


WELLHOUSE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

WELLHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2018

MANAGEMENT COMMITTEE

Maureen Morris		Chair
Pamela Colvin		Treasurer (from 19 September 2017)
Clare Monteith		Committee Member
Danny Dickson		Committee Member
Darron Brown	(elected 15 April 2017)	Committee Member
Tom Lucas	(elected 15 April 2017)	Committee Member
Michelle Harrow	(elected 15 April 2017)	Committee Member
Jane Heppenstall	(elected 15 April 2017)	Committee Member
Wilma Strang	(resigned 23 August 2018)	Vice Chair (to 23 August 2018)
Linda Brown	(resigned 27 April 2018)	Committee Member
Carol Torrie	(resigned 22 August 2017)	Treasurer (to 22 August 2017)
Joe Callaghan	(resigned 26 April 2017)	Committee Member
Nile Istephen	(resigned 26 April 2017)	Committee Member

EXECUTIVE OFFICERS

Martin Wilkie-McFarlane		Director & Secretary
Sharon Flynn	(resigned 7 September 2017)	Housing Manager
Greg Richardson	(appointed 2 October 2017)	Housing & Customer Services Manager
Alexander Gemmell		Senior Maintenance Officer (to 31 March 2018)
		Assets & Maintenance Manager (from 1 April 2018)
Gordon Kerr	(appointed 1 May 2017)	Finance & Corporate Services Manager

REGISTERED OFFICE

49 Wellhouse Crescent
Wellhouse
Glasgow
G33 4LA

EXTERNAL AUDITOR

Scott-Moncrieff
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

BANKERS

Clydesdale Bank plc
865 Shettleston Road
Glasgow
G32 6NS

INTERNAL AUDITOR

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

WELLHOUSE HOUSING ASSOCIATION LIMITED

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Registration information

Financial Conduct Authority	Registered number 2469R(S)
Registered Housing Association No:	HAC281
Scottish Charity Number	SC036552

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee presents its report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2018.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No 2469R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036552. The Association was incorporated in Scotland.

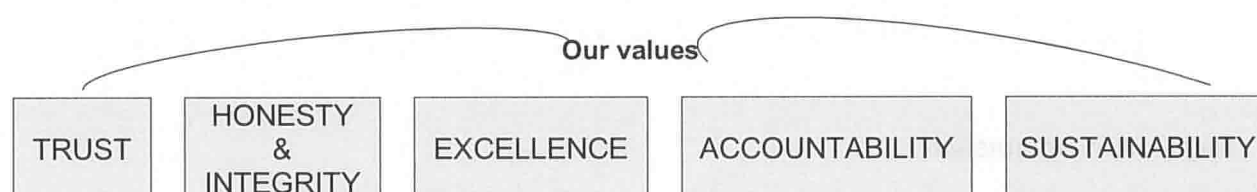
Strategic Report

Principal Activities

The principal activity of the Association is the provision and management of affordable rented accommodation.

Our Values

As a charity and a community controlled housing association working to deliver social benefits, our values are very important to us. They underpin our services and drive our behaviours. They are:-



Our Vision: Wellhouse – the Place to Be

Encapsulated in this simple statement is our vision of Wellhouse as an attractive place where people feel happy and safe, benefit from having a good home and an attractive environment and feel proud to be part of a vibrant community.

Our Strategic Objectives

To ensure we stay focused on transforming our business and making the social impact we seek, we have developed a set of six strategic objectives for the period 2016/17 to 2018/19. From these objectives, all our activities will flow. We will also measure our success by setting targets against these objectives, ensuring that we deliver them effectively and efficiently. The six objectives are to:-

1. Deliver excellent services;
2. Provide good quality homes;
3. Anticipate, understand and respond to local needs;
4. Foster an attractive, successful and thriving community;
5. Maintain good governance and financial management; and
6. Value and invest in our people.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Review of Business

The year to 31 March 2018 was a period of significant positive development for the Association and the Management Committee of the Association is confident that the improvement plans now in place, with the current staff team and renewed focus on operational improvements will further stabilise the position and allow the organisation to move forward with confidence into the future. Our engagement level with the Scottish Housing Regulator (SHR) was reduced to medium at the end of 2017/18, and we are no longer required to submit copies of our governing body reports to them. We have submitted all standard documentation required plus an updated business plan, a revised asset management strategy and a self-assessment against the regulatory standards.

This year too, the Management Committee agreed to send a letter by means of a *voluntary assurance statement for 2017/18* to the SHR. We understand that, at this time, this is not a requirement but felt that it would serve as a recap or aide memoire of where we see ourselves. In this regard, Wellhouse Housing Association, amongst other activities:-

- Held 11 Committee meetings in the year and our AGM. 2 of these meetings were observed by the SHR, who had sight of all reports and minutes for 2017/18;
- Held 3 Audit and Risk Sub-Committee meetings;
- Scheduled 23 days of internal audit days in 2017/18 conducted by Wylie Bisset, reviewing the following areas: property management, health & safety and gas safety, rental income & arrears management, void management, I.T. systems, rechargeable repairs, and follow up review;
- Had our revised approach to risk verified by independent consultants, RSM;
- Had a business planning day to review year 3 of our business plan and approve our asset management strategy. Copies of which have been submitted to our Regulator, who have noted that the business plan, risk register and operational plan are formally reviewed by the Committee each quarter;
- Ran a (second) review day to carry out a self-assessment against the regulatory standards, facilitated by consultant Linda Ewart. This assessment has been submitted to the SHR. It contains areas where we want to develop further and improve although we currently meet all 6 standards;
- Conducted a third consecutive year of Committee appraisals and are acting upon continuous improvement and our approved succession planning policy. SHR have copies of these;
- Reaffirmed our approach to equalities & diversity and promoted this to tenants, applicants, staff and stakeholders;
- Adopted new privacy, ethical standards, sustainability and value for money statements and promoted these through our website, social media and newsletters;
- Welcomed the SFHA and their colleagues from England, Wales and Northern Ireland to Wellhouse to discuss with Committee members and senior management, the challenges for Boards of community based housing associations and the impact of the full roll out of Universal Credit;
- Submitted our returns timeously and accurately to the SHR, OSCR and the FCA;
- Held tenant scrutiny, supported by TIS, through our customer opinion panel, had quarterly satisfaction phone surveys carried out and verified independently and run consultation events with respect to rent increases and allocation changes, supported by TPAS;
- Assured ourselves as to the safety of our tenants homes, including checking any external cladding for fire retardancy and loose panels;

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Review of Business (cont'd)

- Continued networking with our colleagues in EHRA (Easterhouse Housing and Regeneration Alliance) which included campaigning and lobbying, service improvement and benchmarking performance, social welfare projects and initiatives, employment and training for local people and training for EHRA staff and committee and hosting a tour for SFHA and SHR board members; and
- Launched a new website, based upon our values and the 'open all hours' report by the SFHA and firmed up all approaches to accessibility of information via leaflets, newsletters, open events and social media.

The Management Committee accept this as a self-reflection and confirmation of our confidence in our continuing commitment to robust governance.

For the financial year to 31 March 2018 the Association generated a surplus of £653,403 (2017 £441,094) with net assets of £4,735,774 (2017: £4,082,384). Updates to the financial outlook have been carried out since the year end and these demonstrate viability under reasonable assumptions over the short, medium and long term. Our lenders remain supportive and are satisfied with improvements made to date and the plans in place for further improvements to the overall governance and financial management of the Association.

