PRINCIPAL

Scott-Moncrieff
business advisers and accountants

23 SEP 2019

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

WELLHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2019

MANAGEMENT COMMITTEE

Maureen Morris	Chair
Clare Monteith	Vice Chair (elected 23 August 2018)
Darron Brown	Committee Member
Tom Lucas	Committee Member
Michelle Harrow	Committee Member
Jane Heppenstall	Committee Member
Pamela Colvin	Former Treasurer (resigned 22 August 2018)
Danny Dickson	Committee Member (resigned 11 March 2019)
Wilma Strang	Former Vice Chair (resigned 23 August 2018)
Dave Robb	Co-optee (co-opted 29 November 2018)
Sarah Morris	Co-optee (co-opted 29 November 2018)
Vanda Cooper	Co-optee (co-opted 30 May 2019)

EXECUTIVE OFFICERS

Martin Wilkie-McFarlane	Director & Secretary
Carol Hamilton	Housing & Customer Services Manager (appointed February 2019)
Gordon Kerr	Finance & Corporate Services Manager
Alexander Gemmell	Assets & Maintenance Manager (resigned 26 April 2019)
Greg Richardson	Housing & Customer Services Manager (resigned January 2019)

REGISTERED OFFICE

The Hub
49 Wellhouse Crescent
Glasgow
G33 4LA

EXTERNAL AUDITOR

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

INTERNAL AUDITOR

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

BANKERS

Clydesdale Bank plc
865 Shettleston Road
Glasgow
G32 6NS

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

WELLHOUSE HOUSING ASSOCIATION LIMITED

CONTENTS

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 2019

The Management Committee presents its report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2019.

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 values

TRUST	HONESTY & INTEGRITY	EXCELLENCE	ACCOUNTABILITY	SUSTAINABILITY

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 of the new Business Plan 2019/20 to 2021/22. 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:-

Our Strategic Objectives (cont'd)

- Deliver excellent services
- Provide good quality homes
- Anticpate, understand and respond to local need
- Foster an attractive, successful and thriving community
- Maintain good governance and financial management
- Value and invest in our people.

Review of Business

The year to 31 March 2019 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) has changed under the new Regulatory Framework, meaning we are, effectively, on "no engagement level", pending submission of our assurance statement. 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.

Amongst other activities, Wellhouse Housing Association, has:-

- Held 10 committee meetings in the year and our AGM;
- Held 4 audit and risk sub-committee meetings and 2 staffing sub-committee meetings;
- Scheduled 20 days of internal audit days in 2018/19 conducted by Wylie Bisset, reviewing the following subjects - Value for Money, Estate Wardens Service, Relationship with Connect Community Trust, General Data Protection Regulations, Rents Adjustment Exercise and follow up review, as well as our external audit processes (including our FRS 102 compliant accounts and assurance statement);
- Launched a new 3-year business plan and asset management strategy. Copies of these have been submitted to the Regulator and placed on our website;
- Conducted committee appraisals for a fourth consecutive year and are acting upon continuous improvement and initiated our succession planning process for a new Chair;

Review of Business (cont'd)

- Submitted our returns timeously and accurately to the SHR, OSCR, FCA and our Lenders;
- Held tenant scrutiny, supported by TPAS, 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;
- Assured ourselves as to the safety of our tenant's homes, including planning for the new fire safety requirements; and
- Continued networking with our colleagues in EHRA 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.

The management committee accepted this as a self-reflection and confirmation of our confidence in our continuing commitment to robust governance.

For the financial year to 31 March 2019 the Association generated a surplus of £668,759 (2018: £653,403) with net assets of £5,404,421 (2018: £4,735,774). There was movements in other comprehensive income of £189,000 (2018: £nil) due to the initial recognition of multi-employer defined benefit scheme (£172,000) and actuarial losses in respect of the pension scheme (£17,000). 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 the following outcomes including:

- Gross rent arrears at 6.45%;
- Low void losses at 0.22%;
- 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;
- Made financial gains for tenants from our Income Advisor function of £802,176.
- Adjusted services to address the effects of welfare reform; and
- Spent £1.4m on repairs and maintenance costs and component replacements.

We also carried out:

- 5 smoke alarm, heat detector and CO detector installations;
- 3 Gas central heating systems;
- 106 Boiler replacements;
- 1 full window replacement;
- 58 Kitchens;
- 45 Bathrooms;
- 8 Close vinyl renewals;
- Carried out path repairs and renewals to 11 addresses; and
- Replaced back/front doors at 36 properties.

Future developments
In the forthcoming year the Association expects to:

- Fully deliver its Operational Improvement Plans;
- Deliver a new Estate Management plan;
- Deliver an updated Strategic Investment Funding Plan and Housing Needs & Demand report to the local authority for (medium-term) development ambitions;
- Continue with its planned program of stock investment;
- Significantly improve our performance and customer interaction;
- Deliver a detailed Value for Money assessment following customer consultation;
- Continue to support good Governance;
- Deliver a business plan for the Hub;
- Begin working towards Freedom of Information and ensuring compliance with General Data Protection Regulations;
- Work closely with the EHRA group; and
- Submit our Assurance Statement to the SHR.

