**Company Registered No. SC115066**
**Scottish Charity No. SC026231**
**R.S.L No. 327**

# WAVERLEY HOUSING
**(A Company Limited by Guarantee)**

## REPORT and FINANCIAL STATEMENTS

**For the year ended 31 March 2020**

**WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

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**For the year ended 31 March 2020**

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**WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

**COMPANY INFORMATION**

**For the year ended 31 March 2020**

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|---|---|
| COMPANY REGISTERED NUMBER: | SC115066 |
| SCOTTISH CHARITY NUMBER: | SC026231 |
| R.S.L. NUMBER: | 327 |
| PROPERTY FACTORS NUMBER: | PF00271 |
| REGISTERED OFFICE: | 51 North Bridge Street<br>Hawick TD9 9PX |
| CHAIR: | David Gordon |
| DIRECTORS | Margaret Stenhouse<br>William Robson<br>George Young<br>Garyth Thomas<br>Eileen Frame<br>David Gordon<br>Ronnie Dumma<br>Christina Stewart<br>Ray Sneddon |
| CHIEF EXECUTIVE: | Fraser Kelly |
| COMPANY SECRETARY: | Fraser Kelly |
| BANKERS: | The Royal Bank of Scotland<br>Kirkstane House<br>Third Floor<br>139 St Vincent Street<br>Glasgow G2 5JF |
| | Barclays Commercial Bank<br>Aurora<br>First Floor<br>120 Bothwell Street<br>Glasgow G2 7JT |
| | Clydesdale Bank<br>Corporate and Structured Finance<br>First Floor<br>30 St Vincent Place<br>Glasgow G1 2HL |
| SOLICITORS: | TC Young<br>7 West George Street<br>Glasgow G2 1BA |
| EXTERNAL AUDITOR: | Chiene + Tait LLP<br>Chartered Accountants and Statutory Auditor<br>61 Dublin Street<br>Edinburgh EH3 6NL |
| INTERNAL AUDITORS: | Scott Moncrieff<br>25 Bothwell Street<br>Glasgow G2 6NL |
| | Wylie + Bisset<br>168 Bath Street<br>Glasgow G2 4TP |

## REPORT of the DIRECTORS (INCLUDING STRATEGIC REPORT)

The Directors of Waverley Housing present their report, including the Strategic Report, and the audited financial statements for the year ended 31 March 2020.

### Principal Activities

Waverley Housing is a company limited by guarantee and is governed by its Memorandum and Articles of Association. Accordingly, the company does not have share capital. It is a registered Scottish charity; a registered social landlord and its principal activity is the provision of affordable social rented housing.

### Financial Instruments

Borrowings at 31 March 2020 were £19.8 million. This debt is borrowed from a UK bank. 70% of the debt is fixed at 4.96% (before margins) for the life of the facility. The remaining 30% is variable interest based on London Interbank Offered Rate (LIBOR).

Waverley Housing borrows only in sterling, and therefore does not have any currency risk. Any surplus cash is invested with approved UK institutions meeting approved credit rating criteria.

### Events after the Balance Sheet Date

There have been no significant events since the balance sheet date.

### Research and Development

There was no spending on Research & Development in the year.

### Political and Charitable Donations

There were no political or charitable donations made by Waverley Housing within the year.

### Going Concern

The Board has reviewed and approved the Annual Budget for 2020-2021. It has also recently approved the 2020 Financial Plan incorporating a 30 year cash flow which shows that Waverley Housing is able to service its loan facilities whilst continuing to comply with funder's covenants. Key assumptions underpinning the projections are kept under review and are subject to stress testing and scenario planning. As such it is the opinion of the Board that the Company has a reasonable expectation of having adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Company's financial statements.

### Disclosure in the Strategic Report

Certain matters which are required to be disclosed in the director's report have been omitted as they are included below in the strategic report.

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## STRATEGIC REPORT

### Review of Business and Future Developments

Waverley Housing's vision is "Working together to make a difference". This will be achieved by:

- Delivering quality homes
  *….through delivering active asset management, targeted at investment planning and efficient procurement methods, we will improve and maintain our properties, providing the best comfort at the lowest cost, ensuring our rents remain affordable.*

- Delivering quality services
  *….through continued investment in our people, developing innovative solutions to service challenges and by listening to and learning from our customers and improving their experiences with us, we will let our houses effectively with a compassionate, responsive and well-led approach.*

- Creating great places to live
  *….by working together with our tenants, other residents and partners on targeted regeneration programmes, and by working hard to reduce the number of empty properties, we will create great communities that change lives.*

- Being a strong and successful organisation.
  *….by better understanding our customers and investing in the future through effective leadership and efficient management of our people and resources, we will be financially secure and develop a workforce that is motivated, skilled and highly professional in all that they do.*

These strategic objectives are set out in our 5-year Business Plan for 2016 – 2021 which was recently reviewed by the Board. In developing this Plan Waverley Housing has taken into account the Business Planning Recommended Practice published by the Scottish Housing Regulator in December 2015.

### The Year Under Review

*Performance*

Waverley Housing is committed to improving performance across all of our services and has continually reviewed our performance management framework to ensure it is both robust and effectively measures our progress towards meeting our targets.

Monthly management information is produced which includes measure of outputs against Key Performance Indicators (KPIs), trend analysis, commentary on key and material areas, comparison with budgets and compliance with funders covenants. This information is presented to the Board at its monthly Board meeting. KPIs are set annually and reviewed six-monthly by the Board and Management Team.

**Summary Key Performance Indicators**

| KPI Description | Target 2019/20 | Actual 2019/20 |
|---|---|---|
| Net housing debt per unit | <£16,000 | £9,760 |
| Asset cover – Basis 1 | >110% | 272% |
| Net operating surplus to net interest payable | >90% | 239% |
| Ratio of operating income to operating expenditure plus finance costs | >98% | 106% |
| % of stock vacant and available for let | <1.01% | 0.83% |
| % of rent due lost on available to let properties being empty during the year | <1.20% | 0.66% |
| Average time (in days) taken to relet voids (excl. low demand and unavailable for let) | <28 days | 18 days |
| Gross rent arrears (all tenants) as a % of rent due for the reporting year | <2.90% | 2.58% |
| Former tenant rent arrears as a % of rent due for the reporting year | <0.80% | 0.52% |
| % properties with gas which had a gas safety check completed by the anniversary date | =100% | 100% |
| % of reactive repairs carried out in the year completed right first time | >98.0% | 98.8% |
| % of stock targeted for the year, meeting the Energy Efficiency Standard for Social Housing | =100% | 101.7% |
| % of tenants who have had repairs/maintenance carried out in the last 12 months satisfied with the service | >98.0% | 99.9% |

*Achievements*

- We obtained grant funding from the Scottish Government to assist us to purchase 3 properties on the open market.

