



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2013

Wheatley Housing Group Limited

Scottish Housing Regulator Registration No. 363
Registered No. SC426094

CHAIR'S REPORT

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This was the year Wheatley Group emerged in Scotland as the new force in affordable housing, care and community regeneration.

Named after John Wheatley, the late Glasgow MP famously regarded as the father of social housing in the UK, the Group developed from organisations previously known as the "GHA family" – principally Glasgow Housing Association and YourPlace Property Management. Since then, Wheatley has also become the parent of a new commercial subsidiary, Lowther Homes, as well as Cube Housing Association and West Lothian Housing Partnership.

The Group's developing size, scale and capacity enable us to contribute to local, regional and national outcomes, while remaining firmly rooted in the communities we serve. This means ensuring tenants and factored homeowners remain at the heart of both local and strategic decision making.

Our ambitions are defined through our mission to "Make homes and lives better". We aspire to this by working ever more closely with partners, such as the Scottish Government, local authorities, health boards, social work and police and fire and rescue services.

Our aim is to be universally recognised as a UK leader in the provision and management of housing, while regenerating and sustaining communities and developing care and support services that help people, families and communities thrive. This involves everything from creating employment, training and education opportunities and cracking down on anti-social behaviour to promoting practical and purposeful digital inclusion and supplying specialist care and support through our highly-rated sheltered and very sheltered accommodation and services.

In these extraordinarily difficult economic times, it has never been more important to deliver excellent, value-for-money, innovative services, tailored to customers' and communities' changing needs and aspirations. The "Wheatley Way" is to listen to what customers and stakeholders tell us, invest wisely and bring great ideas to life.

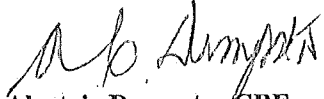
With turnover of £193 million, housing stock of 46,000 units and over 70,000 tenants and factored homeowners, we are by some way Scotland's largest housing and property-management provider. Maximising our financial and operational capacity will enable the Group to grow its asset base by almost 10,000 units across various tenures over the next three years, contributing to both local and national housing targets and outcomes.

The shadow of welfare reform continues to loom large. Its impact is already well documented and has required us to re-assess not only the type, range and depth of support we make available to tenants and homeowners, but to adjust and augment our Group business plans and financial models.

The need for organisations like Wheatley to be ever more innovative and creative in our ability to fund ambitious programmes of house building, maintenance, repairs, refurbishment and community regeneration has never been more apparent.

Establishing new revenue streams, achieving cash-flow efficiencies and cost savings and identifying new ways of securing additional finance is vital if we are to have the funds required to build or acquire the thousands of new homes needed to meet our ambitious delivery plan targets.

The year past saw the creation of Wheatley. The year ahead will see the establishment of the Group as a force for good in Scotland, and the next phase of our commitment to do all we can to “Make homes and lives better” for thousands of people and families across the country.



Alastair Dempster CBE
Chair of Wheatley Housing Group Board

CHIEF EXECUTIVE'S REPORT

The Wheatley mission, to “**Make Homes and Lives Better**” for our 70,000 tenants and factored homeowners, is one our staff live and breathe, and one the entire organisation has got behind from the day the Group was created.

It is a shared mission, an ambitious mission, one that inspires and continues to galvanise frontline and support services, the Leadership and Executive teams, the Boards of our various partner organisations and the Group itself, as well as all of the many tenants and homeowners who are so passionately involved in our LHO and Area committees. It is also one we share with other stakeholders and partners, such as Scottish Government, police, fire and rescue, health boards and councils in their roles as strategic housing authorities.

I am confident through deeds of action Wheatley Housing Group is proving to be a worthy and credible successor to the former “GHA Family”, rising to the challenge in its first year of building on the achievements of Scotland’s largest social landlord and its sister organisations over their 10 year history. Achievements such as reaching – on time and within budget – the final stage of Europe’s largest house modernisation programme of its kind on time, which has so far seen £1.3 billion invested in transforming almost 70,000 former Glasgow City Council homes, and the successful completion of the legally binding promises made to tenants at the time of stock transfer in 2003.

