



# ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2017

**West Lothian Housing Partnership Limited**  
(A Charitable Company Limited by Guarantee)

(Company No. SC188968)  
(Scottish Housing Regulator Registration No. 318)  
(Scottish Charity No. SC031668)

## **OPERATING REVIEW**

The directors present their annual report and the audited financial statements for the year to 31 March 2017.

### **Principal activities**

The principal activity of West Lothian Housing Partnership Limited ("WLHP", "West Lothian" or "the Partnership") is the provision and management of affordable rented accommodation. WLHP is a wholly owned subsidiary of The Wheatley Housing Group Limited ("WHG" or "Wheatley").

### **Review of Business and Future Developments**

The year 2016/17 saw significant progress at West Lothian Housing Partnership as staff pushed forward with the mission to create better homes and better lives for tenants.

West Lothian's ambitions to play our part in increasing the supply of affordable housing saw plans for 97 new homes in Bathgate and Winchburgh take shape.

West Lothian also invested £778k in its existing homes as part of its £1.3m plans to upgrade homes over five years. The work included replacing kitchens, redecorating, new floor coverings and replacement showers. This record investment in local communities was achieved against a backdrop of strong business performance with improvements across a range of key measures. Most notably, overall customer satisfaction rose from 87.18% to 93.47% while satisfaction with repairs increased from 88.41% to 93.45%.

The Partnership worked hard to listen and respond to what customers wanted. For example, a series of 'Meet and Greet' events were held in our local communities, using the feedback gained to shape a number of improvements to services. WLHP is delighted that 93.97% of tenants are now satisfied with the opportunities to participate in the Partnership's decision-making, up from 82.80% last year.

Work, as always, in 2016/17 went beyond housing and housing services. Sadly, many tenants still struggle to pay their rent, put food on the table, and keep their homes - and tackling these issues is a major focus for all staff at WLHP. Specialist advisors helped customers save money on their energy bills, and claim back money in welfare payments which they were entitled to. The Tenancy Support Service, delivered by Loretto Housing to all social landlords in Wheatley, gave tailored support to the most vulnerable tenants who were having particular difficulties keeping their tenancy. This year, together with partners in Wheatley, West Lothian also gave people living in its homes more opportunities to access apprenticeships and introduced Changing Lives traineeships for people facing real barriers to employment.

West Lothian continued to realise the benefits of working together with other partner organisations as part of the Wheatley Group. The parent company, Wheatley Housing Group Limited, became joint owners, with Glasgow City Council, of City Building (Glasgow) LLP. This has provided the Group with an opportunity to review and redesign its repairs service model with the aim of achieving outstanding customer service for all tenants every time. While the jointly-owned City Building (Glasgow) LLP will deliver repairs and investment work in the West of Scotland, the in-house property team at Dunedin Canmore will be responsible for repairs services in the East, including at West Lothian Housing Partnership. All tenants, no matter where they live, can expect to see local, responsive services, delivering the same outstanding standards.

## **OPERATING REVIEW (continued)**

Wheatley also established the Wheatley Foundation, a new charitable trust which supports programmes which can make a difference to disadvantaged communities. It is chaired by Sir Harry Burns, former Chief Medical Officer of Scotland. It is supporting 15 different programmes across West Lothian's communities, all of them designed to offer new opportunities to customers, and their families. In the year, 7,466 people benefited from the Wheatley Foundation's projects which include apprenticeships, bursaries, cultural and sporting activities and a new money advice service for vulnerable people.

West Lothian, therefore, look back on 2016/17 with pride. However, this is done in the full knowledge that there is still much more to do in the months and years ahead if West Lothian is to achieve its vision of "better homes, better lives".

Highlights of the year 2016/17 include:

### **Our homes**

West Lothian continued our work to modernise and maintain its homes, investing £778k as part of its £1.3m plans over five years. The work for the year included new kitchens and showers and improvements were driven by customer feedback last summer.

### **New build**

Plans to build more affordable homes in our communities made progress on developing 97 new affordable homes in Bathgate and Winchburgh taking shape. WLHP had 381 homes at the end of the financial year 2016/17 with 100% of them meeting the Scottish Housing Quality Standard.

### **Environmental services**

Together with all fellow subsidiary partners in Wheatley, WLHP invested £20m on strengthening environmental services, restructuring the teams and recruiting almost 200 new staff including apprentices and trainees. For WLHP this has meant an improved service across all the areas it works in. As part of the mission to create communities people are proud to live in, WLHP also launched a new partnership with Keep Scotland Beautiful which is involving tenants in assessing, grading and improving neighbourhoods.