- Our second year of providing a day to day repairs and void repairs service to 950 Eildon Housing Association properties in the central Scottish Borders area has been successful and we continue to meet key performance indicators related to the contract.

- We were successful in bidding for a contract to undertake repairs, maintenance and voids repairs to 115 properties used by Scottish Borders Council to provide temporary accommodation to homeless household. The contract commenced in October 2019 with an initial term of 2 years with an option for a further 2 years.

- We commenced an extensive external refurbishment programme for 68 flats/maisonettes on the Upper Langlee estate in January 2020.

- We continued to progress our plans for the demolition of 159 properties and provision of 109 new build properties in Upper Langlee. We undertook procurement exercises to appoint an Employers Agent and Civil and Structural Engineer who will assist in progressing these estate regeneration plans.

- We undertook an options appraisal study on some our garage stock in Beech Avenue, Galashiels and decided that we will demolish these as part of our estate regeneration plans for Upper Langlee.

Other activities during the year

- We continued to develop and implement our policies and procedures to ensure our compliance with the requirements of the Freedom of Information (Scotland) Act 2002 as pertaining to Registered Social Landlords from November 2019.

- We attended Careers Fairs at some of the secondary schools within our region, which were aimed at informing students on jobs and careers available within our organisation.

- Communication and consultation with tenants and other stakeholders is still high on our agenda. During 2019/20 we consulted on a range of matters including rent increase proposals and various policies. Particular emphasis has been given to undertaking focused communications and consultation with residents living in Upper Langlee who will be affected by our estate regeneration plans.

- We completed our initial Annual Assurance Statement and submitted this to the Scottish Housing Regulator. We have drawn up a Compliance Action Plan to progress various items where we felt there was room for improvement.

- We introduced a Local Lettings Plan for our housing stock in the Stonefield area of Hawick and plan to review this in 12 months time.

- Estate Walkabouts – we organised three walkabouts during the year in Galashiels and Hawick with all involved having input into how they would like to see their neighbourhoods improved.

- We reviewed our grounds maintenance service level agreement and used this when undertaking a procurement exercise to appoint a grounds maintenance contractor for 2 years from April 2020.

- We completed our agreement with Eildon Housing Association to purchase 4 houses built as part of their new development at Howdenburn Court Jedburgh and took ownership of these properties in December 2019.

- We continue to keep under review our arrangements for dealing with the significant increase in tenants claiming Universal Credit and to monitor our performance in this area.

**The Future**

- We will undertake a staffing structure review with the results of the review to be implemented during 2020/21.

- We will continue to invest in our housing stock to meet EESSH and anticipate that almost all of our housing stock will meet EESSH by December 2020. As part of our investment plans, we will install air source heat pumps to Waverley properties for the first time.

- We will be submitting a detailed planning application for the demolition/new build estate regeneration plans we have for Upper Langlee to Scottish Borders Council. In addition, we will progress various workstreams with a view to utilizing an appropriate procurement method to appoint a contractor to undertake the work involved in these plans.

- We will keep under review our operational practices and response to the Covid -19 pandemic and evaluate new and different ways of working to ensure we continue to provide high quality services to our customers.

**Waverley Works Limited**

- On 16 May 2019 the company applied to Companies House for striking off Waverley Works Limited. The company was dissolved on 6 August 2019.

## Our People

The Board places great emphasis on the importance of improving services to tenants and other customers. The contribution of all employees to this objective is crucial. Accordingly, we have continued to enhance our training and development programme for all staff. Waverley Housing communicates regularly with employees on matters concerning our objectives, progress and activities as well as health, safety and welfare policies. This happens through training courses, regular briefings and team meetings.

We have provided an extensive range of training covering a variety of subjects to both our office based and trades staff as part of our commitment to ensure our staff have the desired skills and knowledge to carry out their jobs to the best of their ability. We retained our membership and commitment to the Healthy Working Lives initiative and undertook various health promotion activities for staff. In addition, we recruited another Modern Apprentice during the year further reinforcing our commitment to providing employment opportunities for young people in our area.

## Health and Safety

The health and safety of tenants and staff is a key concern for us, as a Board. We have established a health and safety forum to give advice on policy and set out procedures for carrying out inspections and investigations when required.

We also have access to specialist advice on an on-going basis. The Management Team receives monthly reports on accidents at work, health and safety incidents and near misses, and these are reported to the Board on a regular basis.

## Governance and the Governing Body

The present membership of the Board and those who have served during the year is set out on page 2.

All Board members receive initial induction training and attend internal and external training which not only build on existing experience but provide an opportunity to develop new skills.

## Directors' Indemnity Provisions

Waverley Housing maintains Board members liability insurance through AXA Insurance UK.

## Financial Review

*Statement of Comprehensive Income (including Income and Expenditure Account)*

Waverley Housing's turnover for 2019/20 was £7,230,918 (2018/19: £6,714,855) against operating costs of £5,851,428 (2018/19: £5,847,333). The main source of income was rental income of £6,521,296. Depreciation charges relating to housing property was £728,533 in the year. Following an impairment review an adjustment of £77,082 was made to Housing Properties in respect of properties in an area of Galashiels which are due to be demolished as part of a regeneration plan. An impairment adjustment of £855,418 was also made in respect Office Premises to reflect the current market value.

*Statement of Financial Position*

Waverley Housing's Statement of Financial Position as at 31 March 2020 is shown on page 18. Following the implementation of Financial Reporting Statement 102 the Company took the option to value the Housing and Garage stock on a "deemed cost" basis going forward.

*Statement of Cash Flows*

Waverley Housing's cash flows are shown on page 20. The main sources of cash inflows were rental income and grant support, with net cash inflow from operating activities of £3,049,139 (2018/19: £2,899,946).

*Current Liquidity*

At 31 March 2020 Waverley Housing had cash and short-term deposits of £5,199,570. Our future investment programme in Waverley Housing properties will see this cash balance reduce over the forthcoming years.