Despite the difficulties and challenges encountered, the Association continued to provide services to the local community and was able to achieve a number of positive outcomes including:

- Current rent arrears coming in below target at 3.97%;
- Low void losses at 0.4%;
- A tenant satisfaction survey which shows a close alignment with our KPIs;
- Embedding Committee appraisals and training to ensure the strong governance of the Association;
- Adjusted services to address the effects of welfare reform; and
- Spent £1.4m on repairs and maintenance costs and component replacements.

We carried out:

- 262 smoke alarm, heat detector and CO detector installations;
- 4 Gas central heating systems;
- 140 Boiler replacements;
- 47 townhouse window replacements;
- 65 Kitchens;
- 39 Bathrooms;
- 1 rewire;
- 1 major removal of asbestos from our properties;
- A major drainage demo block to 2 properties;
- Path repairs and renewals to 6 addresses; and
- Replaced back/front doors at 6 properties.

Future developments

In the forthcoming year the Association expects to:

- Fully embed its Operational Improvement Plans;
- See the full re-joining of the local common housing register, replacing our choice based lettings, following research and consultation;
- Deliver an updated Strategic Investment Funding Plan and Housing Needs & Demand report to the local authority for (medium term) development ambitions;

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Future developments (cont'd)

- Continue with its planned program of stock investment;
- Significantly improve our performance and customer interaction;
- Deliver a business plan for the Hub;
- Embed our commitment to value for money and ethical business standards;
- Deliver a new three year strategic business plan making us fit for the future and embracing plans for growth; and
- Work closely with the EHRA group.

Our operating environment

The national context

The Economy

According to Ernst & Young (EY) Global¹ Ltd –

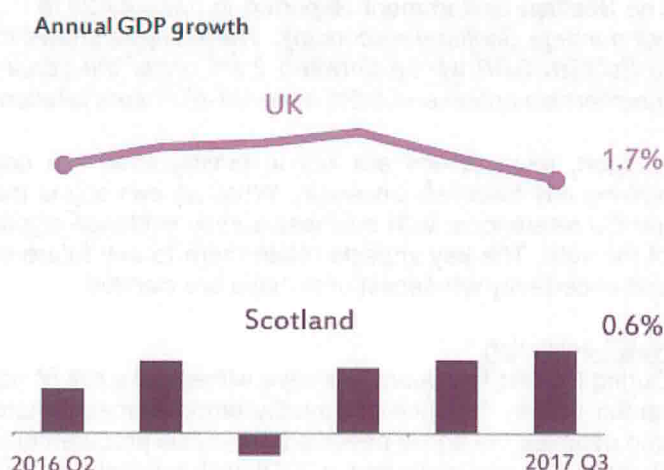
- Scotland's GDP growth is forecast to match the UK's as a whole in 2018 at 1.4%;
- Private services will continue to drive growth, with the expectation that they will account for four fifths of Gross Added Value (GVA) growth in 2018;
- Employment growth is set to weaken and fall behind the UK's; and
- Edinburgh and Glasgow continue to power economic growth, highlighting the need for other Scottish cities to improve performance.

In 2017, Gross Domestic Product (GDP) growth was expected to achieve 0.8% when the final Q4 figures are published, double previous predictions and in 2018, Scotland's GDP growth is expected to match UK-wide growth at 1.4%. Household spending is to be a key driver behind Scotland's strong performance in 2018, with growth forecast to be 1.1%, an increase from 0.8% in 2017. The Government² reports at this time:

**Scottish GDP grew by
0.6% over the year**

Compared to the same time last year (2016 Quarter 3) Scottish GDP grew by 0.6%. In the previous quarter the annual growth rate of the Scottish economy was 0.5%.

Annual growth in the UK for this quarter was 1.7%.



¹ <http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/ey-scottish-item-club-forecast>

² <http://www.gov.scot/Resource/0053/00530233.pdf>

Our operating environment (cont'd)

The national context (cont'd)

The Economy (cont'd)

Ernst & Young predict private services will drive growth in 2018, accounting for four fifths of growth. After contracting in 2015 and 2016, manufacturing is expected to make a positive contribution of 1% growth in 2018 and 2019, as well as 1.3% annual average growth over the next five years. This can be attributed to continued expansion in world trade, a competitive exchange rate, and productivity increases. The fastest growing Scottish sub-sectors are likely to be professional, scientific & technical activities, administrative & support services, and information & communication.

Edinburgh and Glasgow's dominance as Scotland's leading growth centres will continue, as they begin to stretch further ahead of the other five cities. Both are set to outperform Scotland's economic growth, with 2.1% growth a year between 2017 and 2020, while annual employment growth is predicted to be 0.9% and 0.8% respectively for the same period.

While this latest EY Scottish ITEM (*Independent Treasury Economic Model*) Club report is encouraging, it also highlights that Scotland still faces challenges, such as labour shortages resulting from slowing migration and the ageing of the population, and the need to drive improved performance across all seven of its cities, not just the largest two. Improving productivity will be key to addressing challenges, which means stimulating business investment, addressing skill shortages, exploiting the use of digital technologies, and continuing to drive key growth sectors.

With respect to the impact of Brexit, the Scottish Government reported in 2016 that³ the EU referendum result had an immediate impact on economic and business sentiment in Scotland and the UK. This led to a review of existing economic forecasts and there still remains a high degree of uncertainty, with most forecasters downgrading growth expectations for 2018 and beyond. Key economic impacts will materialise more strongly as market access for goods, services, capital or labour are changed, which has not happened yet. We are experiencing some indicators from our maintenance suppliers that prices are increasing in 2018 as a result of Brexit.

The Scottish Government Reported in January 2018⁴ "...All outcomes, short of full EU membership will damage Scotland's economy. The analysis shows that, by 2030, the Brexit associated reduction to Scottish GDP will be between 2.7% under the (least damaging) European Economic Area (EEA) membership option and 8.5% if the UK-EU future relationship is based on WTO terms."

In short, expectations are key in driving short run economic sentiment and can change quickly, making any forecasts uncertain. What we can say is that activity in Scotland has been impacted by the EU referendum with business survey evidence signaling weak activity in the immediate aftermath of the vote. The key impacts relate more to any future changes in trading arrangements with the EU and uncertainty will persist until these are clarified.

New Legislation

During the last few years, we have witnessed a raft of new legislation aiming to rejuvenate the private rented sector, enhance community empowerment, improve the integration of health and social care and optimise the social benefits from public procurement. Some of the key implications for us are that Right to Buy was abolished in 2016, with our last sale being processed in 2017/18, new restrictions on tenancy succession now apply, and for the first time, housing associations are now classed as public bodies (although this may be overturned).

³ <http://www.gov.scot/Topics/Economy/state-economy/latestSofE> October 2016

⁴ Scotland's Place in Europe: People, Jobs and Investment Scottish Govt Jan 2018

Our operating environment (cont'd)

The national context (cont'd)

New Legislation (cont'd)

We are adopting the information from the commencement order from the Scottish Government on the new guidance issued on the Housing Scotland Act 2014, in relation to allocations, succession, eviction and assignation. At the time of writing, we have begun our communication plan to tenants and applicants.

We look forward to the impending creation of the social security agency in Scotland with powers to vary the housing elements of Universal Credit including the under-occupancy charge, local housing allowance levels and eligible rent and deductions for non-dependents. We will see the effective abolition of the bedroom tax in Scotland, one of the more unpopular elements of Welfare Reform. It will be easier to facilitate direct payments to landlords too. Note that Universal Credit roll out is due for Wellhouse on 7 December 2018.

Housing Associations look almost certain to become subject to Freedom of Information in April 2019. This should not have a significant impact on us. We will however monitor the process closely.