OUR OPERATING ENVIRONMENT

THE NATIONAL CONTEXT

The Economy
According to Ernst & Young (EY) Global[1] Ltd -

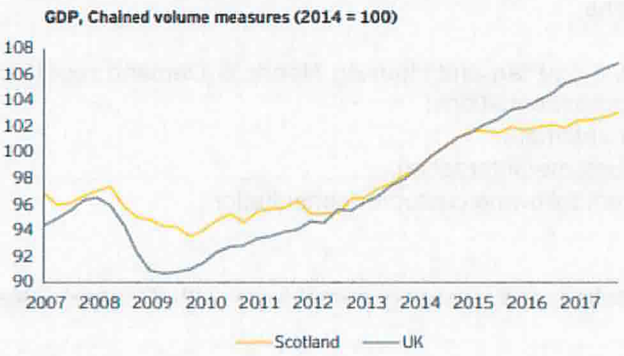
- Scotland's GDP growth has lagged behind the UK's as a whole in 2018 at 1.3% compared to 1.6%;
- Over the period up to 2021, it is expected that this more sluggish trend will continue;
- Private services will continue to drive growth;
- Employment growth is set to weaken and fall behind the UK's being at only 0.2% in 2021;
- Scottish unemployment claimant rate to reach 2.4% in 2019; and
- Edinburgh and Glasgow continue to power economic growth, highlighting the need for other Scottish cities to improve performance.

Scotland Gross Domestic Product (GDP) grew over the last year, at 1.1%, however, this was lower than UK-wide growth of 1.4%. Household spending continued to be a key driver behind Scotland's performance in 2018.

[1] https://emeia.ey-vx.com/4857/109255/landing-pages/ey-000065265-ey-scottish-item-club-summer-update-2018-4-signlepage-web.pdf

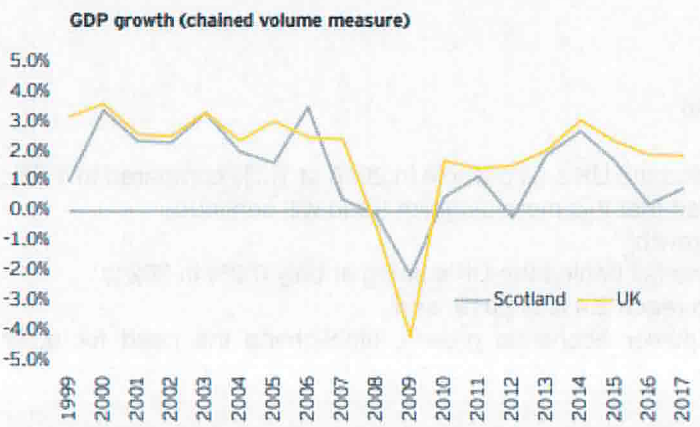
OUR OPERATING ENVIRONMENT (CONT'D)

Chart 3: Quarterly real GDP growth, Scotland and UK



Source: Scottish Government

Chart 4: Annual real GDP growth, Scotland and UK



Source: Oxford Economics

Ernst & Young report that:

- Industrial production grew by 3.6%;
- Scotland's services sector accounts for 75% of total on-shore output;
- Professional, scientific, admin and support services grew by 1.1%;
- Retail remains a strong sector; and
- Finance, insurance and public administration is all reducing as a sector.

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 up to 2020, while annual employment growth is predicted to be 0.9% and 0.8% respectively for the same period.

OUR OPERATING ENVIRONMENT (CONT'D)

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. For us in greater Easterhouse, the growth sectors are not necessarily the ones that our tenants are employed in or, for example, are sectors which are low wage or in the gig economy.

Ernst and Young report that Brexit remains the biggest risk to the Scottish economy.

According to the Scottish Government, independent forecasts of the Scottish[2] economy suggest output growth in Scotland could strengthen over the next couple of years, however will remain below trend. The table below sets out a selection of independent forecasts and projections. The Scottish Fiscal Commission (SFC) forecast (from May 2018) is currently notably more cautious than other independent forecasters. However, since May, data revisions have improved Scotland's recent economic performance and as a consequence, Scottish GDP grew 1.3% in 2017, higher than the SFC's forecast of 0.7%. Alongside this, latest GDP data shows Scotland's economy grew 0.8% in the first half of 2018, higher than the SFC's forecast of 0.7% for the year as a whole.

Independent Scottish GDP Growth Forecasts (%)

	2018	2019	2020	2021	2022	2023
Scottish Fiscal Commission	0.7	0.8	0.9	0.9	0.9	0.9
Fraser of Allander Institute	1.3	1.4	1.4	-	-	-
EY ITEM Club	1.3	1.6	1.5	1.7	-	-
PWC	1.0	1.2	-	-	-	-

Brexit still remains the key downside risk to Scotland's economic outlook.

In their latest forecast report, the Fraser of Allander Institute highlighted the particular short-term risk to the outlook if a 'no deal' scenario occurs on top of the continued pressure that Brexit uncertainty is expected to have on investment activity.

[2] https://www.gov.scot/publications/state-economy/pages/12/

OUR OPERATING ENVIRONMENT (CONT'D)

Potential areas for growth continue to be in the production sector as confidence and activity in the North Sea supply chain strengthens, while the relatively low value of Sterling should continue supporting export activity and tourism to Scotland. Alongside this, improvements in earnings growth should better support household spending, however inflationary pressures alongside weak consumer sentiment may continue to present challenges for households and household facing sectors.