*Capital Structure and Treasury Policy*

Long-term funding is a 30-year loan facility arranged with Barclays Bank plc in 2009. Our financial plan is reviewed and updated on an annual basis, ensuring continuing compliance with our covenants.

Waverley Housing has managed its interest rate risk by entering into a bank loan agreement which fixes its interest rates on 70% of total outstanding debt. The interest rate on the remainder of the debt varies in accordance with market interest rates.

The Board receives regular reports which detail the debt, cash and interest received and paid. All proposed changes to banking arrangements and bank signatories are approved by the Board.

## Looking Ahead

As a registered social landlord, our assets play a vital role in helping us deliver our strategic objectives. These assets, which in the main are residential properties, are our core product and as such are central to our business model. All our services are affected by how well we utilise, maintain, develop and grow these assets. For the first time we have analysed each and every house to determine its financial and social value and thus its sustainability score. Our asset management goals, as defined in our Asset Management Strategy are strongly aligned to our business objectives.

Key to providing excellent services is knowing our customers, their needs and priorities. We encourage tenants to be demanding and determined in securing value for money and encourage dialogue with tenants during rent setting. Getting a grip on service cost and performance, asset management and procurement is critical to the success of the business and achieving value for money.

*Challenges and risks*

Waverley Housing has a robust risk management system in place which runs through every aspect of the business and aims to minimise the impact of risks and their consequences on the continuance of the business. Three key risks to the organisation going forward are:

| Risk | Potential Implications | Review of Risk and Controls in Place | Actions Required |
|---|---|---|---|
| Upper Langlee Demolition and New Build Programme. | Programme of demolition and new build is not met on time and/or within budget. Specific concern around timescale required for pre-planning application process. Lack of project management capacity and experience within the WH Management Team. Lack of interest from suitably experienced contractors to undertake the demolition/new build phases of work. Failure to identify site constraints. Failure to purchase owner occupied properties required in order to complete the estate regeneration plans. Failure to establish a robust Scheme Appraisal. Lack of clarity in the relationship and sequence of appointment between design consultants and engineer. Failure to achieve a sufficiently progressed scheme design to allow HARP registration. Uncertainty over Housing Association Grant levels after March 2021. | Business Plan and Asset Management Strategy. Financial Plan. Appointment of Camerons Architects. Appointment of MB Langmuir Hay as Employers Agent. Appointment of Wardell Armstrong as Civil and Structural Engineers. Support from Ark Consultancy. SBC Strategic Housing Investment Plan. Scottish Government Affordable Housing Supply Programme. Upper Langlee Development Programme and Action Plan. Requirement for an updated Project Design Brief. Regular reporting on progress to the Board | Employers Agent to review the proposed scheme and costings before a full planning submission to SBC is made. Liaison with Camerons to progress the detailed planning application for submission to Scottish Borders Council. Camerons to resubmit the pre-application enquiry based on feedback from the Board session held on 24/2/20.Continue to consult with the local community when appropriate to do so. Complete transfer of two areas of common ground from the Langlee Residents Association back to Waverley Housing. Continue discussions with SBC over future ownership and management of the play park on the estate. Complete the purchase of one garage and 6 flats which are to be demolished to make way for new housing on the estate. To claim the £300k funding available from SBC to support the purchase of these flats and garage. Consideration of a New Build Development Policy to be established. Agree template for an outline financial scheme appraisal. Approve governance arrangements and role of AICC in relation to our estate regeneration plans for Upper Langlee. |

| Risk | Potential Implications | Review of Risk and Controls in Place | Actions Required |
|---|---|---|---|
| Coronavirus (COVID-19) Viral Epidemic | Substantial disturbance to normal business. | Business Recovery & Continuity Plan invoked and CMT monitoring situation | Continue to monitor Government and NHS guidance and take instigate appropriate actions as these are identified |
| Impact of Welfare Reform | Increase in rent arrears. Higher eviction rates. Increased voids and voids rent loss. Increase in abandonments. Increase in homelessness. Increase in legal costs. | Universal Credit Action Plan. Tenancy Sustainment Strategy, including employing a Tenancy Support Officer. Pre-allocation interviews carried out with potentially vulnerable tenants. Welfare Benefits Advisor appointment on permanent basis. Settling-In Visits undertaken and responses reviewed. Mobysoft Rensenselite introduced. Staff Participation in external UC working group ongoing. Arrears Policy. Rent and Service Charge Setting Policy. Evictions Procedure. Abandonments Procedure. Void Management Procedure. Financial Plan. Housing management team structure reviewed. Constant review of current practices and ensure that any new DWP implementations are addressed (see UCAPT). | Continue to increase awareness of how UC tenants pay rent, keep in contact with them and support workers until UC payment in place. Keep abreast of all changes which are due to be implemented however timescales have not been announced. |

**Covid-19**

The Covid-19 pandemic has significantly impacted our ability to deliver a number of services to our customers since lockdown commenced in March. We are actively planning how we restart our services as and when the Scottish Government Route Map allows. Due to the timing of lockdown all our cyclical and planned investment projects for the year to 31 March 2021 are significantly delayed. Our repairs team continued to provide emergency services but all non-essential works including capital improvements were stopped.

**Internal Financial Control**

The Board of Waverley Housing is responsible for establishing and maintaining the systems of internal financial control within the organisation. By their nature these systems can provide reasonable but not absolute assurance against material misstatement or loss. The internal control framework is supported by measures including business planning, performance reporting, project management and authorities and responsibilities delegated from the Board to Executive Management.

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

**Internal Financial Control (continued)**

*Management Structure*
The organisation for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Committees. The Board has delegated the responsibility to the Chief Executive for maintaining sound systems of internal control that support the achievement of the organisation's objectives.

*Audit and Internal Control Committee*
The Audit and Internal Control Committee in Waverley Housing consists of six Board members. Meetings are attended by the Chief Executive, Operations Director, Finance Manager, internal auditors and external auditors. The Board has delegated powers to the Audit & Internal Control Committee to approve the internal audit plans, reports and follow-up reviews.

*Identification of Business Risk*
The Board is responsible for identifying the major business risks faced by the organisation and for determining the appropriate course of action to manage those risks. The financial implications of major business risks are controlled by means of delegated authorities, which reserve significant matters to the Board for decision.