In seeking to make a positive, tangible difference to the people and communities we serve across Central Scotland, Wheatley is continuing to be firmly focused on continuous improvement in performance as we increase the quality and quantity of our housing supply and the range of tenures we offer, as well as the practical support we provide to customers and their families to have “**Better Lives**”.

Wheatley’s first year has been characterised, incredibly, by an increase in customer satisfaction for the Group’s powerhouse, GHA, from 85% to 87% at a time of wholesale organisational change. This has ranged from a:

- Comprehensive re-organisation of frontline services, involving a significant increase in housing officers coupled with a reduction in management and administrative posts;
- Introduction of a transformational and award winning “Think Yes” culture;
- Partnership with Cube Housing Association and its 3,300 tenants and 1,200 factored homeowners across seven local authority areas in the West of Scotland;
- Acceleration of talks with West Lothian Housing Partnership about joining the Group;
- Start of partnership talks with Loretto Housing Association and Loretto Care;
- Drive to position and promote YourPlace Property Management as “Scotland’s Feel Good Factor” and a champion of the Property Factors (Scotland) Act 2012 that is driving up standards in a much maligned sector;
- Growth of Lowther Homes’ portfolio of mid and full market homes to rent from Glasgow’s West End to Leith;
- Approval of plans to move central services out of Granite House on Trongate and into Glasgow Housing Association’s “spiritual” and original home, Wheatley House in Glasgow’s Merchant City;
- The ongoing consolidation of Wheatley as the new force in housing, community regeneration and care, rooted in local communities and contributing to national outcomes.

CHIEF EXECUTIVE'S REPORT

The development and expansion of the former "GHA Family" under the banner of Wheatley continues despite the ongoing onslaught of recession and the shadow of welfare reform. Indeed, Wheatley organisations are better placed than ever, as part of Scotland's largest housing group, to meet the challenges of the "Bedroom Tax" and Universal Credit and the economic downturn. By using the size, scale and financial capacity of the Group we are also better equipped to create and sustain stronger communities and a more stable, secure future for the organisation, its customers and staff.

We continue to set the benchmark in the UK for outstanding customer focus and excellent service provision under the scrutiny of external accreditation and validation. Glasgow Housing Association and YourPlace have gained the Cabinet Office's Customer Service Excellence accreditation for the fifth year in a row and the highly prestigious Investors in People's Gold Award, achieved by only five percent of IIP accredited companies.

As we look to the future – developing our strategic footprint across Scotland and beyond over the next three years – the Group will continue to set the pace on improving the "customer experience" with the aim of matching the very best the private sector has to offer. This will include rolling out leading edge technology, ranging from hand held communication devices for housing officers working in some of Europe's smallest patch sizes of just 200 homes to the fully integrated back office CRM systems, ensuring frontline services are responsive and efficient, offering one and done assistance at the point of contact with customers.

Wheatley will also become known as one of Scotland's care groups, providing a broader, more comprehensive range of support to elderly and vulnerable tenants. The arrival of Loretto will augment Glasgow Housing Association's sheltered and very sheltered services, which already have been awarded three six-star ratings – the highest possible grade – by the Care Inspectorate.

Our approach to and delivery of customer services will be informed and shaped by an award winning standard of customer focus and insight, based on a level of customer profiling and segmentation previously unknown in social housing. This will involve continuous qualitative and quantitative customer research, providing incisive insight into the needs, expectations and aspirations of individuals, families and communities.

Wheatley staff will make all of this happen. We will continue to recruit, train, develop and retain people passionate about continuously improving the lives of the people they serve, working in a "Think Yes" culture that promotes excellence and innovation and maintains the highest levels of morale and motivation.

Our ambition as a Group dedicated to excellence in everything we do fits well with the beliefs and vision of the Glasgow MP after which we are named. John Wheatley, the former Minister of Health, who brought forward the transformational 1924 Housing Act, was himself after all a great champion of "Making Homes and Lives Better".



Martin Armstrong
Wheatley Housing Group Chief Executive

OPERATING REVIEW

The Board presents their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2013.

Glasgow Housing Association (GHA)

GHA, Scotland's largest social landlord with 43,000 affordable homes to let in Glasgow, is firmly rooted in its local communities. It has a network of local offices and a skilled, committed workforce of 1,600 staff who deliver sector leading frontline services. It's ambition is to create "**Better Homes, Better Lives, a Better Glasgow**" by working with tenants locally to provide homes and communities residents can be proud to live in and by helping the people it serves access jobs, training, education and other opportunities.