### **Involving tenants**

Engagement events were held in all seven of West Lothian's communities over the summer as part of the commitment to engage with customers and better understand their views and expectations. The pop-up events were a great way for tenants to find out about services, meet their neighbours and to shape what the Partnership does. For example, tenants' views have influenced decisions over the investment work carried out in homes.

### **A new repairs service**

The ambition to create a modern, local and more efficient repairs and maintenance service took a major step forward over 2016/17. Dunedin Canmore's in-house property team took responsibility for delivering repair services to customers in the East of Scotland, including for West Lothian Housing Partnership from 1 April 2017 and all of WLHP's investment works in 2016/17 were delivered by Dunedin Canmore.

Meanwhile The Wheatley Housing Group Ltd became 50/50 joint owners, with Glasgow City Council, of City Building (Glasgow) LLP on 1 April, 2017. The jointly-owned partnership is delivering repairs and investment services for Wheatley subsidiaries in the West of Scotland. This has given all the partners in Wheatley an opportunity to work together to reshape the repairs service, designing a service which will deliver consistent excellence for customers no matter where they live. Work on this, which has included consulting with tenants, is under way.



## **OPERATING REVIEW (continued)**

### **Improving performance**

WLHP continued to improve its performance with 18 out of 26 measures (69%) which are reported to the Scottish Housing Regulator in the top quartile when benchmarked with other Registered Social Landlords (RSLs). This is significant progress on last year when 54% of reported performance measures were in the top quartile.

Performance highlights for the year included:

- customer satisfaction for WLHP was 93.47%, up from 87.18% last year;
- tenants who feel their rent represents good value went up to 87.44% from 76.28%;
- repairs completed right first time rose to 95.55%, up from 94.55%; and
- 100% of new tenants were satisfied with the quality of their home when they moved in while 85.43% of existing tenants were satisfied with the quality of their home, both up on last year.

### **Awards and accreditations**

WLHP gained a coveted 'Committed to Excellence' award after rigorous assessment by Quality Scotland against the European Foundation of Quality Management (EFQM) excellence model which measures business performance.

WLHP also played a part in following achievements of Wheatley:

- regaining Customer Service Excellence accreditation with 19 'compliance plus' marks, a record number and up from 16 the previous year;
- being ranked no 47 in the Sunday Times list of best not- for-profit organisations to work for; and
- making it into 24 Housing magazine's top 10 social landlords in the UK.

### **Rent campaign**

The "Rent Matters" annual rent campaign resulted in a best ever arrears performance over the festive period. The campaign, which urged customers to "Put Rent First", invited people who were facing difficulties to get in touch and access the wide range of help and support available. The campaign materials, which included, posters, newsletter articles and regular content on social media and on the website, also made it clear to customers what their rent pays for.

It resulted in over 40 customers being taken out of housing debt and being more in control of their finances thanks to support from our wrap-around services.

### **Our new website**

The new website was launched in April as part of a drive to encourage and support customers to go online. The website, which was designed in consultation with tenants, is mobile friendly, easy to navigate and features engaging content. The target is to see 30% of all customer transactions carried out online and it is hoped the new website will play a part in encouraging people to engage and transact with WLHP online. Over £100,000 was paid by WLHP customers through the online channel over the 12-month period.

### **Jobs and training opportunities**

The new charitable trust, Wheatley Foundation, funds a range of employability initiatives targeted at tenants, owners and their families. These include apprenticeships as well as traineeships and the Wheatley Pledge, a scheme which incentivises Wheatley suppliers to do even more for its communities. The scale of the new-build and investment programmes also means Wheatley can create or support opportunities for people from communities to access jobs and training each year.



## **OPERATING REVIEW (continued)**

In total staff helped created 619 opportunities for people in Wheatley communities. One person from WLHP accessed a Modern Apprenticeship during the year and another secured a Changing Lives traineeship. This is a new scheme aimed at supporting people who need extra help to get into work or training. The traineeships last for a year and involve working and learning skills alongside our environmental teams.

### **Helping tenants save money**

The Partnership continues to support our tenants in a wide range of ways. For example, staff helped tenants to save on their fuel bills over the year. A fuel advisor provides free expert advice to tenants on cutting their energy bills and keeping their homes warm. The advisor can help tenants access the cheapest tariffs, arrange low-cost payment arrangements and, depending on their circumstances, help them write-off long-term debt.