*Risk and Compliance*
The Board has continued with its Risk Management Plan and has a Key Risk Register, which is reviewed monthly by the Board, as part of the Performance Reports.

*Management Information Systems*
Management information systems have been established to provide information on key aspects of the business. Management accounts comparing actual results against budget are presented to the Board monthly together with performance against key financial and non-financial indicators.

*Internal Control systems*
The systems of internal controls reviewed by our internal auditors Scott Moncrieff, in 2019/20 included Estate Management and Anti-Social Behaviour, Procurement, Financial Ledger and Freedom of Information. There were no areas of high or critical risk. There were 10 recommended actions. 8 of these have been implemented and 1 is partially complete and 1 is ongoing.

*Internal Audit*
The Internal Auditor reports to the Chief Executive with direct access to the Chair of the Audit and Internal Control Committee. The internal audit function is outsourced, and field work is normally carried out by two auditors. The internal audit work programme is determined by applying a risk-based methodology.

*Investment Appraisal*
Capital expenditure is regulated by a budgetary process and scheme of financial delegation. For expenditure beyond specified levels or out with budget and plans, approval is required by the Board.

*Quality and Integrity of Employees*
The integrity and competence of personnel is ensured and maintained through high recruitment standards and subsequent training and development initiatives. High quality personnel are seen as an essential part of the control environment and the conduct and ethical standards expected are embodied within the organisation's stated aims and objectives.

**Statement**

The Board has reviewed the effectiveness of the systems of internal financial controls that have been in operation during the year and until 25 September 2020. Improvements in the financial controls and project management are continuously being put in place. These improvements will continue as Waverley Housing progresses. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

## Directors' Responsibilities Statement

The directors, who are also trustees of Waverley Housing for the purposes of charity law, are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the surplus or deficit for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- ensure the financial statements comply with the Statement of Recommended Practice for Regulated Social Landlords; and
- prepare a Statement on Internal Financial Control

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Determination of Accounting Requirements - February 2019. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Insofar as the Directors are aware:

- there is no relevant audit information (information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the company's auditor is aware of that information.

In approving the Report of the Directors, the directors also approve the Strategic Report included therein.

**By order of the Board**

**Fraser Kelly**
**Secretary**

25 September 2020

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

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**Opinion**
We have audited the financial statements of Waverley Housing for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors and the Strategic Report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement, the directors (who are also the trustees for the purpose of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

**Malcolm Beveridge CA, Senior Statutory Auditor**
For and on behalf of
Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

28 September 2020

**REPORT BY THE AUDITORS TO THE MEMBERS OF WAVERLEY HOUSING**

**ON CORPORATE GOVERNANCE MATTERS**

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In addition to our audit of the Financial Statements, we have reviewed your statement on pages 10 to 11 concerning the company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**
We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**
In our opinion the Statement on Internal Financial Control on pages 10 to 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Company and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the company's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Chiene + Tait LLP

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

28 September 2020

**WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

## STATEMENT OF COMPREHENSIVE INCOME (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

**For the year ended 31 March 2020**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | £ | £ |
| **Turnover** | 2 | 7,230,918 | 6,714,855 |
| Operating expenditure | 3/14a | (5,851,428) | (5,847,333) |
| **Operating surplus** | 6 | 1,379,490 | 867,522 |
| Gain on disposal of tangible fixed assets | | - | 38,763 |
| Interest receivable and similar income | 7 | 40,720 | 29,310 |
| Interest payable and similar charges | 8 | (991,750) | (985,194) |
| **Surplus/(deficit) on ordinary activities before taxation** | | 428,460 | (49,599) |
| Tax on surplus/(deficit) on ordinary activities | 13 | - | - |
| **Surplus/(deficit) on ordinary activities after taxation** | | 428,460 | (49,599) |
| **Total comprehensive income for the year** | | 428,460 | (49,599) |

In each of the years ended 31 March 2020 and 31 March 2019, the surplus/(deficit) for the year is in respect of continuing activities of the company.

The notes on pages 21 to 35 form part of these financial statements.

**WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

**STATEMENT of FINANCIAL POSITION**

**As at 31 March 2020**

| | Note | 2020 £ | 2019 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | | | |
| Housing properties | 14(a) | 37,040,975 | 36,106,821 |
| Other fixed assets | 14(b) | 532,987 | 1,432,302 |
| Investment in subsidiary | 15 | - | 1 |
| | | 37,573,962 | 37,539,124 |
| **Current assets** | | | |
| Debtors | 16 | 463,870 | 347,702 |
| Cash in hand and at bank | | 5,199,570 | 5,219,737 |
| | | 5,663,440 | 5,567,439 |
| **Creditors**: amounts falling due within one year | 17 | (904,492) | (821,081) |
| **Net current assets** | | 4,758,948 | 4,746,358 |
| **Total assets less current liabilities** | | 42,332,910 | 42,285,482 |
| **Creditors**: amounts falling due after more than one year | 18 | (19,546,607) | (19,927,639) |
| | | 22,786,303 | 22,357,843 |
| **Reserves** | | | |
| Revaluation reserve | 21 | 14,775,668 | 14,910,869 |
| Income and expenditure reserve | 21 | 8,010,635 | 7,446,974 |
| **Total reserves** | | 22,786,303 | 22,357,843 |

Approved and authorised for issue by the Board of Directors on 25 September 2020 and signed on their behalf by:

**David Gordon, Chair**

**George Young, Director**

**Garyth Thomas, Director**

Company Registration Number: SC115066

The notes on pages 21 to 35 form part of these financial statements.

**WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

**STATEMENT of CHANGES in RESERVES**

**For the year ended 31 March 2020**

| | Income and Expenditure Reserve | Revaluation Reserve | Total Unrestricted Funds |
|---|---|---|---|
| | £ | £ | £ |
| At 1 April 2019 | 7,446,974 | 14,910,869 | 22,357,843 |
| Surplus from statement of comprehensive income | 428,460 | - | 428,461 |
| Transfer from revaluation reserve to income and expenditure reserve | 135,201 | (135,201) | - |
| Other movements | - | - | - |
| **Balance at 31 March 2020** | 8,010,635 | 14,775,668 | 22,786,303 |

**For the year ended 31 March 2019**

| | Income and Expenditure Reserve | Revaluation Reserve | Total Unrestricted Funds |
|---|---|---|---|
| | £ | £ | £ |
| At 1 April 2018 | 6,596,708 | 15,810,734 | 22,407,442 |
| Deficit from statement of comprehensive income | (49,599) | - | (49,599) |
| Transfer from revaluation reserve to income and expenditure reserve | 899,865 | (899,865) | - |
| Other movements | - | - | - |
| **Balance at 31 March 2019** | 7,446,974 | 14,910,869 | 22,357,843 |

The notes on pages 21 to 35 form part of these financial statements.