The Community Empowerment Act 2015 helps to empower community bodies through the ownership of land and buildings, and by strengthening their voices in the decisions that matter to them. It will also improve outcomes for communities by improving the process of community planning, ensuring that local service providers work together even more closely with communities to meet the needs of the people who use them. We continue to work through the direct impact on the RSL sector and how we may take advantage of the Act, if needed, to benefit Wellhouse community. This may tie into future plans for a local democracy bill.

The General Data Protection Regulations (GDPR) came into force in May 2018, necessitating a much more nuanced and transparent approach to Data Protection and our use of data with tenants, stakeholders and contractors. Breaches may lead to significant fines. We worked closely with Scott-Moncrieff (auditors), Hiper (IT provider) and TC Young/ SFHA in preparing fully for its implementation.

The Treasury Management Recommended Practice for Social Housing Sector; a set of guidelines developed by the Chartered Institute of Public Finance & Accountancy (CIPFA), provides a recommended practice framework on the strategies and transactions that an RSL is expected to adopt and implement to manage its investments, cash flows, banking, money market transactions, capital markets transactions and the risk associated with those activities. We are prepared to comply with these codes.

Access to Funding

Access to funding remains a challenge. Although banks are willing to lend, the repayment terms are shorter and refinancing is required more frequently. Government continues to try to find new, efficient and innovative ways to fund increases in housing supply, improvements in housing quality and practical support for the construction industry. EHRA continues to lobby national and local government for additional investment in affordable housing in greater Easterhouse, delivered by CCHA's. There is a Scottish Government manifesto commitment to deliver 50,000 affordable homes, 35,000 of which are social rented.

Our operating environment (cont'd)

The national context (cont'd)

Enhanced Regulation

The focus of the Scottish Housing Regulator is on securing good outcomes for tenants and it uses its regulatory framework and the Scottish Social Housing Charter to drive improvements in the provision of social housing. We have been working closely with the Regulator, making good progress to improve our governance arrangements. Continuing to build and maintain the confidence of the Regulator is very important to us and crucial to our future success. The SHR announced consultation in January 2018 on the future of regulation in social housing⁵. The Director of Wellhouse is participating in a working group with sector colleagues, the SFHA and the SHR on the future of the regulatory framework.

The local context

The City

The aim of the City Government's strategy⁶ is to make Glasgow "the most productive major city economy in the UK." However, unless there is more innovation, growth in the business base, better linked skills provision with the needs of the local economy and a tackling of longstanding health issues, the city will not realise its potential.

The city will build 25,000 new homes by 2023 and has secured additional government funding to realise this – although it acknowledges a lack of personnel and skills on its own workforce.

Glasgow generates £19.3 billion GVA per annum – by far the largest of any Scottish city. It is the fastest growing major city economy in the UK with growth significantly outperforming all other core cities in recent years. Glasgow is the centre of the only metropolitan area in Scotland. Glasgow has a good sized working age population, yet too many people have health challenges which prevent them from reaching their potential and many people living in Glasgow do not have the required skills to help them access work. Despite recent improvements in employment figures, long-term unemployment is a growing issue in Glasgow; "Glasgow's story is still a tale of two cities."

Local Housing Market

Pressure on the local housing market is expected to continue as Glasgow's population is projected to grow by around 3,500 households a year. With this in mind, we can expect to experience more children, more older people, and a more ethnically diverse population with housing needs. We can also expect to see affordability continue as a significant challenge for many households as wages have been stuck for some time meaning that household incomes are not increasing. This is driving the local authority to seek innovation in house build types and construction times.

Strategic Housing Investment Plan

Glasgow City Council's Strategic Housing Investment Plan (2015-2020) sets out how the Council plans to invest around £700million over the 5 year period to address local housing needs. There is recognition from GCC that social rented housing is desirable on some remaining empty sites in the Wellhouse area but that grant funding will not be available until around 2019/20-21. The new strategic alliance between GCC and the Wheatley Group does not at present include plans for new building in Wellhouse but it could be either a threat or an opportunity for our plans and we will manage our relationship with the Council to achieve the best outcome for people who live and want to live in Wellhouse. We have received HAG for Drainage Impact Assessment (DIA) and Feasibility Studies for. The DIA presents an expensive flood mitigation option: we cannot develop without this mitigation.

⁵ Our Regulation of Social Housing: A discussion paper. Available at the SHR website

⁶ Glasgow's Economic Strategy 2016 - 2023

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Our operating environment (cont'd)

The local context (cont'd)

Strategic Housing Investment Plan (cont'd)

However, at this time, it has not been properly contextualised within major infrastructure flood prevention work. We will need to see this before any informed decisions can be taken.

Easterhouse Masterplan

We are members of Easterhouse Housing and Regeneration Alliance (EHRA), the umbrella organisation that represents the eight housing associations and co-operatives which operate in Greater Easterhouse. EHRA has developed a masterplan for the area. This will be aligned with Clydeplan (the strategic planning document for the wider Glasgow and Clyde area) and the 7 Lochs wetland park plan and so will not just consider housing provision, but also place-making, green spaces, transport, lowering carbon emissions, etc. We expect to play a key role in helping to deliver the vision for the wider Easterhouse area. We await the proposed publication of the GCC Easterhouse Plan, which was not published in 2017 as anticipated. We have submitted a Strategic Development Funding Plan and a Housing Needs/ Demand Assessment to planners and await a response.

Community profile

A Community Planning Partnership profile exercise undertaken in January 2016 reported that survey respondents in Wellhouse said that their top priorities were *"Improving Health & Wellbeing"* and *"Community Safety"*. Interestingly, Wellhouse was the only community in the Baillieston ward which did not place *"Neighbourhood Management"* issues as a top priority. We hope this is recognition of the improvements we have helped to deliver in the local area, but also recognise that we still have a role to play in delivering the community's current priorities.

We know that many of the original 1990's challenges, e.g. significant anti-social behaviour including gang activity, have all but disappeared in the local area. But we also know that some of our customers continue to experience other challenges such as unemployment or zero hour contracts, benefit sanctions, poor health, including mental health, and poverty. We recognise that we need to gain a better understanding of our customers in order to better anticipate and respond to their needs and expectations.

We know from 2016 statistics that there has been little shift, if any, in the Scottish Index of Multiple Deprivation Statistics for Wellhouse and our input into the wider role is as crucial as ever. We continue to work with important partners on mitigating these issues to the best of our abilities.

Local Elections

The local elections in May 2017 brought a shift in political power in the City Council (now the City Government). We await the roll out of attendant policy changes as they impact on us.

Rent Restructuring

We remain committed to resolving historical anomalies in our rent structures by harmonizing the disparities in our rents and bring demonstrably fairer charges. The restructure was completed by April 2017, with a three year phased-in approach to the changes. We also reviewed service charges and are committed to consulting with residents (if appropriate) from Autumn 2018 (this was planned for late 2017, but did not happen as the lead officer left Wellhouse). The report completed on our behalf by Arneil Johnson also contained a local affordability study to give us comfort on the changes.

Rent increase

The Management Committee agreed in January 2018, after tenant consultation, that the 2018/19 rent increase would be 3% (October 2017 CPI) only. Our 30 year plan is predicated on Inflation plus 1% - this in effect means a £30,000 reduction in our 2018/19 forecast income, which we will seek to mitigate through improved strategic planning.

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
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Our operating environment (cont'd)

Our strengths

In preparation for this business plan we have identified our current strengths. We are keen to build on these strengths as we develop the organisation over the lifetime of this current plan.

