.

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days						
Subsidiary	Stage 1 - responded to within 5 working days		Stage 2 - responded to within 20 working days		Escalated complaints - responded to within 20 working days	
	2023/24	YTD 2024/25	2023/24	YTD 2024/25	2023/24	YTD 2024/25
Loretto	96.82%	100.00%	100.00%	100.00%	96.15%	100.00%

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

1.13 Loretto is exceeding the target of 5 days for stage 1 and 20 days for stage 2 for Q3.

SPSO Indicator 3 - the average time in working days for a full response to the complaints at each stage – YTD 2024/25			
Subsidiary	**Stage 1 - responded to within 5 working days**	**Stage 2 - average time in working days to respond to complaint**	**Escalated complaints - Average time to respond to complaints after escalation from Stage 1 to Stage 2**
Loretto	3.65	14.00	15.76

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

SPSO Indicator 4 - the outcome of complaints as a % of overall complaints				
Subsidiary	**Stage 1 - upheld**	**Stage 1 - partially upheld**	**Stage 1 - not upheld**	**Stage 1 - resolved**
Loretto	35.96%	7.02%	20.18%	36.84%
	Stage 2 - upheld	**Stage 2 - partially upheld**	**Stage 2 - not upheld**	**Stage 2 - resolved**
Loretto	0.00%	50.00%	50.00%	0.00%
	Escalated complaints - upheld	**Escalated complaints - partially upheld**	**Escalated complaints - not upheld**	**Escalated complaints - resolved**
Loretto	48.28%	24.14%	27.59%	0.00%