**WAVERLEY HOUSING**
**(A Company Limited by Guarantee)**

## STATEMENT of CASH FLOWS

**for the year ended 31 March 2020**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | £ | £ |
| **Cashflow from operating activities** | 20 | 3,049,139 | 2,899,946 |
| **Cash flow from investing activities** | | | |
| Purchase of tangible fixed assets | | (1,830,683) | (1,576,943) |
| Proceeds from sale of tangible fixed assets | | - | 55,000 |
| Grants received | | 112,407 | 243,610 |
| Interest received | | 40,720 | 29,310 |
| **Net cash flow used in investing activities** | | (1,677,556) | (1,249,023) |
| **Cash flow from financing activities** | | | |
| Interest paid | | (991,750) | (985,194) |
| Repayment of borrowings | | (400,000) | (300,000) |
| **Net cash flow used in financing activities** | | (1,391,750) | (1,285,194) |
| **Net change in cash and cash equivalents** | | (20,167) | 365,729 |
| **Cash and cash equivalents at beginning of the year** | | 5,219,737 | 4,854,008 |
| **Cash and cash equivalents at end of the year** | | 5,199,570 | 5,219,737 |

**Analysis of changes in net debt**

| | At 1 April 2019 £ | Cash-flows £ | Other non-cash changes £ | At 31 March 2020 £ |
|---|---|---|---|---|
| Cash and cash equivalents | 5,219,737 | (20,167) | - | 5,199,570 |
| Loans falling due within one year | (400,000) | 400,000 | (400,000) | (400,000) |
| Loans falling due after more than one year | (19,800,000) | - | 400,000 | (19,400,000) |
| **Total** | (14,980,263) | 379,833 | - | (14,600,430) |

The notes on pages 21 to 35 form part of these financial statements.

## 1. Summary of significant accounting policies

### (a) General information and basis of preparation

Waverley Housing is a company limited by guarantee, registered under the Companies Act 2006 (No. SC115066) and is a registered Scottish charity (No. SC026231). Waverley Housing is registered as a Social Landlord with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The address of the registered office is 51 North Bridge, Hawick, TD9 9PX. The principal activity is the provision of affordable social rented housing.

Waverley Housing is a public benefit entity as defined by Financial Reporting Standard 102.

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), the Statement of Recommended Practice for Social Housing Providers 2019 and the Determination of Accounting Requirements – February 2019. The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value.

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern, including the impact of Covid-19 (see note 27), and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

### (b) Consolidation

On 16 May 2019 the company applied to Companies House for the striking off of Waverley Works Limited. The final dissolution of the company was completed in August 2019. The financial statements have therefore not been required to be consolidated.

### (c) Housing Property

Housing properties are stated at cost (or deemed cost for housing properties held at valuation at the date of transition to FRS 102 which is 1 April 2014) less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Waverley Housing previously adopted a policy of revaluing all housing property but the company has adopted the transition exemption under FRS 102 and has elected to use a previous revaluation as at 31 March 2014 as deemed cost.

The difference between depreciation based on the deemed cost charged in the Statement of Comprehensive Income and the assets original cost is transferred from the revaluation reserve to the income and expenditure reserve.

## 1. Summary of significant accounting policies

*Depreciation*
Depreciation is provided on all housing properties at rates calculated to write off the cost (or deemed cost) less estimated residual value by equal annual instalments over expected useful economic lives. Housing properties comprise several components with substantially different useful lives and, under the component accounting principle, each major component is accounted for separately and depreciated over its individual useful economic life, with the exception of land which is not depreciated.

Useful economic lives for identified components are as follows:

| Component | UEL |
|---|---|
| Structure | 80 years |
| Windows | 30 years |
| Doors | 30 years |
| Boilers | 15 years |
| Radiators | 30 years |
| Bathroom | 30 years |
| Kitchen | 20 years |

The residual values and useful economic lives of all tangible fixed assets are reviewed, and adjusted, if appropriate at the end of each reporting period. The effect of any change is accounted for prospectively.

A full year's depreciation is charged in the year in which the property is purchased.

*Works to existing housing properties*
Where work is carried out to existing properties and results in an enhancement of the economic benefits of the property, they will be accounted for as an improvement and capitalised in note 14. Such circumstances are as follows:-

(i) Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored.
(ii) Where subsequent expenditure provides and enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance.
(iii) Where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

**(d) Other tangible fixed assets**
All other tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all housing properties at rates calculated to write off the cost less estimated residual value by equal annual instalments over expected useful economic lives which are noted below:

| Component | UEL |
|---|---|
| Heritable property | 50 years |
| Assets in course of construction | Assets in the course of construction are stated at cost. These assets are not depreciated until they are brought into use |
| Leasehold improvements | Shorter of the life of the lease and the asset |
| Landscaping equipment | 3 – 5 years |
| Computer systems | 3 – 5 years |

## 1. Summary of significant accounting policies (continued)

### (e) Impairment
Assets are reviewed for any indication of impairment at each balance sheet date. If an indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds the recoverable amount, an impairment loss is recognised in expenditure through the statement of comprehensive income.

### (f) Turnover
Turnover represents rental income and fees from tenants and revenue based grants received from The Scottish Government. Grant income received is matched with the expenditure to which it relates. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover.

### (g) Debtors and creditors receivable/ payable within one year
Short term debtors are measured at transaction price, less any impairment. Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### (h) Loans and borrowings
Loans and borrowings provided by funders are classed as “basic” under FRS 102 and are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate.

### (i) Employee benefits
When employees have rendered services to Waverley Housing, short term benefits to which the employees are entitled are recognised at the amount expected to be paid in exchange for that service.

### (j) Defined contribution scheme (refer note 12)
The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period.

### (k) Leased assets
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

### (l) Sale of housing properties
Properties are disposed of under the appropriate legislation and guidance. Properties are disclosed using the cost or deemed cost basis. The directors have a reasonable basis to estimate the cost and deemed cost of individual properties sold each year and accordingly, the directors consider it is reasonable to account for property sales using the cost basis.