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. Much of this has been somewhat of a moveable feast or subject to slow roll out.

Some of the key implications for us are:

- 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;
- Right to Buy was abolished in 2016 (with our last sales being processed in 2017);
- New restrictions on tenancy successions are in place;
- GDPR was introduced in May 2018;
- For the first time, housing associations were classified as public bodies in 2017 – a decision which was subsequently overturned in 2018;
- 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 complying with these codes, from 2018/19; and
- We eventually received 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 and we updated all relevant policies accordingly in quarter 3 of 2018/19.

OUR OPERATING ENVIRONMENT (CONT'D)

In the near future:

- 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. Universal Credit roll out for Wellhouse commenced at the end of 2018;
- Housing Associations will become subject to Freedom of Information in 2019. This should not have a significant impact on us. We continue to monitor the process closely;
- We are likely to see ever stringent rules in relation to fire safety in both new build and possible retro-fitting existing stock; and
- Making Tax Digital (MTD) will come into force in 2019. Making Tax Digital is a UK government initiative that sets out a vision for the 'end of the tax return' and a 'transformed tax system' by 2020. HM Revenue and Customs states that the main goal of MTD is to make tax administration more effective, more efficient and simpler for taxpayers. Wellhouse is currently working with its software provider (SDM) to ensure that we will be prepared for this change, when necessary.

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 – we await the post 2021 plans from the Scottish Government and how that may impact on Wellhouse HA's ambitions.

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. We have been operating under a new framework since April 2019, with a more 'partnership' approach being taken and an emphasis on self-assurance, tenant safety/ security and human rights & equalities.

THE LOCAL CONTEXT

The City

The aim of the City Government's strategy[3] 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 or 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 received HAG in 2016/17 and 2017/18 for Drainage Impact Assessment (DIA) and Feasibility Studies for the Archdiocese and primary school site. The DIA presents an expensive flood mitigation option: we cannot develop without this mitigation. 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, particularly as the most recent cost estimates are in excess of £600,000 for an underground attenuation tank with an internal weir and over ground pumping station, located across Edinburgh Road.

[3] Glasgow's Economic Strategy 2016 - 2023

THE LOCAL CONTEXT (CONT'D)

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. We do have a good working relationship with the Department of Regeneration Services and they continue to support our ambitions.

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.

We will build on this community profiling with initiatives of our own over the coming years.

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. There is nothing of note to date. We continue to have the support of local and national politicians.

THE LOCAL CONTEXT (CONT'D)

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) in 2019 (this was planned for late 2017, but did not happen as the lead officer left Wellhouse) – we are disinclined to introduced specific charges at this time. The report completed on our behalf by Arneil Johnson also contained a local affordability study to give us comfort on the changes. The restructuring will be complete by April 2019. Our rents are amongst the highest in greater Easterhouse – it is felt that introducing a service charge on top of this would increase hardship and not be necessary to our 30 year plan.

Rent increase

The Management Committee decided in January 2018, after tenant consultation, that the 2018/19 rent increase would be 3% (October 2016 CPI) only. Our 30 year plan is predicated on Inflation plus 1% - this in effect meant a £30,000 reduction in our 2018/19 forecast income, which we have mitigated through efficiency savings. We consulted on CPI+1% for 2019/20 rent increase.

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. GWSF, SFHA, CCT, etc.) to ensure we influence and are well–aligned with a joint vision for the area. We have recently finished a 6 month pilot scheme of providing finance support on a full cost recovery/ not for profit model.
- 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 continue to 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 have been exploring community benefit/ modern apprentice clauses in 2018/19 and beyond, following the successful appointment of an apprentice with our gas safety contractor. We are committed to exploring options further and supporting SME contractors.

THE OPPORTUNITIES (CONT'D)

- Social Impact - 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. This does not prevent us playing our part and, consequently we have recently taken on a modern housing apprentice, are looking at recruitment options for the estates team and are supporting and boosting the activities of our income advice officer.
- 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. We keep in close contact with them.
- The local democracy bill, may come to fruition in the lifetime of this plan, offering an opportunity to be more influential in local decision making.

THE THREATS

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

- Welfare Reform – The full roll out of Universal Credit took place in December 2018 and this is already having a detrimental impact on many of our customers and without preventative action could affect our own cash-flow and operational performance. We expect that it will take some time for the new processes to settle down. We know the Scottish Government has put in place mitigation measures and is planning the new Social Security Agency and will follow this closely. This will feature on our risk management plan.
- 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. It will provide a challenge/ opportunity to manage our stock in a different way in relation to rehousing those whose home is no longer suitable and creating new housing opportunities.

THE THREATS (CONT'D)

- 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. Although inflation had recently been maintained at a very low level, we see that there was a rise of around 3% in 2017 and 2.5% in 2018. 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 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 experiencing 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. There is significant pressure on public services, and we often plug the gaps in relation to refuse, community safety and environmental works for example,

- 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.

Key performance indicators as reported in 2018/19 Annual Return on the Charter

KPI Brief Description	KPI Target	2018/19 Actual (ARC)
Rent Collected as % of total rent due for year	100%	97.66%
Gross Rent Arrears as % of rent due for year (Current & Former Tenants)	4.50%	6.45%
% of Void Rent Loss	0.80%	0.22%
Average time to complete EME repairs	4 hours	1.98 hours
Average time to complete NON-EME repairs	6 days	3.84 days
Reactive repairs carried out completed right first time	100%	99.37%

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1. 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 and 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; 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.