The “My Great Start” service which helps new tenants get off to a good start with their tenancy supported 37 WLHP customers to develop budgeting skills and manage their money.

### **Support for the most vulnerable**

The Tenancy Support Service (TSS), delivered by Loretto Housing Association for vulnerable tenants across the Group, was launched in 2015 with the aim of helping people maintain their tenancy and get more out of life.

In 2016/17, a total of 1,998 tenants from across all partners in Wheatley received tailored support to cope for up to eight weeks. Of these, nine were WLHP tenants. Of the tenants who returned a questionnaire, 100% said they were satisfied with the service they received.

### **Independent auditor**

The directors appointed KPMG LLP to act as auditors of the financial statements for the financial year ended 31 March 2017. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting of Wheatley Housing Group Limited.

## **FINANCIAL REVIEW**

### **Income**

WLHP's turnover from operations (excluding finance income) for the year ended 31 March 2017 totalled £1,625k (2016: £1,603k). All of our income was from net rental and service charge income with the exception of £46k (2016: £17k) of Government grants for medical adaptations at a number of our properties.

Other income received by WLHP in the year included interest income which totalled £2k (2016: £3k).

### **Expenditure**

Operating costs in the year totalled £1,292k (2016: £1,428k), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £294k (2016: £324k).
- £135k of planned and cyclical maintenance costs to our social housing properties (2016: £145k).
- £151k of reactive maintenance costs to our social letting properties (2016: £137k).
- Depreciation expenditure for social and non-social housing assets of £640k (2016: £748k).

WLHP generated an operating surplus of £333k (20%) (2016: £175k (11%)) in the year.

In the year WLHP replaced components held within properties, reporting a net loss of £198k (2016: nil). Other expenditure in the year included £405k of interest due on loan funding (2016: £435k).

Total comprehensive income for the year of £884k (2016: £101k) includes the reversal of a previous decrease on the value of social housing properties of £1,172k (2016: £334k) and a loss of £20k (2016: gain of £24k) in respect of the SHAPS pension scheme.

### **Cashflows**

The cash flow statement of WLHP is shown on page 17. WLHP generated £801k from operating activities (2016: £1,082k). Cash and cash equivalents in the year increased by £637k (2016: decreased by £809k), primarily due to draw down of intra-group loans of £500k in the year.

### **Rental debtors**

At the balance sheet date, WLHP had rent arrears of £42k offset by bad debt provisions of £10k (2016: £77k and £34k respectively).

### **Liquidity**

WLHP reported net current assets of £431k as at 31 March 2017 – an increase of £502k from the net current liability of £71k reported as at 31 March 2016. This was due to draw down of intra-group loans of £500k in the year and proactive management of cash. Creditors due after more than one year (excluding deferred income) have increased by £518k, reflecting the loan draw down. Creditors due to other group companies, which are settled periodically, and do not attract interest, increased during the year by £733k. WLHP also has access to funding through a Group facility.

### **Capital structure and treasury**

WLHP's activities are funded on the basis of a Business Plan which is updated annually. WLHP's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited, as detailed in note 18. WLHP has access to an intra-group facility of £18.7m. Interest rate risk is managed at a group level by Wheatley Funding No. 1 Limited.

## FINANCIAL REVIEW (continued)

### Investment in tenants' homes

During the year we invested £778k in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £16,416k (2016: £14,658k).

### Reserves policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, WLHP operates with one principal reserve: a revenue reserve.

#### Revenue reserve

Revenue reserves include historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in WLHP's Statement of Financial Position. WLHP has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not WLHP's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to WLHP's charitable purpose.

The residual amount of revenue reserves may be invested by WLHP in line with its 30-year business plan financial projections. Such investment is subject to WLHP maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving WLHP's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

By order of the Board



**John Hill, Chair**  
30 August 2017

Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL



## **WEST LOTHIAN HOUSING PARTNERSHIP BOARD AND RELATED MATTERS**

### **Directors and directors' interests**

The directors of WLHP who held office during the year and up to the signing of the financial statements were:

John Hill (Chair)  
Frank Cassidy \*  
David Cleghorn (resigned 21 September 2016)  
Margaret Dunlop (resigned 21 September 2016)  
Jane Dunlop (resigned 21 September 2016)  
Maureen Finlay  
Nadeem Hanif (appointed 21 September 2016)  
Tom McCormack  
Theresa Meek \*  
Daniel Mullen (resigned 21 September 2016)  
Lorraine Smart (appointed 18 October 2016)  
Tracy Ann Taylor

\* tenant of WLHP

No directors who held office during the year held any disclosable interest in the shares of the company.