### (m) Issue costs
In accordance with the Statement of Recommended Accounting Practice and Financial Reporting Standard 102 such costs have been deferred on the balance sheet and shown as a deduction from the loan balances (see notes 17 and 18). The costs are released to the Income and Expenditure Account over the life of the debt.

## 1. Summary of significant accounting policies (continued)

### (n) Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances.

The following judgements have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

1. Useful lives of property, plant and equipment - The useful lives of property, plant and equipment are based on the knowledge of senior management, with reference to expected asset life cycles.

2. Main components of housing properties and their useful lives - The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

3. Recoverable amount of rental and other trade receivables - Rental arrears and other trade receivables are reviewed by appropriately experienced senior members of staff on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

### (o) Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

### (p) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 2. Particulars of turnover, cost of sales, operating costs and operating surplus

| | Turnover £ | Operating Costs £ | 2020 Operating Surplus £ | 2019 Operating Surplus £ |
|---|---|---|---|---|
| Affordable letting activities | 6,521,296 | 5,461,665 | 1,059,631 | 624,693 |
| Other activities | 709,622 | 389,763 | 319,859 | 242,829 |
| Total 2020 | 7,230,918 | 5,851,428 | 1,379,490 | |
| Total 2019 | 6,714,855 | 5,847,333 | | 867,522 |

## 3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

| | General Needs Social Housing £ | Supported Social Housing Accomm'n £ | Shared Ownership Housing £ | Ownership Other £ | 2020 Total £ | 2019 Total £ |
|---|---|---|---|---|---|---|
| Rent receivable net of service charges | 6,444,824 | | | | 6,444,824 | 6,201,323 |
| Service charges | 27,369 | - | - | - | 27,369 | 29,010 |
| **Gross income from rents and service charges** | 6,472,193 | - | - | - | 6,472,193 | 6,230,333 |
| Less: Voids | (53,490) | - | - | - | (53,490) | (74,643) |
| **Net income from rents and service charges** | 6,418,703 | - | - | - | 6,418,703 | 6,155,690 |
| Grants released from Deferred income | 7,593 | - | - | - | 7,593 | 5,093 |
| Revenue grants from Scottish Ministers | 45,000 | - | - | - | 45,000 | 48,703 |
| Other revenue grants | 50,000 | - | - | - | 50,000 | - |
| **Total turnover from affordable letting activities** | 6,521,296 | - | - | - | 6,521,296 | 6,209,486 |
| **Carried forward** | **6,521,296** | **-** | **-** | **-** | **6,521,296** | **6,209,486** |

## 3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

| | General Needs Social Housing £ | Supported Social Housing Accomm'n £ | Shared Ownership Housing £ | Ownership Other £ | 2020 Total £ | 2019 Total £ |
|---|---|---|---|---|---|---|
| **Brought forward** | **6,521,296** | **-** | **-** | **-** | **6,521,296** | **6,209,486** |
| Management and maintenance administration costs | 2,654,677 | - | - | - | 2,654,677 | 1,855,699 |
| Service costs | - | - | - | - | - | - |
| Planned and cyclical maintenance including major repairs costs | 818,464 | - | - | - | 818,464 | 681,095 |
| Reactive maintenance costs | 976,649 | - | - | - | 976,649 | 925,319 |
| Bad debts – rents and service charges | 122,824 | - | - | - | 122,824 | 70,627 |
| Depreciation of affordable let Properties | 811,968 | - | - | - | 811,968 | 776,834 |
| Impairment of affordable let Properties | 77,082 | - | - | - | 77,082 | 1,275,219 |
| **Operating costs for affordable letting activities** | **5,461,664** | **-** | **-** | **-** | **5,461,664** | **5,584,793** |
| **Operating surplus for affordable lettings 2020** | **1,059,632** | **-** | **-** | **-** | **1,059,632** | |
| **Operating surplus for affordable lettings 2019** | **624,693** | **-** | **-** | **-** | | **624,693** |

## 4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

| | Grants from Scottish Ministers | Other Revenue Grants | Supporting People Income | Other Income | Total Turnover | Operating costs - bad debts | Other operating costs | 2020 Operating surplus/ (deficit) | 2019 Operating surplus/ (deficit) |
|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities to support the community | - | - | - | - | - | - | 6,700 | (6,700) | (5,000) |
| Care and repair of property | - | - | - | 88,959 | 88,959 | 96,858 | - | (7,899) | 10,035 |
| Factoring | - | - | - | 13,754 | 13,754 | - | 15,633 | (1,879) | (1,443) |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Contracted out services undertaken for registered social landlords | - | - | - | 581,969 | 581,969 | - | 270,572 | 311,397 | 214,077 |
| Contracted out services undertaken for other organisations | - | - | - | - | - | - | - | - | - |
| Development for sale to registered social landlords | - | - | - | - | - | - | - | - | - |
| Development and improvements for sale to other organisations | - | - | - | - | - | - | - | - | - |
| Other activities (insurance claims, Tenant Participation Officer, Misc) | - | - | - | 24,940 | 24,940 | - | - | 24,940 | 25,160 |
| **2020 Total from other activities** | - | - | - | 709,622 | 709,622 | 96,858 | 292,905 | 319,859 | |
| **2019 Total from other activities** | **-** | **-** | **-** | 505,369 | 505,369 | 51,468 | 211,072 | | 242,829 |

## 5. Turnover

Turnover represents the amounts derived from the provision of housing properties for rent, grant income, recharges, fees and other income.