They include:-

- Our resilience – over the last 23 years and more so recently, we have demonstrated our ability to face up to challenge and to work together, Committee and staff, to tackle some difficult issues. We are resolute in our belief that we can continue to improve and meet the expectations of our tenants, communities, regulators and funders.
- Strong governance – completing our extensive governance improvement plan put us in a stronger position and we aim to be an example of good practice. We have clear protocols, policies and other arrangements in place which enable enhanced business planning, decision-making and control. We have completed a regulatory self-assessment, which we will repeat in 2018 and have sound internal audit processes with a dedicated subcommittee.
- Financial & Risk management – we have significantly improved our financial and risk analysis and reporting processes. We have a very good understanding of our financial position and exposure to risk and are able to engage in more effective service planning. We know we have the confidence of our lenders. We have a newly established Finance & Corporate Services team, with the manager being part of our management team.
- Tenant involvement – we have always sought new and better ways to engage with our tenants, and the wider community, often working in partnerships with CCT (Connect Community Trust). We have established a customer opinion panel and have introduced more robust ways of collecting data to help us measure our performance.
- Our people - our Committee and staff continue to demonstrate their loyalty and commitment to the organisation and to the local area. We are working to firmly establish a culture where people adhere to our values, demonstrate leadership, work together effectively and are willing to learn and adapt. We have already made significant progress and consolidating this is a primary aim for 2018/19.
- Clear Vision and Values – these help articulate our culture and have been embraced by staff and committee. Our unique geography is part of our individuality.
- Strategic asset management - we work hard to ensure we meet building and energy standards, have a fully costed and affordable planned maintenance and capital investment programme in place and have a comprehensive property database underpinned by a recent stock condition survey. We recognise that we now have in place an over-arching asset management strategy fully aligned to this business plan. A fully updated asset management policy, based on SHR guidance, has been introduced for 2018/19.
- Geography – we have very distinct geographical boundaries which lend themselves easily to marketing our location as a unique selling point for the Association. This helps with future development bids, marketing plans and place making/ community empowerment opportunities. We have a new logo associated with this:

Our operating environment (cont'd)

Our strengths (cont'd)



- Maintenance – service delivery is strong in all areas with good KPI, audit and budget performance.
- Strategic alignment – we were very focused on addressing our internal issues for some time and as a consequence lost some ground in engaging with our strategic partners. We recognised the need to reconnect with our partners and ensure we are aligned with their strategic priorities. We have now re-engaged fully with EHRA, EVH, SHARE, GCC and recently re-joined the SFHA. The Director has put significant effort into networking and raising our profile with local and national politicians, decision makers, fellow professionals, the SHR, etc. This has moved from being a weakness last year to a strength.

Our weaknesses

We are also aware of our current weaknesses and where we need to strengthen our business in the next three years, for example:-

- Regulatory Engagement – weaknesses in governance and financial management led to intervention by the SHR in late 2014 and we acknowledge this was both necessary and a prompt to rebuild the organisation. We are keen to regain the full confidence of not just our customers but also the Scottish Housing Regulator. Our exceptional progress within a short period has been recognised and we are committed to, and confident we will be able to, move to a more regular relationship with the SHR during the term of this plan. The statutory appointment ended in November 2016, and we reduced to medium engagement at the end of 2017/18. We continue to work closely with the SHR, who gave us positive feedback in December 2017 about our business plan.
- Governance and Financial management – this was the focus of our Governance Improvement Plan and although we had completed the plan by the end of 2016/17, we remain focused on embedding the changes during the lifetime of this plan and ensuring that our new learning and approaches bear fruit.
- Customer profiling – we are aware that our understanding of our customers and the wider community is not as comprehensive or detailed as we would like. By improving our information we can profile the changing needs of households and will we be able to anticipate, and prepare for these changes. Throughout 2017/18 we began a programme of house visits that will become an annual home visit, we will also undertake profiling initiatives when delivering allocations and void works. In 2018/19, this profiling will be formalised and utilised accordingly, in the context of GDPR requirements.
- Senior Staff turnover – in 2015/16 we had an interim leadership team. Although unavoidable this has contributed to uncertainty for customers and staff. We completed recruitment of a senior management team and made adjustments to the staff structure in Autumn 2016, after the Director's appointment in late May 2016. The Finance & Corporate Services manager was

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Our operating environment (cont'd)

Our weaknesses (cont'd)

- Senior Staff turnover (cont'd)
recruited in 2017. The Housing Manager left in Autumn 2017, with the new Housing & Customer Service manager joining Wellhouse at the end of October 2017. The Maintenance & Assets Manager is the most recent management team member to join.
- Performance management – we acknowledge that our performance management and reporting processes need continuous strengthening. We are currently working on this, e.g. we have upgraded our IT systems and reviewed our KPIs and introduced individual performance monitoring. In 2017/18, we integrated our performance management reporting into our operational plan as part of this document and improved our reporting. We recognise it may take some time to see the full impact from this work and retain concerns about KPI performance in the housing service in 2017/18. This is a core objective in 2018/19.

The opportunities

When we look at this operating environment, a number of these external factors reveal some potential opportunities for us. These include:-

- Partnerships - we have put measures in place to strengthen the organisation, and have fully re-engaged with the Easterhouse Housing & Regeneration Alliance (EHRA) and our other strategic and operational partners (e.g., SFHA, CCT, etc.) to ensure we influence and are well-aligned with a joint vision for the area.
- Place-making - We know that there is currently an appetite and funding support for asset-based community development and more design-led approaches to regeneration. We also know that there are opportunities to continue to improve the local environment and to promote Wellhouse as an attractive place to live and work. We are represented in the *Thriving Places* aspects of the Glasgow Community Plan and this gives us a base from which to take up opportunities. We watch the environment carefully.
- Sustainability - with the implementation of much of the Procurement Reform (Scotland) Act, we recognise the opportunity that the new Scottish Model of Procurement offers us in terms of delivering not just value for money but also improved sustainability and social benefit. The potential impact that this could have on, say, our procurement policy and asset management strategy could be very positive. We introduced a range of new sustainability policies in 2017/18. We are exploring community benefit/ modern apprentice clauses in 2018/19 and beyond.
- Social Impact – in 2016 we introduced an annual *Collaboration Agreement* with Connect Community Trust and see this as an important opportunity to strengthen our relationship, embed our role beyond that of bricks and mortar and increase the social impact we can make, together. The excellent outcomes already achieved in Wellhouse by CCT give us confidence that we can achieve much more for our customers by collaborating with an organisation skilled and experienced in delivering social impact. Our collaboration brings a blend of expertise and access to clients and funds that effectively multiplies the benefits beyond what either of us could achieve on our own.
- GCC SHIP - Glasgow City Council see Greater Easterhouse as a key development zone. Our track record in development and our geographical uniqueness place us in a strong position for our final phases of development. We have submitted our SDFP and Housing Needs Assessment to the local authority.