### **Political donations**

No political donations were made by WLHP in the year.

### **Creditor payment policy**

WLHP agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

### **Disclosure of information to auditor**

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

### **Basis of preparation**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. As such, the company has taken exemption from preparing a strategic report.

## **WEST LOTHIAN HOUSING PARTNERSHIP BOARD AND RELATED MATTERS (continued)**

### **DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL**

The directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment.

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

### **Principal risks facing the Company**

The Board are responsible for assessing the risks facing West Lothian Housing Partnership. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

**WEST LOTHIAN HOUSING PARTNERSHIP BOARD AND RELATED MATTERS  
(continued)**

**STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS OF WEST LOTHIAN  
HOUSING PARTNERSHIP IN RESPECT OF THE ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.


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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By order of the Board



**John Hill, Chair**  
30 August 2017

Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL



## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF WEST LOTHIAN HOUSING PARTNERSHIP LIMITED**

We have audited the financial statements of West Lothian Housing Partnership Limited for the year ended 31 March 2017 set out on pages 14 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the charitable company's members and the charity's trustees 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 charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF  
WEST LOTHIAN HOUSING PARTNERSHIP LIMITED (CONTINUED)**

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Annual Report, which constitutes the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

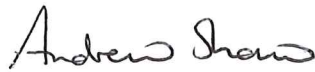
Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF  
WEST LOTHIAN HOUSING PARTNERSHIP LIMITED (CONTINUED)**

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 9:

- does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



**Andrew Shaw (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*

319 St Vincent Street

Glasgow

G2 5AS

7 September 2017



**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017**

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Turnover	3	1,625	1,603
Operating expenditure	3	(1,292)	(1,428)
Operating surplus		<u>333</u>	<u>175</u>
Loss on disposal of fixed asset	8	(198)	-
Finance income	9	2	3
Finance charges	10	(405)	(435)
Reversal of previous decrease in valuation of housing properties		1,172	334
Surplus for the year		<u>904</u>	<u>77</u>
Actuarial (loss)/gain in respect of pension schemes	19	(20)	24
Total comprehensive income for the year		<u><u>884</u></u>	<u><u>101</u></u>

All amounts relate to continuing operations.

The notes on pages 18 to 36 form part of these financial statements.

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

	<b>Revenue Reserve £'000</b>
Balance at 1 April 2015	7,322
Surplus for the financial year	101
Balance at 1 April 2016	<u>7,423</u>
Surplus for the financial year	884
Balance at 31 March 2017	<u>8,307</u>

All amounts relate to continuing operations.

The notes on pages 18 to 36 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Social housing properties	14	16,416	14,658
Other tangible assets	15	326	357
		<u>16,742</u>	<u>15,015</u>
<b>Current assets</b>			
Trade and other debtors	16	55	57
Cash and cash equivalents		1,315	678
		<u>1,370</u>	<u>735</u>
<b>Creditors: amounts falling due within one year</b>	17	(939)	(806)
<b>Net current assets/(liabilities)</b>		<u>431</u>	<u>(71)</u>
<b>Total assets less current liabilities</b>		17,173	14,944
<b>Creditors: amounts falling due after more than one year</b>	18	(8,809)	(7,474)
<b>Provisions for liabilities</b>			
Pension liability	19	(57)	(47)
<b>Total net assets</b>		<u>8,307</u>	<u>7,423</u>
<b>Reserves</b>			
Revenue reserve		8,307	7,423
<b>Total reserves</b>		<u>8,307</u>	<u>7,423</u>

These financial statements were approved by the Board on 16 August 2017 and were signed on its behalf on 30 August 2017 by:



John Hill  
Chair

The notes on pages 18 to 36 form part of these financial statements.