The Management Committee must in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position have regard to the substance of the reported transaction or arrangement, in accordance with Generally Accepted Accounting Practices.

Statement on Internal Financial Control

During financial year 18/19 there has been a considerable 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. The Management Committee acknowledges that a number of significant weaknesses were identified from the various external reviews and investigations undertaken on behalf of the Management Committee in the previous financial years. Steps were taken to remedy these deficiencies in the systems of internal financial control and the Association has fully implement its detailed Governance Improvement Plan.

All financial regulations and procedures have been reviewed and updated to reflect good practice, a firm of Internal Auditors has been appointed, a rolling programme of internal audit is being undertaken and a number of operational improvements have been made. In addition, an Audit and Risk Committee is in place. 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 the external and internal auditor 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.

Statement on Internal Financial Control (cont'd)

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 2019 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.

Donations

During the year the Association made charitable donations of £Nil (*2018: £1,000*).

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 [redacted] the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken [redacted] make himself/herself aware of any relevant audit information, and to establish that the Association's 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

Martin Wilkie-McFarlane

[redacted]

Secretary
Dated: 29 August 2019

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 15 and 16 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control 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 pages 15 and 16 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 control 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 control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.

[redacted]

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

Dated: 29 August 2019

[redacted]

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 2019

Opinion

We have audited the financial statements of Wellhouse Housing Association Limited (the 'association') for the year ended 31 March 2019 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 2019 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and 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 2019

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 14, 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 is 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 2019

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.

[redacted]

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: 29 August 2019

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes		2019 £		2018 £
Turnover	4		**3,830,198**		*3,698,253*
Operating expenditure	4		**(2,754,053)**		*(2,811,845)*
Operating surplus	4		**1,076,145**		*886,408*
Release of negative goodwill	15	**38,134**	[redacted]	*38,134*	
Gain on sale of property, plant and equipment	10	**3,541**		*14,557*	
Interest receivable and other income		**5,881**		*3,501*	
Interest and financing costs	11	**(290,942)**		*(289,197)*	
Movement on fair value of commercial properties	13	**25,000**		-	
			(218,386)		*(233,005)*
Surplus before tax			**857,759**		*653,403*
Taxation	12		-		-
Surplus for the year			**857,759**		*653,403*
Other comprehensive income					
Initial recognition of multi-employer defined benefit scheme	25		**(172,000)**		-
Actuarial loss in respect of pension scheme	25		**(17,000)**		-
Total comprehensive income for the year			**668,759**		*653,403*

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

[redacted]

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital £	Revenue Reserve £	Total Reserve £
Balance at 1 April 2018	308	4,735,466	4,735,774
Total comprehensive income for the year	-	668,759	668,759
Issue of shares	6	-	6
Cancellation of shares	(118)	-	(118)
Balance at 31 March 2019	196	5,404,225	5,404,421

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

	Share Capital £	*Revenue Reserve £*	*Total Reserve £*
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	*308*	*4,735,466*	*4,735,774*

The notes form part of these financial statements.

[redacted]

[redacted]

[redacted]

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes		2019		2018
		£	£	£	£
Tangible fixed assets					
Housing properties – depreciated cost	13(a)		28,874,845		29,155,250
Other non-current assets	13(b)		1,376,927		1,387,371
			30,251,772		30,542,621
Negative goodwill	15		(1,105,893)		(1,144,027)
			29,145,879		29,398,594
Current assets					
Debtors	16	128,912		169,003	
Cash and cash equivalents	17	1,768,920		1,466,036	
		1,897,832		1,635,039	
Creditors: amounts falling due within one year	18	(1,514,924)		(1,556,596)	
Net current assets/(liabilities)			382,908		78,443
Total assets less current liabilities			29,528,787		29,477,037
Creditors: amounts falling due after more than one year	19		(23,767,802)		(24,741,263)
Pension defined benefit liability	25		(356,564)		-
Net assets			5,404,421		4,735,774
Capital and reserve					
Share capital	22		196		308
Revenue reserve	23		5,404,225		4,735,466
			5,404,421		4,735,774

The financial statements were approved by the Management Committee on 29 August 2019 and signed on their behalf by:

Maureen Morris **Chair**

[redacted]

Claire Monteit[redacted] **Vice Chair**

[redacted]

Martin Wilkie-McFarlane **Secretary**

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes		2019		2018
		£	£	£	£
Net cash generated from operating activities	29		**1,532,319**		*1,164,208*
Cash flow from investing activities					
Purchase of components for housing properties		**(726,067)**		*(790,898)*	
Proceeds of sale of other property, plant and equipment		**3,541**		-	
Government Capital grants received		**-**		*17,908*	
Interest received		**5,881**		*3,501*	
Net Cash outflow from investing activitie			**(716,645)**		*(738,689)*
Cash flow from Financing Activities					
Interest paid on loans		**(281,942)**		*(287,197)*	
Loan principal repayments		**(230,854)**		*(226,693)*	
Share capital issued		**6**		*5*	
Net cash outflow from financing			**(512,790)**		*(513,885)*
Net change in cash and cash equivalents			**302,884**		*(88,366)*
Cash and cash equivalents at 1 April	17		**1,466,036**		*1,554,402*
Cash and cash equivalents at 31 March	17		**1,768,920**		*1,466,036*

The notes form part of these financial statements.