## 6. Surplus/(deficit) before tax

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Surplus/(deficit) is stated after charging/ (crediting):- | | |
| External auditor's remuneration – audit services | 8,000 | 7,650 |
| External auditor's remuneration – other services | - | - |
| Depreciation – housing properties | 811,968 | 776,833 |
| Depreciation – other | 51,376 | 61,161 |
| Impairment of tangible fixed assets | 932,500 | 1,275,219 |
| Operating lease rentals | 110,303 | 117,408 |

## 7. Finance income

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Bank interest receivable on deposits in the year | 40,720 | 29,310 |

## 8. Finance charges

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Interest on bank loans, overdrafts and other loans:- | | |
| Repayable within 5 years, otherwise than by instalments | - | - |
| Repayable wholly or partly in more than 5 years, by instalments | 988,522 | 981,966 |
| Release of deferred loan issue costs | 3,228 | 3,228 |
| | 991,750 | 985,194 |

## 9. Employees

| | 2020 | 2019 |
|---|---|---|
| Number of employees:- | | |
| The average monthly numbers of employees during the year were: | | |
| Clerical | 32 | 32 |
| Maintenance | 29 | 30 |
| Cleaners | 1 | 1 |
| | 62 | 63 |
| The full time equivalents of the figures amounted to: | 60 | 61 |

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| The aggregate remuneration of employees was as follows:- | | |
| Wages and salaries | 1,527,195 | 1,470,512 |
| Social security costs | 144,542 | 136,834 |
| Other pension costs | 149,659 | 146,722 |
| | 1,821,396 | 1,754,068 |

## 10. Board members emoluments

Board members received £2,844 (2019 - £2,180) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in Waverley Housing.

## 11. Key management personnel

Key management personnel comprise the Chief Executive, the Operations Director as well as members of the board of directors. Their aggregate remuneration was as follows:

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Wages and salaries (including employers NI contributions) | 189,530 | 184,502 |
| Staff pension costs | 15,345 | 13,937 |
| | 204,875 | 198,439 |

The Determination of Accounting Requirements- Statutory Guidance February 2019 requires disclosure of details of the emoluments of the Chief Executive and key management personnel whose total emoluments exceed £60,000 excluding employer's pension contributions. No member of the Board of Directors received emoluments and no officer other than the Chief Executive and Operations Director received more than £60,000.

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Aggregate emoluments payable to key management personnel with emoluments greater than £60,000 (excluding employers pension contributions) | 168,660 | 164,621 |
| The number of key management personnel who received emoluments (excluding pension contributions) over £60,000 was in the following ranges: | | |
| More than £70,000 but not more than £80,000 | - | - |
| More than £80,000 but not more than £90,000 | 1 | 1 |
| More than £90,000 but not more than £100,000 | 1 | 1 |
| | £ | £ |
| Emoluments of the Chief Executive: | | |
| Excluding employer's pension contributions | 88,689 | 86,379 |
| Employer's pension contributions | 8,253 | 7,018 |
| **Total emoluments** | 96,942 | 93,397 |
| Compensation payable for loss of office | - | - |

## 12. Pension costs

The company operates a defined contribution pension scheme in respect of the employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £149,659 (2019: £146,722). There are no outstanding or prepaid contributions at the year end.

The total pension contributions made by the company for officers whose emoluments exceeded £60,000 were £15,345 (2019: £13,937).

## 13. Taxation

The company was granted charitable status for taxation purposes with effect from 1 April 1996 and as a consequence no liability to taxation arises on charitable activities.

## 14(a). Tangible fixed assets - housing properties

| | ***Total*** |
|---|---|
| | £ |
| **Cost/Valuation** | |
| At 1 April 2019 | 39,814,932 |
| Additions – replacement components | 1,225,824 |
| Additions – open market purchases | 597,380 |
| Disposals – replaced components | (237,705) |
| Disposals – non RTB | - |
| Impairment of housing stock | (77,082) |
| At 31 March 2020 | 41,323,349 |
| **Depreciation** | |
| At 1 April 2019 | 3,708,111 |
| Charge for the year | 728,533 |
| Disposals – replaced components | (154,270) |
| Disposals – non RTB | - |
| Impairment of housing stock | - |
| At 31 March 2020 | 4,282,374 |
| **Net book value** | |
| At 31 March 2020 | 37,040,975 |
| At 31 March 2019 | 36,106,821 |

The net book value of components which have been replaced in the year of £83,435 (2019: £68,755) is included in the depreciation charge of £811,968 (2019: £776,833) in note 6.

14.(a) **Tangible fixed assets - housing properties (continued)**

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Additions to housing property comprise: | | |
| Capital works | 1,225,824 | 1,136,841 |
| New properties | 597,380 | 434,564 |
| | 1,823,204 | 1,571,405 |

Total works carried out on the housing properties for the year end 31 March 2020 was £3,020,937. Of this total £1,225,824 was capitalised above and £1,795,113 was expensed in the income and expenditure statement in line with recommended accounting practice.

The housing properties were valued on 31 March 2019 by qualified external valuers F.P.D. Savills, International Property Consultants, using the Existing Use Value for Social Housing basis. The properties, excluding those which are scheduled for demolition in connection with the Upper Langlee development, were valued at £39,660,000.

The valuation was undertaken in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors using a discounted cashflow method. The key assumptions made were as follows:

- Discount rate – 5.25%
- Rent increase – CPI plus 1.00%

On the historical cost basis, housing property would have been included as follows:

| | |
|---|---|
| **Cost** | |
| At 1 April 2019 | 28,952,899 |
| Additions – replacement components | 1,225,824 |
| Additions – open market purchases | 597,380 |
| Disposals – replaced components | (237,705) |
| Disposals – non RTB | - |
| Impairment of housing stock | (77,082) |
| At 31 March 2020 | 30,461,316 |
| **Depreciation** | |
| At 1 April 2019 | 7,756,950 |
| Charge for the year | 593,333 |
| Disposals – replaced components | (154,270) |
| Disposals – non RTB | - |
| Impairment of housing stock | - |
| At 31 March 2020 | 8,196,013 |
| **Net book value** | |
| At 31 March 2020 | 22,265,303 |
| At 31 March 2019 | 21,195,949 |

| 14(b) Tangible fixed assets - other | Computer Systems | Equipment Plant & Tools | Heritable Land & Buildings | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Cost** | | | | |
| At 1 April 2019 | 353,275 | 25,102 | 1,575,083 | 1,953,460 |
| Additions | - | 7,479 | - | 7,479 |
| Disposals | - | - | - | - |
| Impairment of office premises | - | - | (735,121) | (735,121) |
| At 31 March 2020 | 353,275 | 32,581 | 839,962 | 1,225,818 |
| **Depreciation** | | | | |
| At 1 April 2019 | 313,693 | 18,316 | 189,149 | 521,158 |
| Charge for the year | 18,618 | 2,242 | 30,516 | 51,376 |
| Disposals | - | - | - | - |
| Impairment of Office Premises | - | - | 120,297 | 120,297 |
| At 31 March 2020 | 332,311 | 20,558 | 339,962 | 692,831 |
| **Net book value** | | | | |
| At 31 March 2020 | 20,964 | 12,023 | 500,000 | 532,987 |
| At 31 March 2019 | 39,582 | 6,786 | 1,385,934 | 1,432,302 |

| 15. Investment | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Subsidiary undertaking | - | 1 |

The Company owned 100% of the share capital in Waverley Works Limited, a company registered in Scotland (SC423276). The original cost of the investment made was £1 and the subsidiary was dormant throughout the current and prior year.