**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017**

		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Note</b>		
<b>Net cash generated from operating activities</b>	21	<u>801</u>	<u>1,082</u>
<b>Cash flow from investing activities</b>			
Improvement of properties		(617)	(208)
New build		(488)	(202)
Purchase of other fixed assets	15	(17)	(238)
Grants received		863	20
Interest received	9	<u>2</u>	<u>3</u>
<b>Net cash from investing activities</b>		<u>(257)</u>	<u>(625)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(407)	(467)
Intra-group loan drawn down		500	-
Repayments of intra-group loan		<u>-</u>	<u>(800)</u>
<b>Net cash from financing activities</b>		<u>93</u>	<u>(1,266)</u>
<b>Net change in cash and cash equivalents</b>		637	(809)
<b>Cash and cash equivalents at 1 April</b>		678	1,487
<b>Cash and cash equivalents at 31 March</b>		<u><u>1,315</u></u>	<u><u>678</u></u>

The notes on pages 18 to 36 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 1. Legal status

West Lothian Housing Partnership Limited (“WLHP” or “the Partnership”) is a company limited by guarantee registered under the Companies Act and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. WLHP provides social housing and associated services for general needs. The registered office is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. WLHP is a public benefit entity.

### 2. Accounting policies

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

#### Basis of accounting

The financial statements of WLHP are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2014, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation, and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for WLHP and the preparation of long terms financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

#### Accounting judgements and estimations

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

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing properties;
- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

#### Related party disclosures

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

### **2. Accounting policies (continued)**

#### **Turnover**

Turnover represents income receivable from lettings and service charges, fees receivable, grants and other income.

#### **Grant income**

Where grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at valuation, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position.

#### **Bad and doubtful debts**

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

#### **Financial instruments**

Loans provided to some subsidiary members of the Group by the banking syndicate through the subsidiary, Wheatley Funding Number 1 Limited ("WFL1"), are classed as basic under the requirements of FRS 102, and are measured at amortised cost. All financial assets and liabilities are held at amortised cost.

#### **Deposits and liquid resources**

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

#### **Pensions**

West Lothian Housing Partnership Limited previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Pension Scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme on 1 September 2014. Retirement benefits to employees are funded by 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. In accordance with FRS 102, WLHP's share of the scheme assets and liabilities have been separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. WLHP's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

A Wheatley Group defined contribution scheme administered by the Salvus Master Trust has also been made available to all employees.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 2. Accounting policies (continued)

#### Fixed assets - housing properties

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

#### • Valuation of Social Housing Stock

Social housing properties are valued annually on an Existing Use Value for Social Housing (EUV-SH) basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Annual valuation movements are reported in the Statement of Comprehensive Income. Housing properties are initially stated at cost, being their purchase price together with the cost of capitalised improvement works and repairs that result in incremental future benefits from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

#### • Depreciation and Impairment

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

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

	Economic Life
Land	not depreciated
Bathrooms	25 years
External environment	20 years
Heating system boiler	12 years
Internal works & common areas	20 years
Kitchens	20 years
Mechanical, Electrical & Plumbing	25 years
Structure & roofs	50 years
Windows and doors	30 years

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 2. Accounting policies (continued)

#### • New Build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

WLHP's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

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

#### Housing Association Grant and other capital grants

Housing Association Grant (HAG) is received from central government agencies and local authorities and is utilised to reduce the capital cost of housing properties.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2014. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

#### Other tangible fixed assets

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

	Economic life
Office improvements	10 years
Furniture, fittings and office equipment	3 years

#### Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

#### Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 2. Accounting policies (continued)

#### Taxation

WLHP is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

#### Value Added Tax

WLHP is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes.

### 3. Particulars of turnover, operating expenditure and operating surplus/(deficit)

	Turnover	Operating expenditure	2017 Operating surplus/ (deficit)	2016 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	1,625	(1,200)	425	314
Other activities (note 5)	-	(92)	(92)	(139)
<b>Total</b>	<u>1,625</u>	<u>(1,292)</u>	<u>333</u>	<u>175</u>
Total for previous reporting period	<u>1,603</u>	<u>(1,428)</u>	<u>175</u>	



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**4. Particulars of turnover, operating expenditure and operating surplus from affordable letting activities**