GHA has now all but completed its £1.2 billion project to modernise Glasgow's social housing stock. Delivered on time and within budget, the 10-year programme has ensured promises made to tenants at the time of stock transfer have been kept. Almost 70,000 houses have been made warmer, drier and better through overcladding and rewiring and new roofs, doors, windows, kitchens and bathrooms.

The mission to create "**Better Lives**" for tenants is also well under way as GHA works increasingly closely and more effectively with city and national partners to make communities across the city safer and better places to live.

GHA's customer ethos and commitment to continuous improvement was recognised this year when the organisation was accredited with Investors in People (IIP) Gold and, for the fifth year in a row, the UK Government's Customer Service Excellence (CSE).

GHA's ongoing ambition to be an exemplary landlord is based on engaging with and listening and responding to the needs and aspirations of tenants. They continue to be at the heart of local decision-making.

Here GHA describes some of the highlights of its year.....

Think Yes

As part of our continuing drive to deliver excellent customer services, we rolled out a culture change programme called Think Yes. Staff have been empowered to make decisions and sort issues at the first point of contact with the customer. Power has shifted away from managers with staff trusted to come up with solutions - there and then – tailored to the needs of the individual. In a short time we have seen customer satisfaction with our services increase.

More focus on local services (more frontline officers etc)

We developed a new way of working to allow staff to deliver true 'Think Yes' services in our local communities. We increased the number of housing officers by 60 and reduced their patch sizes to just 200 homes - among the smallest patch sizes in the UK. This gives them more opportunity to engage face-to-face with our customers and build stronger relationships and trust. And it also means they can be out and about more, working side by side with our local Neighbourhood Environmental Teams and our support and advisory services.

Supporting tenants through Welfare Reform

As the UK Government's Welfare Reforms kicked in, GHA launched a series of special measures to help tenants cope with the impact of the changes.

OPERATING REVIEW

These include:

- Rolling out a programme of Customer Conversations to advise and support tenants face to face;
- Increasing the number of money, fuel and welfare officers to ensure tenants receive all of the benefits to which they are entitled;
- Setting up a Welfare Benefits Helpline where tenants can get information 24/7
- Plans to buy extra smaller homes to give more people affected by 'Bedroom Tax' the option of moving
- A "moving package" of up £2,000 for tenants who want to move but who would struggle with the costs of moving and settling into a new home
- Working with partners to press for change to the UK Government's welfare-reform agenda.

Investment programme

We have spent nearly £1.2 billion now refurbishing our properties in the biggest homes modernisation programme of its kind in Europe. Over the next few months we will carry out work on the last few remaining homes to make sure all our stock meets the Scottish Housing Quality Standard (SHQS) by March 2014, a year earlier than the national target. We will then continue to invest in all our homes, replacing heating systems, windows and kitchens as they come to the end of their lives so that our tenants can have warm, modern and comfortable homes long into the future.

New-build homes

We began work on our 1,000th new-build home in summer last year. We marked the milestone at our new-build site in Duke Street/High Street with local residents.

And we also began building new GHA homes designed to slash tenants' fuel bills. The eight new eco homes at Carntyne are part of a 100-home development and will dramatically reduce bills for heating and hot water thanks to high levels of insulation, low energy running costs and simple technology.

In total we completed 49 homes over the year and started work on 278. Hundreds more new homes are planned over the next few years at sites including Sighthill, Barmulloch and Rosemount in the North of Glasgow, Kingsway in the West, and Carnwadric and North Toryglen in the South.

Tenant Tommy Nelson lived in a high-rise in Iona Court in Ibrox for 26 years before moving into his new home in Summertown Road. Tommy, a self-employed window cleaner who lives with wife Marie, said: "What a difference. My new home is a lot more comfortable and the layout is fantastic. Everything about it is great."

Help to cut fuel bills

Since the launch of the GHA fuel advisors service in 2009 we have helped over 5,000 people save more than £500,000 in total on their bills.

Tenant James Tarditi was having problems with his bills until a fuel advisor stepped in. He said: "My fuel advisor was brilliant and never took no for an answer. It's a great service. I'd say to any tenant who is having problems with their fuel bills to make an appointment with a Fuel Advisor."