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 2019. 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 Association has taken advantage of the provisions made available through Financial Reporting Exposure Draft (FRED) 71, "Draft amendments to FRS 102 on Multi-employer defined benefit plans". These provisions will become effective as part of FRS 102 for accounting periods commencing on or after 1 January 2020, however the association has chosen to early adopt these provisions for the current accounting period. Therefore for the year ended 31 March 2018, SHAPS was accounted for as a defined contribution scheme although the past service deficit liability was recognised as a liability. For the year ended 31 March 2019, SHAPS is accounted for as a defined benefit pension liability with the adjustment to reflect the movement between the past service deficit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 being recognized with Other Comprehensive Income in the Statement of Comprehensive Income as outlined in FRED 71. Further details in respect of this can be found in Note 28 to these financial statements.

The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Management Committee have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2019 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 generated a healthy surplus in recent years 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.

2. Principal accounting policies (cont'd)

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.

Income from rental and service charges, factoring and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and can be measured reliably.

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.

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 Association is entitled to them, it is probable they will be received and they can be measured reliably.

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.

2. Principal accounting policies (cont'd)

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 housing unit is higher than the recoverable amount or depreciated replacement cost.

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.

2. Principal accounting policies (cont'd)

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.

Development interest

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

Commercial properties

The commercial properties are 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.

2. Principal accounting policies (cont'd)

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.

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 (Note 25)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Up until 31 March 2018, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

2. Principal accounting policies (cont'd)

Retirement benefits (cont'd)

The Scottish Housing Association Defined Benefits Pension Scheme (Note 25) (continued)

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

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

Estimate	Basis of estimation
Useful lives of property, plant and equipment	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 main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.
Recoverable amount of rental and other trade receivables	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.
The obligations under the SHAPS pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalisation has been included in the SHAPS defined benefit liability.
The valuation of the commercial properties	The commercial properties have been valued at its market value based on a valuation performed by a qualified valuer based on market data.

4. Particulars of turnover, operating expenditure and operating surplus

	Notes	Turnover £	Operating Expenditure £	2019 Operating surplus £	*Turnover £*	*Operating Expenditure £*	*2018 Operating surplus £*
Social lettings	5	3,763,110	(2,658,697)	1,104,413	*3,636,848*	*(2,731,576)*	*905,272*
Other activities	6	67,088	(95,356)	(28,268)	*61,405*	*(80,269)*	*(18,864)*
Total		**3,830,198**	**(2,754,053)**	**1,076,145**	*3,698,253*	*(2,811,845)*	*886,408*

5. Particulars of income and expenditure from social letting activities

	General Needs Housing £	2019 Total £	*2018 Total £*
Income from lettings			
Rent receivable net of identifiable service charges	**3,110,858**	**3,110,858**	*3,018,983*
Service charges receivable	**137**	**137**	*29,043*
Gross rents receivable	**3,110,995**	**3,110,995**	*3,048,026*
Less: Rent losses from voids	**(9,800)**	**(9,800)**	*(12,115)*
Net rents receivable	**3,101,195**	**3,101,195**	*3,035,911*
Release of deferred government capital grants	**602,310**	**602,310**	*559,149*
Other revenue grants	**59,605**	**59,605**	*41,788*
Total income from social letting activities	**3,763,110**	**3,763,110**	*3,636,848*
Expenditure on social letting activities			
Service costs	**206**	**206**	*200*
Management and maintenance administration costs	**959,467**	**959,467**	*1,035,543*
Reactive maintenance costs	**427,776**	**427,776**	*368,861*
Bad debts – rents and service charges	**(15,975)**	**(15,975)**	*116,689*
Planned and cyclical maintenance	**124,462**	**124,462**	*65,130*
Major repairs	**117,184**	**117,184**	*130,606*
Stage 3 repairs	**39,105**	**39,105**	*38,075*
Depreciation of social housing	**1,006,472**	**1,006,472**	*976,472*
Operating expenditure for social letting activities	**2,658,697**	**2,658,697**	*2,731,576*
Operating surplus on letting activities, 2019	**1,104,413**	**1,104,413**	
Operating surplus on letting activities, 2018	*905,272*		*905,272*

Included in depreciation of social housing is £43,369 (*2018: £37,718*) in respect of the loss on disposable components.

There is no supporting housing accommodation or shared ownership accommodation.