	<b>2017</b>	<b>2016</b>
	<b>General</b>	<b>General</b>
	<b>Needs</b>	<b>Needs</b>
	<b>Social</b>	<b>Social</b>
	<b>Housing</b>	<b>Housing</b>
	<b>£'000</b>	<b>£'000</b>
Rent receivable net of service charges	1,559	1,565
Service charges	21	22
<b>Gross income from rents and service charges</b>	<b>1,580</b>	<b>1,587</b>
Less rent losses from voids	(1)	(1)
<b>Net income from rents and service charges</b>	<b>1,579</b>	<b>1,586</b>
Revenue grants from Scottish Ministers	-	17
Grants released from deferred income	46	-
<b>Total turnover from affordable letting activities</b>	<b>1,625</b>	<b>1,603</b>
Management and maintenance administration costs	(294)	(324)
Service costs	(26)	(25)
Planned and cyclical maintenance including major repairs costs	(135)	(145)
Reactive maintenance costs	(151)	(137)
Bad debts – rents and service charges	(2)	(7)
Depreciation of affordable let properties	(592)	(651)
<b>Operating costs from affordable letting activities</b>	<b>(1,200)</b>	<b>(1,289)</b>
<b>Operating surplus from affordable letting activities</b>	<b>425</b>	<b>314</b>

The disclosure of turnover, operating costs and operating surpluses from affordable letting activities reflects the requirements of the Housing SORP 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 5. Particulars of turnover, operating expenditure and operating surpluses from other activities

	Grants from Scottish Ministers £'000	Other revenue £'000	Total Turnover £'000	Total Operating Costs £'000	2017 Operating deficit £'000	2016 Operating deficit £'000
Development and construction of property activities	-	-	-	-	-	(15)
Depreciation – non social housing	-	-	-	(48)	(48)	(97)
Organisation restructuring	-	-	-	(14)	(14)	-
Wider role activities to support the community	-	-	-	(30)	(30)	(27)
<b>Total from other activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(92)</b>	<b>(92)</b>	<b>(139)</b>
Total from other activities for the previous reporting period	-	-	-	(139)	(139)	

### 6. Board members' emoluments

Board members received £810 (2016: £273) by way of reimbursement of expenses.

### 7. Employees

	2017 No.	2016 No.
The average monthly number of full time equivalent persons employed during the year was	5	4
The average total number of employees employed during the year was	6	5

WLHP's key management are employed by another Group subsidiary and the Partnership is recharged an appropriate share of salary costs. Under this arrangement no emoluments recharged for any individual were greater than £60,000.

	2017 £'000	2016 £'000
Staff costs during the year were as follows:		
Wages and salaries	169	139
Social security costs	17	11
Pension costs	32	28
Pension service credit	(11)	(11)
	<u>207</u>	<u>167</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**8. Loss on disposal of fixed assets**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Proceeds	-	-
Value of housing properties held for letting disposed of	(198)	-
	<u>(198)</u>	<u>-</u>

**9. Finance income**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable on deposits in the year	<u>2</u>	<u>3</u>

**10. Finance charges**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on housing loans	404	432
Net interest charge on pension liability	<u>1</u>	<u>3</u>
	<u>405</u>	<u>435</u>

**11. Auditor's remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	7	6
Other services	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 12. Financial commitments

#### Capital commitments

All capital commitments of WLHP were as follows:

	2017 £'000	2016 £'000
Expenditure contracted for, but not provided in the financial statements	3,468	-
Expenditure authorised by the Board but not contracted	6,970	7,181
	<u>10,438</u>	<u>7,181</u>

### 13. Operating leases

At 31 March WLHP had total commitments under non-cancellable operating leases as follows:

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
	Land and Buildings	Other	Land and Buildings	Other
Commitments falling due:				
Within one year	15	-	15	-
In the second to fifth years inclusive	26	-	40	-
Over five years	-	-	-	-
	<u>41</u>	<u>-</u>	<u>55</u>	<u>-</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**14. Social Housing Properties**

	<b>Housing Properties Held for Letting £'000</b>	<b>Housing Under Construction £'000</b>	<b>Total £'000</b>
<b>At valuation</b>			
At 1 April 2016	14,370	288	14,658
Additions	778	598	1,376
Disposals	(212)	-	(212)
Revaluation	594	-	594
At 31 March 2017	15,530	886	16,416
<b>Accumulated Depreciation</b>			
At 1 April 2016	-	-	-
Charge for year	592	-	592
Disposals	(14)	-	(14)
Revaluation	(578)	-	(578)
At 31 March 2017	-	-	-
<b>Net Book Value - valuation</b>			
At 31 March 2017	15,530	886	16,416
At 31 March 2016	14,370	288	14,658
<b>Net Book Value - cost</b>			
At 31 March 2017	24,706	886	25,592
At 31 March 2016	24,603	288	24,891

Total expenditure in the year on existing properties was £1,064k (2016: £490k). Of this, repair costs of £286k (2016: £282k) were charged to the Statement of Comprehensive Income (note 4) and capital works of £778k (2016: £208k) were included as additions to properties held for letting on the Statement of Financial Position (note 14). Capital works were:

- £736k in relation to the replacement of components (2016: £156k); and
- £42k on the improvement of components (2016: £52k).