On 16 May 2019 the company applied to Companies House for striking off Waverley Works Limited. The final dissolution of the company was completed on 6 August 2019.

| **16. Debtors** | **2020** | **2019** |
|---|---|---|
| | £ | £ |
| Rental arrears | 229,992 | 187,428 |
| Less: provision for doubtful debts | (196,231) | (140,605) |
| | 33,761 | 46,823 |
| Trade debtors | 8,164 | 11,351 |
| Other debtors | 421,945 | 289,528 |
| | 463,870 | 347,702 |

| **17. Creditors:** amounts falling due within one-year | **2020** | **2019** |
|---|---|---|
| | £ | £ |
| Bank loan (secured - see note 19) | 400,000 | 400,000 |
| Loan issue costs deferred | (3,228) | (3,228) |
| Prepaid rent | 48,408 | 84,298 |
| Trade creditors | 164,153 | 126,822 |
| Taxation and social security costs | 65,654 | 66,635 |
| Accruals and deferred income | 228,276 | 144,781 |
| Other creditors | 1,229 | 1,773 |
| | 904,492 | 821,081 |

| **18. Creditors:** amounts falling due after more than one-year | **2020** | **2019** |
|---|---|---|
| | £ | £ |
| Bank loans (secured - see note 19) | 19,400,000 | 19,800,000 |
| Deferred income – Grants | 204,721 | 188,981 |
| Loan issue costs deferred | (58,114) | (61,342) |
| | 19,546,607 | 19,927,639 |

| The movement on deferred grants in the year can be analysed as follows: | **2020** | **2019** |
|---|---|---|
| | £ | £ |
| Brought forward | 194,907 | - |
| Received in the year | 25,000 | 200,000 |
| Released in the year | (7,593) | (5,093) |
| Carried forward | 212,314 | 194,907 |
| Due within one year | 7,593 | 5,926 |
| Due after more than one year | 204,721 | 188,981 |
| | 212,314 | 194,907 |

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**19. Bank loans and overdraft**

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Bank loans and overdraft comprise:- | | |
| Amounts repayable: | | |
| Within one year | 400,000 | 400,000 |
| Between one and two years | 400,000 | 400,000 |
| Between two and five years | 1,400,000 | 1,300,000 |
| Due after five years | 17,600,000 | 18,100,000 |
| | 19,800,000 | 20,200,000 |

The above loan was drawn down on 27 July 2009. The loan is made up of a £13,860,000 fixed rate facility and a £5,940,000 variable rate facility. Loans are secured by specific charges on the company's properties and a floating charge over the assets of the company. The amounts secured are £19,800,000 (2019: £20,200,000).

The repayment of the loan is by way of annual lump sum amounts paid to Barclays Bank PLC. The sizes of these amounts have been agreed with Barclays Bank PLC and are as follows:-

| | |
|---|---|
| 2019 – 2022 | £ 400,000 p.a. |
| 2023 – 2024 | £ 500,000 p.a. |
| 2025 – 2029 | £ 700,000 p.a. |
| 2030 – 2035 | £ 1,500,000 p.a. |
| 2036 – 2038 | £ 1,700,000 p.a. |

**20. Notes to the cash flow statement**

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| a. Cash flow from operating activities | | |
| Surplus for the year | 1,379,490 | 867,522 |
| Adjustments for non-cash items: | | |
| Depreciation | 863,344 | 837,994 |
| (Increase) in debtors | (116,168) | (137,328) |
| Increase in creditors | 84,972 | 105,242 |
| Loss on disposal of investment | 1 | - |
| Impairment of housing stock | 77,082 | 1,275,219 |
| Impairment of other assets | 855,418 | - |
| Adjustments for investing or financing activities: | | |
| Government grant utilised in the year | (95,000) | (48,703) |
| Net cash inflow from operating activities | 3,049,139 | 2,899,946 |

## 21. Reserves

Revaluation reserve
The revaluation reserve represents the cumulative effect of revaluations of tangible fixed assets.

Income and expenditure
The income and expenditure reserve represents the cumulative surplus and deficits net of other adjustments.

## 22. Capital commitments

At 31 March 2020 the company had unspent capital expenditure authorised by the Board of £200,800 (2019: £55,120).

## 24. Related party transactions

**Tenant Board Member**
There were two tenant Board members during the year. Income received during the year amounted to £8,556 (2019: £8,559). There was £460 (2019: nil) outstanding at 31 March 2020.

## 25. Other commitments

At 31 March 2020 the company had future minimum payments under non-cancellable operating leases as set out below:-

| | Motor Vehicles & Office Equipment | |
|---|---|---|
| | **2020** | **2019** |
| | £ | £ |
| Operating leases that expire: | | |
| Within one year | 14,513 | 7,509 |
| Within two to five years inclusive | 210,454 | 251,518 |
| | 224,967 | 259,027 |

## 26. Housing units in management

| | **2020** | **2019** |
|---|---|---|
| General needs | 1,438 | 1,454 |
| Supported housing | - | - |
| Shared ownership | - | - |
| | 1,438 | 1,454 |

At the 31 March 2020 the company owned 1,537 housing units (2019: 1,529). Units which have been earmarked for demolition as part of the redevelopment of Upper Langlee are being taken out of management as and when they become vacant.

## 27. Events since the period end

Management and the Board are keenly aware of the wider economic impact the Covid-19 emergency has had to date and will continue to have. There have been implications in relation to; increased rental arrears, properties being empty for longer and therefore lost rental income, delays in our cyclical and planned maintenance programmes, and restrictions in the services we are able to offer our customers. There is also the risk of increasing costs of materials as our planned maintenance programmes restart. However, Management and the Board are continually developing and implementing mitigating actions and processes to ensure that we continue to function and manage future operations and those of its workforce and stakeholders. Based on these ongoing actions and both financial performance for the year to date and prudent cash flow projections, Management and the Board do not consider there to be any risk to the company's ability to continue as a going concern.