OPERATING REVIEW

Winter Ready

More than 1,600 older tenants signed up for a winter home check as part of our campaign to help vulnerable tenants beat the freezing temperatures this winter.

The Winter Ready campaign, launched by GHA for the second year in a row, offered tenants who are over 60 or disabled a free home check to make sure their house was fully geared up to deal with the worst of the weather.

A plumber visited to check the boiler, pipes and taps and to bleed the radiators. Tenants were also shown how to set their heating, turn off the water in an emergency and where to find their stop cock.

Susan Fellerman, 66, from Knightswood said: "I wanted to be ready for the winter. The plumber looked at my boiler and heaters and even arranged to get me a bigger handle so I could turn the water off if I had to."

Cleaner neighbourhoods

Our mission to create cleaner, greener and safer communities stepped up a gear as we launched a £50 million blitz to bring every one of our communities up to scratch.

Tenants are at the heart of our ambitious plans – and were asked to help raise environmental standards by grading their communities and agreeing how they could be improved through new local forums.

We hope all our neighbourhoods will reach the new 'Gold' standard – and become some of the most sought-after neighbourhoods in the city.

We formed new, locally-based Neighbourhood Environmental Squads to work more closely with housing officers, street by street, to tackle issues and keep areas clean and tidy. We also introduced a squad of 26 Enforcement Officers to tackle residents who persistently cause their community misery with behaviour such as leaving rubbish lying around or dog fouling.

Safer communities

We rolled out our ground-breaking partnership designed to tackle anti-social behaviour and help tenants stay safe in their homes across the city.

The Community Improvement Partnership has seen 15 police officers and a station manager from the fire service seconded to GHA to work side-by-side with housing staff on tackle the issues customers tell us are blighting their communities. Intelligence from our local housing staff, police and fire is gathered and analysed in our new CIP hub at Royston and officers are deployed to deal with the priority issues.

This year we also urged residents to play their part in making their homes and streets safer through our Safe and Sound campaign. We called on them to report anything causing a nuisance or risk in their neighbourhood including: late-night parties, vandalism, street drinking, drug dealing, dog fouling and blocked fire exits.

OPERATING REVIEW

Creating jobs and training

In the last year, we supported 285 into training places and created 247 jobs. This comprised:

- 285 training places and 89 jobs through our Community Janitor programme
- 33 training places through our Modern Apprenticeship programme with eight moving into permanent posts
- 140 apprenticeships or training places through a clause in our contracts which require our contractors to provide opportunities for local people
- 10 jobs and a training place through our Better Lives projects

In total, we have now created almost 9,000 jobs or training places in our mission to help our customers lead better lives.

Bursaries

We gave 198 people from our communities a helping hand to go to university and college. The bursaries of up to £1,500 support tenants and their children access Higher or Further Education by providing help with travel expenses, textbooks, childcare or other costs necessary for their studies. People who received bursaries are studying a wide range of subjects including: information technology, engineering and business.

Scottish Minister for Youth Employment Angela Constance met with some of the students who secured help. Charlene Craw, who is studying Social Work at the University of the West of Scotland, said: "GHA is an amazing landlord. I now have a lovely house and extra financial support while trying to secure a better future for myself and my children by completing my university degree. This scheme is excellent for tenants who wouldn't be in a position normally to seek further education."

New way of letting

We introduced a new improved way of letting homes this year. The new way of letting is more open and transparent with all available GHA homes now advertised online and in a weekly publication for people who don't have access to a computer.

People looking for a home have more of a say in where they live than before because they now note interest in properties they like. They are given tailored advice and feedback to ensure they maximise their chances of securing a home that meets their needs.

Our new allocations policy also gives communities more say in how homes are allocated in their area through new Community Housing Plans.

And for the first time people with a local connection – for example who work in the area or who care for someone there – can be given a priority for some of our lets

Projects to help young people

Through our Young Lives programme we supported a range of activities across the city for young people. The 14 programmes we helped deliver covered all our communities and included football coaching, dance and drama adventure sports like kayaking to computer courses. More than 8,800 young people took part in nearly 9,000 activity sessions.