Additions to housing under construction include capitalised interest costs of £21k (2016: £10k). Interest has been capitalised at the weighted average interest cost for the Association of 5.56% (2016: 6.02%)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 14. Social Housing Properties (continued)

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors (RICS) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2017 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of 5.75% – 6.50% has been used (2016: 5.75% - 6.50%). The valuation assumes a long term rent increase of between 0% - inflation + 0.5%, in line with WLHP's 30 year Business Plan (2016/17). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2016/17 West Lothian Housing Partnership Limited did not dispose of any properties to tenants under Right to Buy entitlements (2015-16: nil).

The number of units of accommodation owned and managed by WLHP at 31 March is shown below:

	2017 No.	2016 No.
General Needs	<u>381</u>	<u>381</u>

### 15. Other tangible assets

	Office Improvements £'000	Furniture and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	465	13	478
Additions	<u>13</u>	<u>4</u>	<u>17</u>
At 31 March 2017	<u>478</u>	<u>17</u>	<u>495</u>
<b>Accumulated Depreciation</b>			
At 1 April 2016	116	5	121
Charge for year	<u>42</u>	<u>6</u>	<u>48</u>
At 31 March 2017	<u>158</u>	<u>11</u>	<u>169</u>
<b>Net Book Value</b>			
At 31 March 2017	<u>320</u>	<u>6</u>	<u>326</u>
At 31 March 2016	<u>349</u>	<u>8</u>	<u>357</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**16. Trade and other debtors**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Arrears of rent and service charges	42	77
Less: fair value adjustment	(1)	-
Less: provision for bad and doubtful debts	(10)	(34)
	<u>31</u>	<u>43</u>
Prepayments	1	-
Other debtors	20	14
Due from other group companies	3	-
Total	<u>55</u>	<u>57</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**17. Creditors: amounts falling due within one year**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Trade creditors	3	5
Accruals	142	154
Other creditors	89	162
Rent and service charges received in advance	37	35
Tax and social security	6	3
Due to other group companies	662	447
	<u>939</u>	<u>806</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**18. Creditors: amounts falling due after more than one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income	817	-
Due to other group companies	7,992	7,474
	<u>8,809</u>	<u>7,474</u>

*Analysis of deferred income*

	<b>Housing Association Grant £'000</b>	<b>Other £'000</b>	<b>Total Deferred Income £'000</b>
Deferred income as at 31 March 2016	-	-	-
Additional income received	863	-	863
Released to the Statement of Comprehensive Income	(46)	-	(46)
Deferred income as at 31 March 2017	<u>817</u>	<u>-</u>	<u>817</u>

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

<b>Deferred income to be released to the Statement of Comprehensive Income:</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
In less than one year (note 17)	-	-
In more than one year but less than five years	817	-
In more than five years	-	-
	<u>817</u>	<u>-</u>

**Bank lending facility**

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility includes £526.0m from a syndicate of commercial banks, a committed facility of £132.5m from the European Investment Bank and £300m raised through the issue of a public bond. This provides total facilities of £958.5m for RSLs in the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with West Lothian Housing Partnership Limited having access to an intra-group facility of £18.7m, secured on WLHP's housing stock. Interest in the year has been charged at 5.56% (2016: 5.38%).

Borrowings are repayable as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	7,992	7,474
	<u>7,992</u>	<u>7,474</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 19. Pensions

#### **Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit**

West Lothian Housing Partnership Limited participates in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. With effect from 1 September 2014 WLHP ceased to offer membership of the defined benefit scheme, with all active employee members transferred to the SHAPS Defined Contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2015.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group’s share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2017.

Following consideration of the results of the last valuation at 30 September 2015, the shortfall in the scheme reduced from £304m to £198m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 13 years and following the most recent valuation, the period over which the past service deficit contributions are payable has been shortened by 5 years to 8 years. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 19. Pensions (continued)

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

	31 March 2017	31 March 2016
Discount rate	2.8%	3.8%
Future salary increases	2.0%	*2.5%
Inflation (CPI)	2.3%	2.1%
Male mortality**	90% S1PMA; CMI 2011 F1.5%; Birth Year	90% S1PMA; CMI 2011 F1.5%; Birth Year
Female mortality**	90% S1PMA; CMI 2011 F1.25%; Birth Year	90% S1PMA; CMI 2011 F1.25%; Birth Year

\* Salary increases are assumed to be 2% p.a. until 31 March 2019, 2.5% p.a. thereafter.