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Our operating environment (cont'd)

The threats

There are also a number of obvious challenges, or threats:-

- Welfare Reform – The full roll out of Universal Credit is expected to take place by December 2018 and we know that this will have a detrimental impact on many of our customers and without preventative action could affect our own cashflow and operational performance. We expect that it will take some time for the new processes to settle down. We will closely monitor the roll out in other areas, such as North/ South Lanarkshire. We know the Scottish Government has put in place mitigation measures and is planning the new Social Security Agency and will follow this closely.
- Increasing Demand - the changing profile of our customers is likely to have an impact on the demand for our services. We expect to see increasing demands for care and support in the community. We also expect to see a more ethnically diverse community with demands for particular language and support needs from people including refugees. We may also see a demand for houses with a different size and layout. Whilst this will no doubt offer us opportunities to review and improve our services, it will also increase the demand on our resources.
- Affordability - the current economic climate and in particular the lack of any significant increase in wages means that householders are continuing to struggle to make ends meet, even with the lower fuel and petrol costs we have just now. Although inflation had recently been maintained at a very low level, we see that there was a rise of around 3% and there is now speculation that bank lending rates will soon start to increase (we will not make use of new loans in 2018/19). All of this, especially when coupled with the move to direct payments of Universal Credit to tenants, places significant risk on our organisation: we know it will be easier to make direct payments to landlords in Scotland, but this will be by tenant choice.
- Budget cuts - locally, the cuts to public service budgets continue, with Glasgow City Council experiencing a shortfall of £86 million in 2016/17 and £47 million in 2017/18. Taking into account the local government settlement for 2018/19, the council is currently forecasting a spending gap of around £33m. It also expects gaps in the following two financial years. Whilst the full details of how the Council will address this is not yet clear, we expect the impact to be felt right across the city as the Council tries to meet increasing demands with fewer resources. An increase in council tax of 3%, the maximum allowed under a Scottish Government cap was introduced in 2017 and GCC have withdrawn financial support for sheltered housing.
- GCC/The Wheatley Group Strategic Plan - Whilst more social housing is very welcome in Greater Easterhouse, there remain concerns that the communities may suffer from having a large scale absentee landlord/developer in the area. This will be closely monitored.
- Development timescales – the local authority and Scottish Government are pushing forward with tight timescales and new styles of off-site manufacturing: it is feasible that we will be unable to meet their timescales and could miss out on opportunities. We are working closely with EHRA to mitigate these concerns.
- GDPR/FOI - these may take up much needed resources in planning for their introduction and dealing with resultant enquiries.

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Our operating environment (cont'd)

Key performance indicators

KPI Brief Description	KPI Target	2017/18 Actual
Rent Collected as % of total rent due for year	100%	99.4%
Gross Rent Arrears as % of rent due for year	4.40%	6%
% of Void Rent Loss	1%	0.4%
Current Arrears	4.00%	3.97%
Re-let time	10 days	18.9 days
Average time to complete EME repairs	4 hours	2.8 hours
Average time to complete NON-EME repairs	10 days	3.9 days
Reactive repairs carried out completed right first time	100%	99.24%
Reactive Costs per unit*	£252	£241

* reactive costs per unit relate solely to reactive repairs and does not include void repairs or estate cleaning

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on the Association's information page.

Each member of the Management Committee holds one fully paid share of £1 in the Association with the exception of Co-optees to the Management Committee.

The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the members of the Management Committee who are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of the Management Committee's Responsibilities

Housing Association legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Statement of Recommended Practice for Social Housing Providers issued in 2014 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator. The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Statement on Internal Financial Control

During financial year 2017/18 there has been a continued focus on the governance and financial management of the Association.

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control that is appropriate for the business environment in which it operates.

All financial regulations and procedures have been reviewed and updated to reflect good practice, a rolling programme of internal audit is in place and a number of operational improvements have been made. In addition, an Audit and Risk Committee has operated throughout the financial year 2017/18. At the date of signing the financial statements the Management Committee is satisfied that steps are being taken to ensure that there is appropriate planning, monitoring and control of the Association's financial and business affairs and that the financial control system in place is satisfactory and appropriate to the size and complexity of the organisation.

It is the governing body's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Key elements of the Association's systems include ensuring that:

- An appropriate organisational structure is in place with suitably experienced and qualified personnel taking responsibility for important business functions;
- Formal policies and procedures are reviewed, updated and applied;
- Risk management processes are updated and reviewed regularly;
- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial operations and progress being made towards achieving the plans set out for the year;
- The Management Committee receive regular reports from the management team and from external and internal auditors to assist in providing reasonable assurance that internal financial controls are in place and are effective;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies; and
- Formal procedures are established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

These controls are designed to give reasonable assurance with respect to:-

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

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2018 and until the date these financial statements have been signed. 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.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Donations

During the year the Association made charitable donations amounting to £1,000 (2017: £200).

Auditor

A resolution to appoint Scott-Moncrieff, Chartered Accountants, as auditor will be brought to the members at the Annual General Meeting.

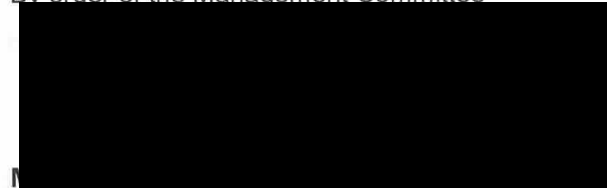
Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant audit information, and to establish that the auditor is aware of the information.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee.

By order of the Management Committee



Secretary

Dated: 30 August 2018

**REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31 MARCH 2018**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 14 concerning the Association'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 on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for any non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 14 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 our enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association'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.



Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 30 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Wellhouse Housing Association Limited (the 'association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, 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 Financial Reporting Standard 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 association's affairs as at 31 March 2018 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 Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

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 association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association'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 Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 13, the Management Committee is 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 Management Committee 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 Management Committee are responsible for assessing the association'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 Management Committee either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 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.

WELLHOUSE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Use of our report

This report is made solely to the association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014.

Our audit work has been undertaken so that we might state to the association's members, as a body, 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 association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 30 August 2018

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	4	3,698,253	3,581,288
Operating expenditure	4	<u>(2,811,845)</u>	<u>(2,786,466)</u>
Operating surplus	4	886,408	794,822
Release of negative goodwill	15	38,134	(29,228)
Gain/(loss) on sale of property, plant and equipment	10	14,557	(24,616)
Interest receivable and other income		3,501	1,989
Interest and financing costs	11	<u>(289,197)</u>	<u>(301,873)</u>
		(233,005)	(353,728)
Surplus before tax		653,403	441,094
Taxation	12	<u>-</u>	<u>-</u>
Surplus for the year		653,403	441,094
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>653,403</u>	<u>441,094</u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2017	321	4,082,063	4,082,384
Total comprehensive income for the year	-	653,403	653,403
Issue of shares	5	-	5
Cancellation of shares	(18)	-	(18)
Balance at 31 March 2018	<u>308</u>	<u>4,735,466</u>	<u>4,735,774</u>

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	454	3,640,969	3,641,423
Total comprehensive income for the year	-	441,094	441,094
Issue of shares	5	-	5
Cancellation of shares	(138)	-	(138)
Balance at 31 March 2017	<u>321</u>	<u>4,082,063</u>	<u>4,082,384</u>

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	£	2018 £	£	2017 £
Tangible fixed assets					
Housing properties – depreciated cost	13(a)		29,155,250		29,357,067
Other non-current assets	13(b)		1,387,371		1,425,097
			<u>30,542,621</u>		<u>30,782,164</u>
Negative goodwill	15		(1,144,027)		(1,182,161)
			<u>29,398,594</u>		<u>29,600,003</u>
Current assets					
Debtors	16	169,003		268,896	
Cash and cash equivalents	17	1,466,036		1,554,402	
			<u>1,635,039</u>	<u>1,823,298</u>	
Creditors: amounts falling due within one year	18	(1,556,596)		(6,259,742)	
Net current assets/(liabilities)			<u>78,443</u>		<u>(4,436,444)</u>
Total assets less current liabilities			<u>29,477,037</u>		<u>25,163,559</u>
Creditors: amounts falling due after more than one year	19		(24,741,263)		(21,081,175)
Net assets			<u>4,735,774</u>		<u>4,082,384</u>
Capital and reserves					
Share capital	22		308		321
Revenue reserve	23		4,735,466		4,082,063
			<u>4,735,774</u>		<u>4,082,384</u>