OPERATING REVIEW

Area Committees

Who knows what a community needs most? The people who live in it and care about. That's why our Area Committees – made up of tenants and other community representatives – each had a £1m fund over the year to spend on local projects which would improve their neighbourhoods.

They make their decisions based on local views and have funded everything from improving paths, fences and stairways to introducing new green spaces and community gardens. Their decisions have transformed local areas and they were short listed for an Evening Times Streets Ahead award in recognition of their work. One example is this amazing transformation in Pinmore Street, Nitshill. Each committee also had a Community Fund of more than £100,000 to support a range of community projects.

Awards and recognition

It was an exceptional year for external recognition for the work we do at GHA.

Our housing support team, which runs our sheltered housing services, received a six star award, the highest grade possible, from the Care Inspectorate. We gained IiP Gold accreditation with the assessors saying they were 'blown away' by the transformation of GHA and also retained Customer Service Excellence (CSE), the UK Cabinet's benchmark for excellent customer services, for the fifth year in a row. Think Yes won a number of accolades including a UK Chartered Institute of Public Relations (CIPR) award while our new staff intranet Holmes scooped an international Ragan award for the value it brings to employees.

The IiP assessors said: "We were blown away. We have never been into an organisation that has transformed itself so fundamentally, so quickly, so positively. Staff are courageous inspirational and "enthusiastic."

Continuing to improve

We continued to deliver improvements in performance against the full range of our measures including 87% customer satisfaction, our best ever performance. Satisfaction with our repairs service improved to 95% while 89% of our homes reached the Scottish Housing Quality Standard (SHQS). We reduced our total tenant arrears for the year as well as our overall management costs.

Cube Housing Association

Cube has 3,300 affordable homes across seven local authority areas in the West of Scotland, as well as 1,200 homeowners. It has retained - as a partner within Wheatley Group - its name and identity, sharing GHA's commitment to improve homes, communities and people's lives through delivering excellent customer services and meaningful customer engagement.

Set up in 1990, Cube's homes also came via stock transfer from Glasgow City Council. It has significantly improved its houses, flats and services over the last five years. A major focal point has been the £27 million regeneration of the homes of 1,500 tenants and 360 homeowners on the Wyndford estate in Maryhill. This involved the overcladding of 17 multi-storey and 12 low-rise blocks and the opening by First Minister Alex Salmond of a state-of-the-art heating and hot water system in late 2012.

As part Wheatley Group, Cube, which has also built over 600 new houses, is making savings and efficiencies by sharing costs and services. At the end of 2012/13, Cube reported a surplus of over £1.8 million, compared to a deficit of £622k last year. The savings it is making is enabling it to increase investment in its homes and meet the Scottish Housing Quality Standard (SHQS) by 2015 – two years earlier than previously programmed.

Here Cube describes some of the highlights of its year...

OPERATING REVIEW

Landmark heating system

First Minister Alex Salmond officially launched our new state-of-the-art heating and hot water system on the Wyndford Estate in Maryhill, Glasgow.

The new district heating system is part of a £27 million regeneration of the homes and surrounding estate and is leading the way in low-cost, environmentally-friendly energy. Mr Salmond switched on the Combined Heat and Power (CHP) engine which is providing heating and hot water to more than 1,500 tenants. We negotiated grants for owners in Wyndford so they could also benefit from the system.

The ground-breaking regeneration project was carried out in partnership with Scottish Gas and SSE and also included overcladding 12 multi-storey blocks to make them more energy efficient. An extension to the British Gas contract will see further cladding work on the remaining six multi-storeys and all low rise blocks on the estate and heating for nearby Collina Street.

Major upgrade work for homes

The savings Cube is making by sharing costs and services as part of the Wheatley Group is allowing us to maintain major investment in our properties, including new lifts, windows, kitchens and roofs.

Over the past year this has included new windows in Ladyton, Nobleston, Castlehill, Haldane and Wyndford and 11 new lifts at blocks in Broomhill, Gorget and Wyndford.

We will continue to upgrade the remainder of our multi-storey blocks with new lifts and, in addition, have ambitious £3.5million plans over the next year to carry out further window and kitchen contracts as well as cladding work and the development district heating schemes to bring affordable heating to more Cube tenants outside the Wyndford Estate.