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 £	2019 Operating surplus/ (deficit) £	*2018 Operating surplus/ (deficit) £*
Wider role activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	13,629	13,629	-	(4,560)	9,069	*8,985*
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Agency / management services	-	-	-	-	-	-	-	-	-
Commercial and hub activity	-	-	-	46,955	46,955	-	(42,403)	4,552	*9,633*
Tenant participation costs	-	-	-	-	-	-	(5,711)	(5,711)	*(9,376)*
Re-chargeable repair bad debts	-	-	-	-	-	(11,935)	-	(11,935)	*(8,240)*
Connect Community Trust	-	-	-	-	-	-	(30,747)	(30,747)	*(20,000)*
Shared equity property sales	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	6,504	6,504	-	-	6,504	*134*
Total from other activities 2019	-	-	-	67,088	67,088	(11,935)	(83,421)	(28,268)	
Total from other activities 2018	*13,545*	*-*	*-*	*47,860*	*61,405*	*(8,240)*	*(72,029)*		*(18,864)*

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 *(2018: £nil)*. The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

	2019	*2018*
	£	*£*
Emoluments payable to the Director (excluding pension contributions)	**67,325**	*64,319*
Pension contributions in respect of the Director	**6,723**	*6,420*
Only the director received emoluments greater than £60,000		
Total emoluments paid to key management personnel	**191,174**	*178,002*
Employer NI in respect of key management personnel	**21,740**	*20,249*
Pension contributions payments in respect of key management personnel	**16,767**	*19,353*
	229,681	*217,604*

Key management personnel, consists of the Director, the Finance & Corporate Services Manager, the Housing Services Manager and the Senior Maintenance Officer.

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**	*1*

8. Employee information

	2019	*2018*
The average number of full time equivalent persons employed during the year was:	**19**	*21*
The average total number of employees employed during the year was	**20**	*21*
Staff costs were:	**£**	*£*
Wages and salaries	**569,221**	*593,183*
Society security costs	**52,306**	*54,033*
Other pension costs	**42,767**	*51,666*
	664,294	*698,882*

8. Employee information (continued)

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

	2019 £	*2018 £*
Remeasurement – impact of any change in assumptions and amendments to contributions schedule	-	*(2,120)*

This is included in management and administration costs.

Year ended 31 March 2019

During the year, past service deficit contributions of £54,091 *(2018: £53,533)* were paid. Of this payment, £52,438 *(2018: £51,880)* was a payment in respect of the SHAPS past service deficit liability. The remainder of £1,653 *(2018: £1,653)* was pension management costs which have been included in the pension contributions total included in staff costs above.

9. Operating surplus

Surplus before tax is stated after charging:			2019 £	*2018 £*
Depreciation	-	Tangible Fixed Assets	998,547	*976,480*
	-	Loss on disposed components	43,369	*37,718*
Auditor's Remuneration	-	Audit services (exc VAT)	9,015	*8,750*
	-	Other services (exc VAT)	1,255	*1,220*
Internal Auditor's fees (exc VAT)			11,040	*9,200*
Operating lease rentals – other			10,772	*16,030*

10. Gain on sale of property, plant and equipment

	2019 £	*2018 £*
Proceeds on sale of property, plant and equipment	3,541	*30,800*
Net book value of assets at time of sale	-	*(16,243)*
Gain on sale of housing stock	3,541	*14,557*

11. Interest and financing costs

	2019 £	*2018 £*
Defined benefit pension liability – interest charge (Note 25)	9,000	*2,000*
On bank loans and overdrafts	281,942	*287,197*
	290,942	*289,197*

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 (*2018: £nil)*. No tax is due on the Association's other activities due to the losses incurred (*2018: £nil*).

13. Tangible fixed assets

(a) Housing properties

	Housing properties held for letting £	Housing properties under construction £	Total £
Cost			
At 1 April 2018	40,230,218	80,530	40,310,748
Additions - properties	-	-	-
Additions - components	726,067	-	726,067
Disposals - properties	-	-	-
Disposals - components	(350,302)	-	(350,302)
At 31 March 2019	40,605,983	80,530	40,686,513
Depreciation			
At 1 April 2018	11,155,498	-	11,155,498
Charge for year	963,103	-	963,103
On disposals – properties	-	-	-
On disposals - components	(306,933)	-	(306,933)
At 31 March 2019	11,811,668	-	11,811,668
Net Book Value			
At 31 March 2019	28,794,315	80,530	28,874,845
At 31 March 2018	*29,074,720*	*80,530*	*29,155,250*

Additions to housing properties include capitalised development administration costs of £nil (*2018: £nil*) and capitalised interest of £nil (*2018: £nil*).

All land and properties are freehold.

13. Tangible fixed assets

(b) Other fixed assets Cost	**Commercial properties £**	**Motor vehicles £**	**Office premises £**	**Office furniture & equipment £**	**Total £**
As at 1 April 2018	**315,000**	**14,160**	**1,395,549**	**187,928**	**1,912,637**
Additions	**-**	**-**	**-**	**-**	**-**
Revaluations	**25,000**	**-**	**-**	**-**	**25,000**
Disposals	**-**	**(14,160)**	**-**	**-**	**(14,160)**
As at 31 March 2019	**340,000**	**-**	**1,395,549**	**187,928**	**1,923,477**
Aggregate Depreciati					
As at 1 April 2018	**-**	**14,160**	**346,744**	**164,362**	**525,266**
Charge for year	**-**	**-**	**24,949**	**10,495**	**35,444**
Depreciation on dispos	**-**	**(14,160)**	**-**	**-**	**(14,160)**
As at 31 March 2019	**-**	**-**	**371,693**	**174,857**	**546,550**
Net Book Value					
At 31 March 2019	**340,000**	**-**	**1,023,856**	**13,071**	**1,376,927**
At 31 March 2018	*315,000*	-	*1,048,805*	*23,566*	*1,387,371*

The commercial properties (4 shop units) were revalued by Jones Lang La Salle, Chartered Surveyors, at 30 April 2019 on a market basis. The Management Committee consider this to be the fair value at 31 March 2019.