The financial statements were approved by the Management Committee on 30 August 2018 and signed on their behalf by:

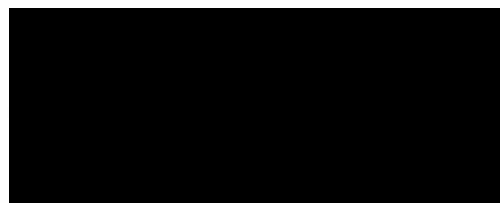
Maureen Morris

Chair



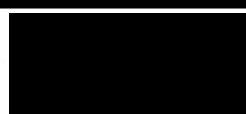
Martin Wilkie-McFarlane

Secretary



Pamela Colvin

Treasurer



The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	£	2018 £	2017 £
Net cash generated from operating activities	29		1,164,208	1,493,026
Cash flow from investing activities				
Purchase of housing properties		(790,898)	(1,014,706)	
Purchase of other property, plant and equipment		-	(4,032)	
Proceeds from sale of housing properties		30,800	77,752	
Government Capital grants received		17,908	46,554	
Repayment of Government Capital grant		-	(158,137)	
Interest received		3,501	1,989	
				(1,050,580)
Net Cash inflow from financing activities			(738,689)	
Cash flow from Financing Activities				
Interest paid on loans		(287,197)	(288,873)	
Loan principal repayments		(226,693)	(217,399)	
Share capital issued		5	5	
Net cash outflow from financing			(513,885)	(506,267)
Net change in cash and cash equivalents			(88,366)	(63,821)
Cash and cash equivalents at 1 April			1,554,402	1,618,223
Cash and cash equivalents at 31 March	17		1,466,036	1,554,402

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2018. These financial statements comprise the results of the Association only.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HAC281. The registered office address is included on the front page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

The Association's Scottish Charity number is SC036552.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with Determination of Accounting Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2018 and of the results for the year ended on that date.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The principal accounting policies are set out below.

Going concern

The Association has shown a healthy surplus year on year and the Committee believes that the Association will carry on this trend for the foreseeable future. In addition to this, the Association has healthy cash reserves and a strong net assets position. The Management Committee have therefore adopted the going concern basis in preparing the financial statements.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, Glasgow City Council and other agencies. Also included is any management fees for the factoring of properties for private owners. Also included is any income from first tranche shared equity disposals.

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

2. Principal accounting policies (continued)

Government capital grants

Government capital grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest and financing costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. Borrowing costs incurred during the course of construction of a housing development are capitalised.

Valuation of housing properties

Housing properties are stated at cost less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as housing properties within note 13(a). Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount or depreciated replacement cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**
2. Principal accounting policies (continued)

Component	Useful Economic Life
Bathrooms	20 years
Kitchens	15 years
Boilers	15 years
Central Heating	30 years
Electrics	30 years
Attic Insulation	25 years
Windows	35 years
Close Doors	20 years
External Doors	20 years
Guttering	25 years
Rendering	50 years
Roofs	50 years
Structure	50 years

Depreciation and impairment of other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Office Premises	2% - 3 ¹ / ₃ %
Office Furniture and Equipment	20%
Motor Vehicles	25%

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Shared equity sales

The proportion of the development cost of shared equity properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. First tranche shared equity disposals are credited to turnover with the cost of construction of these sales taken to operating expenditure. In accordance with the SORP, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss shown in the Statement of Comprehensive Income.

Right to Buy sales

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal with any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Works to existing properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a reduction in future maintenance costs or a significant extension of the life of the property. When a component is replaced the existing component is disposed, and the new component is capitalised.

Capitalisation of development overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

2. Principal accounting policies (continued)

Development interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Commercial property

The commercial property is carried at fair value determined by external valuers and derived from the current market rents and commercial property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Leases/leased assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Negative goodwill

Negative goodwill created through transfer of engagements is written off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for the rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 16.

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.

Creditors

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.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

2. Principal accounting policies (continued)

Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the 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, like the payment of a rental arrear deferred beyond normal Association terms 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 Association 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.

Retirement benefits

The Scottish Housing Association Defined Benefits Pension Scheme

The Housing Association participated in The Scottish Housing Association Defined Benefits Pension Scheme where retirement benefits to employees of the Housing Association are funded by the contributions from all participating employers and employees in the Scheme. The last remaining employee who was a member of the Defined Benefit Pension Scheme transferred to the Defined Contribution Scheme in 2016/17. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

From 1 August 2014, the Association elected to operate the Defined Contribution (DC) Scheme for all other staff. The contributions made by the Association are recognised as an expense in the Statement of Comprehensive Income when they fall due. The assets of the Scheme are held separately from the Association in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. Judgements in applying policies and key sources of 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. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPS pension scheme

The valuation of the commercial property

Basis of estimation

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

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.

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

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. The past service deficit liability recognised is based on the 2016 March repayment plan.

The commercial property has been valued at its market value based on a valuation performed by a qualified valuer based on market data.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Particulars of turnover, operating expenditure and operating surplus

	Notes	Turnover £	Operating Expenditure £	2018 Operating surplus/(deficit) £	Turnover £	Operating Expenditure £	2017 Operating surplus/(deficit) £
Social lettings	5	3,636,848	(2,731,576)	905,272	3,527,638	(2,697,916)	829,722
Other activities	6	61,405	(80,269)	(18,864)	53,650	(88,550)	(34,900)
Total		3,698,253	(2,811,845)	886,408	3,581,288	(2,786,466)	794,822

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. Particulars of income and expenditure from social letting activities

	General Needs Housing £	2018 Total £	2017 Total £
Income from lettings			
Rent receivable net of identifiable service charges	3,018,983	3,018,983	2,886,829
Service charges receivable	29,043	29,043	4,063
Gross rents receivable	3,048,026	3,048,026	2,890,892
Less: Rent losses from voids	(12,115)	(12,115)	(13,783)
Net rents receivable	3,035,911	3,035,911	2,877,109
Release of deferred government capital grants	559,149	559,149	607,851
Other revenue grants	41,788	41,788	42,678
Total income from social letting activities	3,636,848	3,636,848	3,527,638
Expenditure on social letting activities			
Service costs	200	200	4,063
Management and maintenance administration costs	1,035,543	1,035,543	1,128,654
Reactive maintenance costs	368,861	368,861	384,422
Bad debts – rents and service charges	116,689	116,689	21,073
Planned and cyclical maintenance	65,130	65,130	84,228
Major repairs	130,606	130,606	73,259
Stage 3 repairs	38,075	38,075	38,799
Depreciation of social housing	976,472	976,472	963,418
Operating expenditure for social letting activities	2,731,576	2,731,576	2,697,916
Operating surplus on letting activities, 2018	905,272	905,272	
<i>Operating surplus on letting activities, 2017</i>			829,722

Included in depreciation of social housing is £37,718 (2017: £44,896) in respect of the loss on disposable components.