\*\*In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions are based on standard mortality tables (references provided above) and include an allowance for future improvements in longevity. The assumptions in 2017 and 2016 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.5 years (male), 25.4 years (female)
- Future retiree upon reaching 65: 25.7 years (male) (2016: 24.8 years), 27.4 years (female) (2016: 26.2 years)

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**19. Pensions (continued)**

**Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit**

*Movements in present value of defined benefit obligation*

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	<b>304</b>	<b>325</b>
Current service cost	-	-
Interest cost	11	11
Contributions by members	-	-
Actuarial losses/(gains)	87	(23)
Estimated benefits paid	(10)	(9)
Closing defined benefit obligation	<b>392</b>	<b>304</b>

*Movements in fair value of plan assets*

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of plan assets	<b>257</b>	<b>246</b>
Expected return on plan assets	67	1
Interest income	10	8
Contributions by the employer	11	11
Contributions by the members	-	-
Estimated benefits paid	(10)	(9)
Administration costs	-	-
Closing fair value of plan assets	<b>335</b>	<b>257</b>
<b>Net liability</b>	<b>(57)</b>	<b>(47)</b>

*Amounts recognised in statement of comprehensive income*

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost – operating expenditure	-	-
Administration costs – operating expenditure	-	-
Interest on defined benefit pension plan obligation – finance charges	11	11
Expected return on defined benefit pension plan asset – finance charges	(10)	(8)
Net cost	<b>1</b>	<b>3</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**19. Pensions (continued)**

**Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit**

*Amounts recognised in other comprehensive income*

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Return on plan assets	67	1
Actuarial (losses)/gains	(87)	23
Net (loss)/gain	(20)	24

*The major categories of scheme assets as a percentage of total plan assets are as follows:*

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Equities	35	37
Corporate bonds	4	5
Property	35	32
Alternatives	24	24
Cash and other	2	2
	100	100

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

### 20. Related party transactions

In general WLHP gives West Lothian Council full nomination rights for all initial house lets, reverting to 50% nominations for subsequent vacancies thereafter.

WLHP retains a register of members' interests. The following interests in related parties are required to be declared:

#### Tenant Board Members

The following members are tenants of WLHP and have tenancies that are on WLHP's normal tenancy terms and they cannot use their positions to their advantage.

Theresa Meek  
Frank Cassidy

Transactions and arrear balances outstanding at 31 March 2017 are as follows:

	<b>2017 £'000</b>
Rent charged during the year	9
Arrear balances outstanding at 31 March 2017	-

#### Other related parties

Related part interests are as follows with West Lothian Council:

Theresa Meek (employee)

All transactions were on commercial terms and at arms length.

	<b>2017 £'000</b>
Transactions during the year	2
Balances outstanding at 31 March 2017	-

There were no other related party transactions during the year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**21. Cash Flow Analysis**

**Reconciliation of surplus to net cash inflow from  
operating activities**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Surplus for the financial year	904	77
Depreciation of property, plant and equipment	640	748
Decrease in trade and other receivables	2	92
(Decrease)/increase in trade payables	(117)	95
Pension costs less contributions payable	(11)	(11)
<i>Adjustments for investing or financing activities:</i>		
Loss on disposal of fixed assets	198	-
Government grants utilised in the year	(46)	(17)
Interest paid	405	435
Interest received	(2)	(3)
Reversal of previous decrease in valuation of housing properties	(1,172)	(334)
<b>Net cash generated from operating activities</b>	<u>801</u>	<u>1,082</u>

**22. Ultimate parent organisation**

WLHP is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of WLHP are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.



## **SUPPLEMENTARY INFORMATION**

### **Secretary and Registered Office**

Anthony Allison  
West Lothian Housing Partnership Limited  
Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL

### **Principal office**

62 North Bridge Street  
Bathgate  
EH48 4PP

### **Independent Auditors**

KPMG LLP (UK)  
319 St Vincent Street  
Glasgow G2 5AS

### **Bankers**

Royal Bank of Scotland  
Glasgow Corporate Office  
Kirkstane House  
139 St Vincent Street  
Glasgow G2 5JF