On target with repairs

Cube continues to complete repairs quickly with 98% of all repairs completed on time. We carried out almost 10,000 different repairs over the year. More than a third were emergency repairs with 99.8% of them attended within the target of two hours and completed within 24 hours. 97% of urgent repairs were completed in three days and 96% of routine repairs within 10 days.

Making homes safer

Gas safety legislation requires tenants' gas installations to be tested annually. Sometimes it can be difficult to get in to check every house with gas.

Last year we had a 99.9% success rate with certificates up to date for all properties with gas. Gas breakdown repairs also have a high priority at Cube and our tenants had 99.2% of gas repairs completed on target.

Better lives

Our tenants have benefited from increased opportunities to get more out of their lives since we joined the Wheatley Group.

Last year six tenants secured a bursary of up to £1,500 to help with the costs of going to university or college. The Better Future Bursaries, which will continue this year, are aimed at helping people from our neighbourhoods improve their prospects by giving them extra cash for travel expenses, textbooks, childcare or other costs necessary for their studies.

OPERATING REVIEW

Helping tenants cope with Welfare Reform

We continue to provide as much support as we can to help people cope with the UK Government's Welfare Reform.

We been talking face-to-face with our customers, offering tailored advice to those affected. Our fuel advisor and welfare benefits advisor are on hand to give specialist advice so that all tenants are getting all the help they are entitled to. We also, together with GHA, launched a Welfare Benefits Helpline where tenants can get information 24/7.

Support for older tenants too

We've also introduced a range of new benefits for older tenants including a Handyperson Service which helps over 60s and people with special needs with odd jobs round the homes and Silver Deal Active classes which offers activities for older tenants in community venues.

Our Winter Ready campaign, run together with GHA, meant older tenants got extra help to prepare their home for the winter weather. A plumber visited all those who signed up and checked their radiators, boiler, taps and pipes.

Safer communities

In 2012, Cube continued to build on our partnership with Strathclyde Police to deliver safer communities and reassure the community that jointly we are delivering services to address their concerns. During the year 2012 /13, over 1,400 hours of community Policing was provided and measures were taken to address anti-social and criminal behaviour within our Wyndford estate.

Community Police attended community events throughout the year and offered residents the opportunity to raise their concerns directly with the officers delivering intervention, prevention and enforcement services.

The upgrade and extension of our CCTV network in the Broomhill and Wyndford neighbourhoods was completed and Cube continues to make best use of this service to anti-social behaviour and crime.

Cleaner, tidier neighbourhoods

The common area cleaning service has proven to be very popular with tenants and residents and we regularly receive requests to extend the service to other properties within our stock area. In 2012/13, a further nine buildings received the common area cleaning service.

Through regular inspections of the common areas and feedback from our satisfaction surveys, 83% of customers confirmed they were very satisfied with the service during 2012/13.

Improving performance

Despite the challenges of the Welfare Reform and the economic downturn, we reduced rent arrears in the last three months of the financial year by £160,000, finishing the year well within target. Our average days to let stood at 31 days at the end of 2012/13, a step improvement on the 39 days last year.

Following investment work in our homes, 56% of our stock is now compliant with Scottish Housing Quality Standard (SHQS) and we're on track to achieve 78% by the end of 2013/14 and full compliance by 2015.

OPERATING REVIEW

Engaging with our customers

Cube has one Registered Tenants Association based in Wyndford, Maryhill, but the majority of our customers prefer to participate in informal ways. Over the last year customers participated:

- By providing feedback on Cube services via customer surveys
- By responding to a consultation on changes to the way we let homes
- By meeting with senior officers from Cube on estate walkabouts where issues of concern were discussed and actions agreed to improve neighbourhoods
- Through forums on owners services
- Through customer re-assurance meetings which helped shape the delivery of estate services
- Through a focus group on the review of Cube's repairs policy

Cube staff also met with sheltered residents to discuss the new services introduced as a result of joining the Wheatley Group. These included the Silver Deal Active programme and the Handyman Service.

Listening to customers

We value all the complaints we receive because they allow us to address issues and keep improving our services.