14. Housing stock

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

		2019 £	*2018 £*
General Needs	- New build	**342**	*342*
	- Rehabilitation	**451**	*451*
		793	*793*

15. Negative goodwill

	2019 £	*2018 £*
Gross	**1,449,101**	*1,449,101*
Amortisation		
As at 1 April	**(305,074)**	*(266,940)*
Released during the year	**(38,134)**	*(38,134)*
	(343,208)	*(305,074)*
Net position at 31 March	**1,105,893**	*1,144,027*

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

16. Debtors

	2019	2018
	£	£
Arrears of rent and service charges	224,326	182,310
Less: Provision for doubtful debts	(140,587)	(91,501)
	83,739	90,809
Social housing grant receivable	-	-
Other debtors	45,173	78,194
	128,912	169,003

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

17. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	1,768,920	1,466,036

18. Creditors: amounts falling due within one year

	2019	2018
	£	£
Bank loans (note 19)	219,625	227,209
Trade creditors	441,189	323,930
Rent in advance	81,223	33,159
Other creditors	117,238	281,026
Accruals	89,820	61,324
SHAPS past service deficit repayment plan (note 25)	-	53,071
Deferred capital grant (note 20)	565,829	576,877
	1,514,924	1,556,596

At the year end other creditors included outstanding pension contributions of £10,800 (*2018: £13,030*).

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

	2019 £	2018 £
Bank loans	8,169,783	8,393,053
SHAPS past service deficit repayment plan (note 25)	-	158,929
Deferred capital grants (note 20)	15,598,019	16,189,281
	23,767,802	24,741,263

Bank loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year-end was £23,922,791 (*2018: £24,155,106*). The loans are repayable at rates of interest of between 1.12% to 4.40% in instalments, due as follows:

	2019	2018
Amounts due within one year	219,625	227,209
Amounts due between one and two years	224,560	219,762
Amounts due between two and five years	681,456	685,717
Amounts due in more than five years	7,263,767	7,487,574
	8,389,408	8,620,262
Less: amount shown in current liabilities	(219,625)	(227,209)
	8,169,783	8,393,053

20. Deferred capital grants

	2019 £	2018 £
Balance at 1 April	16,766,158	17,307,399
Grants received in year	-	17,908
Grants repaid in year	-	-
Released to income in year – Housing properties	(555,253)	(512,092)
Released to income in year – Other fixed assets (office)	(47,057)	(47,057)
Balance at 31 March	16,163,848	16,766,158
Split as follows:		
Amounts due within one year	565,829	576,877
Amounts due between one and two years	565,829	576,877
Amounts due between two and five years	1,697,487	1,730,631
Amounts due in more than five years	13,334,703	13,881,773
	16,163,848	16,766,158

21. Financial instruments

	2019	2018
	£	£
Financial assets		
Cash and cash equivalents	**1,768,920**	*1,466,036*
Financial assets measured at amortised cost	**113,650**	*124,797*
	1,882,570	*1,590,833*
Financial liabilities		
Financial liabilities measured at amortised cost	**9,037,655**	*9,498,542*

Financial assets measured at amortised cost comprise rent arrears and other debtors (excluding prepayments).

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

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

22. Share capital

	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At 1 April	**308**	*321*
Shares issued in year	**6**	*5*
Shares cancelled in year	**(118)**	*(18)*
At 31 March	**196**	*308*

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

The revenue reserve is unrestricted and undesignated funds available for general use to further the Association's aims and objectives.

24. Related party transactions

Three members (2018: 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 £16,236 (*2018: £23,728*). The total rent arrears relating to tenant Management Committee members is £1,929 (*2018: £2,085*). The total prepaid rent relating to tenant Management Committee members is £15 (*2018: £45*).

25. Retirement benefit obligations

General

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.

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

There was an annual employer past service deficit contribution of £52,438 made in the year ended 31 March 2019 (*2018 - £51,880*).

As at the Statement of Financial Position date there are no active members (*2018: nil*) of the defined benefit scheme employed by Wellhouse Housing Association Limited. The last remaining member transferred to the defined contribution scheme during the year to 31 March 2018. Wellhouse Housing Association Limited no longer offers membership to the defined benefit scheme with all existing and new staff offered the defined contribution scheme.

Year ended 31 March 2018

Up until 31 March 2018, it was not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the association entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability was recognized in the Statement of Financial Position.

25. Retirement benefit obligations (cont'd)

General (cont'd)

Final Salary with a 1/60th Accrual Rate Scheme (cont'd)

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%.

30 September 2017 funding update

The Employer Committee 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 which was due as at 30 September 2018. The information regarding this 30 September 2018 valuation including the annual funding update, is not available from TPT.

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

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

25. Retirement benefit obligations (cont'd)

Statement of Comprehensive Income Impact	*2018*
	£
Interest expense	*2,000*
Re-measurements – impact of any change in assumptions and amendments to the contributions schedule	*(2,120)*
	(120)

Assumptions	*2018*
Rate of discount	*1.51%*

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.