There is no supporting housing accommodation or shared ownership accommodation.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6. Particulars of turnover, operating expenditure and operating deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting People income £	Other income £	Total Turnover £	Operating expenditure - bad debts £	Other operating expenditure £	2018 Operating surplus/ (deficit) £	2017 Operating surplus/ (deficit) £
Wider role activities	-	-	-	-	-	-	-	-	-
Factoring	13,545	-	-	-	13,545	-	(4,560)	8,985	3,213
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Agency / management services	-	-	-	-	-	-	-	-	-
Commercial and hub activity	-	-	-	47,726	47,726	-	(38,093)	9,633	13,531
Tenant participation costs	-	-	-	-	-	-	(9,376)	(9,376)	(16,423)
Re-chargeable repair bad debts	-	-	-	-	-	(8,240)	-	(8,240)	(9,342)
Connect Community Trust	-	-	-	-	-	-	(20,000)	(20,000)	(20,200)
Shared equity property sales	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	134	134	-	-	134	(5,679)
Total from other activities 2018	13,545	-	-	47,860	61,405	(8,240)	(72,029)	(18,864)	
<i>Total from other activities 2017</i>	<i>12,686</i>	<i>-</i>	<i>-</i>	<i>40,964</i>	<i>53,650</i>	<i>15,499</i>	<i>73,051</i>	<i>(34,900)</i>	

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. Directors' emoluments

The directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. No emoluments were paid to any member of the Management Committee during the year (2017: £nil). The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

	2018 £	2017 £
Aggregate Emoluments payable to officers with emoluments greater than £60,000 (excluding Pension Contributions)	64,319	-
Pension contributions made on behalf of officers with emoluments greater than £60,000	6,420	-
Emoluments payable to the Director (excluding pension contributions)	64,319	53,140
Pension contributions in respect of the Director	6,420	5,314
Fees payable to the interim Director	-	18,200

The number of officers including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	-

In 2016/17, payments (including employers national insurance and excluding pension contributions) made to key management personnel, consisting of the Director, the interim Director, the acting Finance Director, the Housing Manager, Operations Manager, the Senior Maintenance Officer and the Special Manager appointed by the Scottish Housing Regulator were £236,277. The pension contributions were £12,595.

In 2017/18, payments (including employers national insurance and excluding pension contributions) made to key management personnel, consisting of the Director, the Finance & Corporate Services Manager, the Housing Services Manager, the Senior Maintenance Officer were £198,251. The pension contributions were £19,353.

8. Employee information

	2018	2017
The average number of full time equivalent persons employed during the year was:	20	20
The average total number of employees employed during the year was	21	21
Staff costs were:	£	£
Wages and salaries	593,183	591,448
Society security costs	54,033	52,289
Other pension costs	51,666	42,217
	698,882	685,954

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. Employee information (continued)

The SHAPS past service deficit liability is subject to remeasurement each financial year.

	2018 £	2017 £
Remeasurement – impact of any change in assumptions and amendments to contributions schedule	(2,120)	1,280

This is included in management and maintenance administration costs.

9. Operating surplus

	2018 £	2017 £
Surplus before tax is stated after charging:		
Depreciation - Tangible Fixed Assets	976,480	962,934
- Loss on disposed components	37,718	44,896
Auditor's Remuneration - Audit services (exc VAT)	8,750	8,415
- Other services (exc VAT)	-	650
Internal Auditor's fees (exc VAT)	9,200	8,305
Operating lease rentals – other	16,030	13,117

10. Gain on sale of property, plant and equipment

	2018 £	2017 £
Proceeds on sale of property, plant and equipment	30,800	77,752
Net book value of assets at time of sale	(16,243)	(102,368)
Gain/(loss) on sale of housing stock	14,557	(24,616)

11. Interest and financing costs

	2018 £	2017 £
SHAPS Pension interest (unwinding of discount) (note 25)	2,000	13,000
On bank loans and overdrafts	287,197	288,873
	289,197	301,873

12. Tax on surplus on ordinary activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities (2017: £nil). No tax is due on the Association's other activities due to the losses incurred (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. Tangible fixed assets	Housing properties held for letting	Housing properties under construction	Total
(a) Housing properties	£	£	£
Cost			
At 1 April 2017	39,770,135	62,622	39,832,757
Additions - properties	-	-	-
Additions - components	772,990	17,908	790,898
Disposals - properties	(19,033)	-	(19,033)
Disposals - components	(293,874)	-	(293,874)
At 31 March 2018	40,230,218	80,530	40,310,748
Depreciation			
At 1 April 2017	10,475,690	-	10,475,690
Charge for year	938,754	-	938,754
On disposals - properties	(2,790)	-	(2,790)
On disposals - components	(256,156)	-	(256,156)
At 31 March 2018	11,155,498	-	11,155,498
Net Book Value			
At 31 March 2018	29,074,720	80,530	29,155,250
At 31 March 2017	29,294,445	62,622	29,357,067

Additions to housing properties include capitalised development administration costs of £nil (2017: £nil) and external wall insulation costs of £nil (2017: £742,828). In addition to the above, there is capitalised interest of £nil (2017: £nil).

All land and properties are freehold.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. Tangible fixed assets

(b) Other fixed assets	Commercial property £	Motor vehicles £	Office premises £	Office furniture & equipment £	Total £
Cost					
As at 1 April 2017	315,000	14,160	1,395,549	187,928	1,912,637
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at 31 March 2018	315,000	14,160	1,395,549	187,928	1,912,637
Aggregate Depreciation					
As at 1 April 2017	-	14,160	321,795	151,585	487,540
Charge for year	-	-	24,949	12,777	37,726
Depreciation on disposals	-	-	-	-	-
As at 31 March 2018	-	14,160	346,744	164,362	525,266
Net Book Value					
At 31 March 2018	315,000	-	1,048,805	23,566	1,387,371
At 31 March 2017	315,000	-	1,073,754	36,343	1,425,097

The commercial property was revalued by Jones Lang La Salle, Chartered Surveyors, at 31 March 2016 on a market basis. The Management Committee consider this to be the fair value at 31 March 2018.

14. Housing stock

2018
£

2017
£

The number of units of accommodation in management at the year end was:-

General Needs	- New build	342	342
	- Rehabilitation	451	452
		793	794

15. Negative goodwill

2018
£

2017
£

Gross	1,449,101	1,449,101
Amortisation		
As at 1 April	(266,940)	(296,168)
Released during the year	(38,134)	29,228
	(305,074)	(266,940)
Net position at 31 March	1,144,027	1,182,161

The negative goodwill was generated as a result of a transfer of engagements from GHA in 2010/11.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Debtors	2018	2017
	£	£
Arrears of rent and service charges	182,310	155,482
Less: Provision for doubtful debts	(91,501)	(61,027)
	90,809	94,455
Social housing grant receivable	-	23,295
Other debtors	78,194	151,146
	169,003	268,896

All amounts shown under debtors fall due for payment within one year.

17. Cash and cash equivalents	2018	2017
	£	£
Cash at bank and in hand	1,466,036	1,554,402

18. Creditors: amounts falling due within one year	2018	2017
	£	£
Bank loans (note 19)	227,209	4,691,679
Trade creditors	323,930	454,432
Rent in advance	33,159	68,588
Other taxation and social security	-	22,849
Other creditors	342,350	376,694
SHAPS past service deficit repayment plan (note 25)	53,071	52,000
Deferred capital grant (note 20)	576,877	593,500
	1,556,596	6,259,742

At the year end other creditors included outstanding pension contributions of £13,030 (2017: £10,329).