Over the year, 121 complaints were received with 61 upheld after investigation. We introduced the new Scottish Public Services Ombudsman complaints procedure in November 2012 which not only covers complaints but any kind of dissatisfaction with a service. Because of this, we logged an increase in customers giving us feedback about our services. Improvements we introduced as a result included:

- Reviewing our communication processes to ensure customers are kept up to date with planned actions
- Working closely with contractors to ensure all work is carried out on time and to a high standard
- Ensuring every complaint is followed up and appropriate action taken
- Since November 96.6% of complaints were resolved in five days

YourPlace Property Management

Scotland's "Feel Good Factor", with 24,000 customers across Glasgow, has a growing reputation as the country's leading property management company.

YourPlace offers a fast-growing range of innovative, value-for-money services and products. Its core business is delivering excellent services to factored homeowners in wholly-owned blocks and those shared with GHA tenants. This involves maintaining common areas and consulting and ensuring owners vote on repairs and improvements and meet their joint responsibilities, including paying their share of costs.

YourPlace offers highly-competitive maintenance fees and service charges and an unparalleled range of services, accessed through Wheatley's 24/7 customer service centre, online, a smart-phone "app" and in person at the group's high-street shop in Trongate, Glasgow.

It has made significant progress during the second year of its three-year business plan to enhance its strategic and market position, achieve corporate objectives and further improve and expand service standards for owners.

OPERATING REVIEW

By continuing to engage with customers, YourPlace is making sure customer feedback drives forward the business operation. In response to customer feedback and demand, YourPlace launched a suite of optional services and piloted a new business process that has successfully improved delivery of our common repair service.

Here YourPlace describes some of the highlights of its year.....

Property Factors (Scotland) Act

We led the way in preparing for the new legislation which came into force in 2012. The act is designed to drive up standards within the property management industry.

Under the Property Factors Act YourPlace had to register as property factors by 1 October 2012 and deliver written statements to customers within one year of registering. We issued written statements, as a comprehensive and accessible booklet, to all customers in September 2012, a full year ahead of requirements.

As a result of this preparation, YourPlace also arranged an event for other RSL and Local Authority factors. With over 60 attendees, this was very well received and helped further increase YourPlace's profile within the sector.

Common Repairs team

We radically changed the way repairs are handled for owner customers. In July 2012, a dedicated team was set up where staff from YourPlace, GHA and City Building work side by side to deliver a faster and more responsive service.

Staff now spend more time talking to customers and keep them updated on the progress of their repair. Customers have really responded to this, with customer satisfaction with repairs up to an average of 86 per cent.

Optional services

As a result of customer feedback, we launched a number of new services this year.

- Home improvements. We offer, in partnership with City Building, competitively priced replacement kitchens, bathrooms and front doors. In the first months we took 360 enquiries and carried out 44 improvements projects for owners.
- Internal repairs. Customers asked us to provide an internal repairs service. Launched in April 2012, this service has proved very popular, with over 1100 internal repairs. 62% of customers took up the service after receiving their quote.

Factoring Made Simple

Our new budget plans were launched in June 2012, offering customers the chance to spread the cost of their service charges and repairs. This has proved really popular with over 3000 customers signed up within the first few weeks. Work is under way to improve the service and offer monthly Direct Debits to all customers.

Home emergency cover

YourPlace also expanded the services offered through our partners at FirstCall, offering cover to customers in case of household emergencies, including problems with plumbing, drainage, security and locks.

A successful year

YourPlace generated £864,000 of Gift Aid – 11.5% above budget. This is ploughed back into the Group to develop services for customers.

OPERATING REVIEW

IiP Gold

We cemented our place as "Scotland's Feel Good Factor" by being awarded the highly-prestigious Investors in People (IiP) Gold Award.

YourPlace met 99% of the 196 elements with no failings – simply 'further development' suggestions, which the assessor remarked were actually hard to find. This makes YourPlace one of only 62 companies in Scotland which have the Gold standard (out of 1,251 IiP accredited companies) – a significant achievement.

Investors in People described the YourPlace as a transformed organisation and said the changes made over the past three years were 'phenomenal'.

The IIP gold standard recognises best practice at the highest levels of people management.

Grants

During 2012, customers were offered free loft insulation for a limited period through a partnership with Home Energy UK, funded by energy companies. Over 2,000 customers took up the offer.