Year ended 31 March 2019

Accounting treatment from 1 April 2018
From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 31 March 2018, in respect of the SHAPS deficit repayment plan, amounts included within creditors due less than one year were £53,071 and amounts included within creditors due greater than one year were £158,929. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £172,000 to recognise a liability of £384,000 as at 1 April 2018.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2019
	£'000
Fair value of plan assets	1,439
Present value of defined benefit obligation	(1,796)
Defined benefit liability to be recognised	**(357)**

25. Retirement benefit obligations (cont'd)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(2,028)
Current service cost	-
Expenses	(2)
Interest expense	(47)
Actuarial (losses)/gains due to scheme experience	(1)
Actuarial (losses)/gains due to changes in demographic assumptions	(5)
Actuarial (losses)/gains due to changes in financial assumptions	(128)
Benefits paid and expenses	415
Defined benefit liability at the end of the period	**(1,796)**

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	1,644
Interest income	38
Experience on plan assets (excluding amounts included in interest income) - gain	117
Contributions by the employer	55
Benefits paid and expenses	(415)
Fair value of plan assets at end of period	**1,439**

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2018 to 31 March 2019 £'000
Current service cost	-
Admin expenses	2
Net interest expense	9
Defined benefit costs recognised in Statement of Comprehensive Income	**11**

25. Retirement benefit obligations (cont'd)

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - ga	117
Experience gains and losses arising on the plan liabilities – gain	(1)
Effects of changes in the demographic assumptions underlying the present valu of the defined benefit obligation – (loss)	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(128)
Total amount recognised in other comprehensive income – (loss)	**(17)**

Fund allocation for employer's calculated share of assets

	31 March 2019 £'000
Absolute Return	122
Alternative Risk Premia	80
Corporate Bond Fund	101
Credit Relative Value	25
Distressed Opportunities	25
Emerging Markets Debt	46
Fund of Hedge Funds	4
Global Equity	232
Infrastructure	60
Insurance-Linked Securities	37
Liability Driven Investment	512
Long Lease Property	17
Net Current Assets	1
Over 15 Year Gilts	37
Private Debt	19
Property	29
Risk Sharing	42
Secured Income	50
Total Assets	**1,439**

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	**31 March 2019 % per annum**
Discount rate	**2.34**
Inflation (RPI)	**3.26**
Inflation (CPI)	**2.26**
Salary growth	**3.26**
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

25. Retirement benefit obligations (cont'd)

	Life expectancy at age 65 (years)
Male retiring in 2019	**21.7**
Female retiring in 2019	**23.4**
Male retiring in 2039	**23.1**
Female retiring in 2039	**24.7**

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	1	43	45
Females	-	-	-
Total	**1**	**43**	**45**

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	1	23	54
Females	5	17	43
Total	**6**	**40**	**45**

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	2	16	66
Females	2	17	65
Total	**4**	**33**	**66**

25. Retirement benefit obligations (cont'd)

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.

Estimated debt on withdrawal

The Association has been notified by TPT of the estimated debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated debt for the Association was £1,934,299. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available with TPC.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for women than men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to “equalise” pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for Wellhouse Housing Association is 0.1% of liabilities, which is expected to be approximately £6,000. This is included within the closing defined benefit liability as detailed above.

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 £1,656 (*2018: £19,876*) for the concierge service, £4,613 (*2018: £2,697*) for maintenance work, £nil (*2018: £455*) for events and promotions, £10,747 (*2018: £nil*) as a settlement figure in relation to termination of the Facilities Management contract. The Association made £nil (*2018: £1,000*) of donations in the year.

During the year the Association charged the Trust £4,000 (*2018: £4,000*) for Innerzone rent, and £9,402 (2018: £9,402) for costs associated with the lease.

26. Connect Community Trust (cont'd)

The Association gave a grant of £20,000 (2018: £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 £23,000 (2018: £27,960) that were not recharged. At the year end, the Association owed Connect Community Trust £5,000 (2018: £2,016) and Connect Community Trust owed the Association £10,061 (2018: £8,692).

27. Capital commitments

	2019	*2018*
	£	*£*
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	**-**	*-*

28. Commitments under operating leases

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

	2019	*2018*
	£	*£*
Equipment:		
Not later than one year	**10,960**	*12,525*
Later than one year and not later than five years	**1,844**	*2,911*
More than five years	**39**	*440*
	12,843	*15,876*

29. Net cash flow from operating activities

	2019	*2018*
	£	*£*
Surplus for the year	**857,759**	*653,403*
Adjustments for non-cash items:		
Carrying amount of housing property disposals	**-**	*16,243*
Depreciation of housing properties	**1,006,472**	*976,472*
Depreciation of other fixed assets	**35,444**	*37,726*
Decrease in stocks	**-**	*-*
Decrease/(increase) in debtors	**40,091**	*99,893*
(Decrease)/increase in creditors	**30,031**	*(223,124)*
Proceeds from sale of fixed assets	**(3,541)**	*(30,800)*
SHAPS past service deficit remeasurement	**(1,000)**	*(2,120)*
Release of negative goodwill	**(38,134)**	*(38,134)*
Movement on fair value of commercial properties	**(25,000)**	*-*
Adjustments for investing and financing activities:		
Interest payable	**290,942**	*289,197*
Interest received	**(5,881)**	*(3,501)*
Release of deferred Government capital grant	**(602,308)**	*(559,149)*
Forfeited share capital	**(118)**	*(18)*
SHAPS deficit contribution paid	**(52,438)**	*(51,880)*
Net cash generated from operating activities	**1,532,319**	*1,164,208*