In the prior year two of the bank loans with a capital value of £4,473,079 were interest only loans that were due to be repaid or renegotiated on 27 October 2017 and were therefore disclosed within creditors falling due within one year.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

19. Creditors: amounts falling due after more than one year	2018	2017
	£	£
Bank loans	8,393,053	4,155,276
SHAPS past service deficit repayment plan (note 25)	158,929	212,000
Deferred capital grants (note 20)	16,189,281	16,713,899
	24,741,263	21,081,175

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at rates of interest of between 2.35% to 4.40% in instalments, due as follows:

Amounts due within one year	227,209	4,691,679
Amounts due between one and two years	219,762	217,887
Amounts due between two and five years	685,717	625,500
Amounts due in more than five years	7,487,574	3,311,889
	8,620,262	8,846,955
Less: amount shown in current liabilities	(227,209)	(4,691,679)
	8,393,053	4,155,276

20. Deferred capital grants	2018	2017
	£	£
Balance at 1 April	17,307,399	18,026,833
Grants received in year	17,908	46,554
Grants repaid in year	-	(158,137)
Released to income in year – Housing properties	(559,149)	(584,323)
Released to income in year – Other fixed assets	-	(23,528)
Balance at 31 March	16,766,158	17,307,399
Split as follows:		
Amounts due within one year	576,877	593,500
Amounts due between one and two years	576,877	593,500
Amounts due between two and five years	1,730,631	1,780,500
Amounts due in more than five years	13,881,773	14,339,899
	16,766,158	17,307,399

Included in grants repaid in the year is £nil (2017: £44,002) in relation to Right to Buy disposals. The remaining £nil (2017: £114,135) relates to the repayment of grant to Glasgow City Council in respect of the Phase 7 development.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Financial instruments	2018 £	2017 £
Financial assets		
Cash and cash equivalents	1,466,036	1,554,402
Financial assets measured at amortised cost	124,797	229,946
	<u>1,590,833</u>	<u>1,784,348</u>
Financial liabilities		
Financial liabilities measured at amortised cost	9,498,542	9,942,081
	<u>9,498,542</u>	<u>9,942,081</u>

Financial assets measured at amortised cost comprise rent arrears, social housing grant receivable and other debtors (excluding prepayments).

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and the SHAPS past service deficit repayment plan.

No financial assets or financial liabilities are held at fair value.

22. Share capital	2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April	321	454
Shares issued in year	5	5
Shares cancelled in year	(18)	(138)
	<u>308</u>	<u>321</u>
At 31 March	308	321

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

23. Revenue reserve

Revenue reserves are unrestricted and undesignated funds available for general use to further the Association's aims and objectives.

24. Related party transactions

Five members (2017: five) of the Committee at the year-end are tenants of the Association. Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage. The total rent charged in the year relating to tenant Management Committee members is £23,728 (2017: £19,664). The total rent arrears relating to tenant Management Committee members is £2,085 (2017: £1,269). The total prepaid rent relating to tenant Management Committee members is £45 (2017: £49).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25. Retirement benefit obligations

General

Wellhouse Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "scheme") which is funded and is contracted out of the State Pension scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in.
- Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of 3 months' notice. Wellhouse Housing Association Limited has elected to operate the Defined Contribution (DC) Scheme to all other staff. Please note, the last remaining employee who was a member of the defined benefit scheme transferred to the defined contribution scheme in the prior year.

Defined benefit scheme

The Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Final Salary with a 1/60th Accrual Rate Scheme

During the accounting period Wellhouse Housing Association Limited paid contributions at the rate of 12.3% (excluding the past service deficit) of pensionable salaries. Member contributions were 12.3%. There was an additional annual employer past service deficit contribution of £51,880 made in the year ended 31 March 2018 (2017 - £49,751). The past service deficit contribution for 2018/19 is £53,436.

As at the Statement of Financial Position date there are no active members (2017: *nil*) of the Scheme employed by Wellhouse Housing Association Limited. The last remaining member transferred to the defined contribution scheme during the year to 31 March 2017. Wellhouse Housing Association Limited no longer offers membership to this scheme with all existing and new staff offered the defined contribution scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**25. Retirement benefit obligations (continued)**

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 75.6%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

Past service deficit repayment liability	2018 £	2017 £
Provision at start of period	264,000	299,471
Unwinding of the discount factor (interest expense)	2,000	13,000
Deficit contribution paid	(51,880)	(49,751)
Remeasurements – impact of any changes in assumptions	(2,120)	8,000
Remeasurements – amendments to the contributions schedule	-	(6,720)
Provision at end of period	212,000	264,000

Liability split as:	2018 £	2017 £
Amounts due within one year	53,071	52,000
Amounts due in one year or more but less than two years	53,850	53,000
Amounts due between two and five years	105,079	159,000
Amounts due between two and five years	-	-
	212,000	264,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**
25. Retirement benefit obligations (continued)

Statement of Comprehensive Income Impact	2018 £	2017 £
Interest expense	2,000	13,000
Re-measurements – impact of any change in assumptions and amendments to the contributions schedule	(2,120)	1,280
	(120)	14,280
Assumptions	2018	2017
Rate of discount	1.51%	1.06%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

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

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by a Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017 is £1,934,299 (2017: £2,547,407). The Association does not expect to withdraw from the Scheme.

Defined Contribution (DC) Scheme

From 1 August 2014, the Association elected to operate the Defined Contribution (DC) Scheme for all staff. The contributions made by the Association are recognised as an expense in the Statement of Comprehensive Income when they fall due. The assets of the Scheme are held separately from the Association in independently administered funds.

During the accounting period Wellhouse Housing Association Limited paid contributions at the rate of 10% of pensionable salaries. Member contributions were 5%.

As at the year-end there were 15 (2017: 15) active members of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £593,011 (2017: £493,885).

The employer contributions paid in the year were £51,666 (2017: £42,217).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**
26. Connect Community Trust

Connect Community Trust is not deemed a related party of the Association; however, due to the nature of relationship between both entities, it has been deemed reasonable to disclose their activities separately:

During the year Connect Community Trust charged the Association £19,876 (2017: £18,219) for the concierge service, £2,697 (2017: £2,078) for maintenance work, £455 (2017: £800) for events and promotions, £nil (2017: £92) for supplies. The Association made £1,000 (2017: £200) of donations in the year.

During the year the Association charged the Trust £4,000 (2017: £4,000) for Innerzone rent, £nil (2017: £2,440) for general admin costs, £nil (2017: £237) for electricity for the allotment and £9,402 (2017: £900) for costs associated with the lease.

The Association gave a grant of £20,000 (2017: £20,000) to Connect Community Trust during the year.

During the year, the Association incurred expenses on behalf of the Trust to include rent, electricity, gas, rates and repairs, buildings insurance and use of the board room at 49 Wellhouse Crescent amounting to £27,960 (2017: £37,027) that were not recharged.

27. Capital commitments

	2018	2017
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	-	-
	<u> </u>	<u> </u>

28. Commitments under operating leases

At the year end, the total future minimum payments under operating leases were due as follows:

	2018	2017
	£	£
Equipment:		
Not later than one year	12,525	13,123
Later than one year and not later than five years	2,911	4,736
More than five years	440	-
	<u> </u>	<u> </u>
	15,876	17,859
	<u> </u>	<u> </u>

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

29. Net cash flow from operating activities	2018	2017
	£	£
Surplus for the year	653,403	441,094
Adjustments for non-cash items:		
Carrying amount of housing property disposals	16,243	102,368
Depreciation of housing properties	976,472	963,418
Depreciation of other fixed assets	37,726	44,412
Decrease in stocks	-	9,107
Decrease/(increase) in debtors	99,893	(307)
(Decrease)/increase in creditors	(223,124)	338,034
Proceeds from sale of fixed assets	(30,800)	(77,752)
SHAPS past service deficit remeasurement	(2,120)	1,280
Release of negative goodwill	(38,134)	29,228
Adjustments for investing and financing activities:		
Interest payable	289,197	301,873
Interest received	(3,501)	(1,989)
Release of deferred Government capital grant	(559,149)	(607,851)
Forfeited share capital	(18)	(138)
SHAPS deficit contribution paid	(51,880)	(49,751)
Net cash generated from operating activities	<u>1,164,208</u>	<u>1,493,026</u>