Lowther Homes

Lowther Homes, with 325 mid and full-market apartments, principally in Glasgow, and a small number in Edinburgh, is helping Wheatley to diversify its income stream and expand its range of tenures, enabling the group to keep rents low and do more for tenants in the future.

Being part of Wheatley enables Lowther as a commercial development company to provide a host of unrivalled letting and property-management services under one roof, including a 24/7 repairs service and round-the-clock customer care.

Lowther's growing portfolio, including new developments at Strachur Wharf, Ibroxholm Oval and the Gallowgate, all in Glasgow, is targeted to exceed 2,000 units over the next four years. This includes a new programme of 1,763 affordable homes for mid-market rent and 26 shared equity units.

By providing quality, affordable homes across a range of different tenures, Lowther will play a key role in helping people who cannot get on the property ladder nor access social housing find a home which suits them.

Here Lowther describes some of the highlights of its year.....

Letting performance

In the 18 months since its creation, Lowther Homes has maintained an average of 27 days to let vacant properties. This is against an industry average of 42 days. (source: City Lets)

The turnover of tenants is higher than with social housing as many customers are just looking for a short term let. Overall void rate for the year is 5% against a target of 4%. However performance in specific developments has been really positive – for Strachur Wharf, Woodside Terrace and the Claremont /Park Lane portfolio the void rate achieved was 3%.

OPERATING REVIEW

Woodside Terrace

Lowther Homes has transformed a property in the heart of the city to offer stunning apartments for rent. This attractive property, made up of three former townhouses at 12-14 Woodside Terrace in Glasgow's prestigious Park Circus area has been extensively refurbished.

Woodside Terrace is in a strong well established high demand private rent area of the city and the flats have proved extremely popular – with most being snapped up within a few weeks.

Ibroxholm Oval

A multi million pound refurbishment is well underway to convert 98 apartments at Ibroxholm Oval for mid market rent.

The block, previously earmarked for demolition, is being converted into high quality, energy efficient homes with excellent transport links. Work is due to be completed in summer 2013. Its proximity to the new Southern General Hospital means it's an ideal location for NHS staff and other public sector workers.

London Road

We transformed 12 two-bedroom flats situated near the Commonwealth Village in the East End of Glasgow for mid-market rental. These are close to the city centre, with good transport links and accessible to the motorway. They have proved popular with a range of customers looking for affordable and convenient quality homes.

FINANCIAL REVIEW

Wheatley Housing Group faced a challenging economic environment in its first year through welfare reform and the economic downturn. Despite this, the Group's financial performance is strong and through its scale and financial capacity is well placed to continue to deliver a stable and secure future for the organisation, its customers and staff.

Income

Wheatley Group turnover for 2012/13 (excluding loss on sale of fixed assets and interest received) was £193.3m (£194.7m, 2011/12). The main source of income was net rental income of £162.6m (£151.0m, 2011/12). The remainder of income came primarily from homeowners' payments for improvements made to their homes, £5.2m (£7.3m, 2011/12), factoring services and rental income from commercial properties.

In addition, the Group received grant income totalling £43.7m (£42.3m, 2011/12). Sales under Right-to-Buy legislation totalled £3.6m (£3.2m, 2011/12).

Expenditure

Total Revenue Expenditure was £195.5m (£181.8m, 2011/12) comprising the following main items:

- Letting activity management and maintenance administration costs were £63.6m (£59.3m, 2011/12)
- Included in operating costs are employee costs, excluding capitalised employee costs of £6.7m (2011/12: £6.8m), totalling £50.4m (£49.2m, 2011/12).
- Repairs to social properties totalled £31.8m (£24.9m, 2011/12) and planned maintenance to improve housing totalled £24.1m (£22.1m, 2011/12).

At the end of the year, rent arrears were £13.6m (£11.0m, 2011/12) and bad debt provisions of £4.3m (£5.5m, 2011/12).

No properties (6,540, 2011/12) were disposed of through Second Stage Transfer to community based housing associations during 2012/13. There was therefore no gain or loss on disposal in 2012/13 (£20.5m, 2011/12). The loss in 2011/12 was attributable to the different valuation methodologies used to value our properties for accounting purposes and SST.

Balance Sheet

Our investment during the year in tenants' homes totalled £88.0m (£111.4m, 2012). The value of housing stock is £805.4m (£651.4m, 2012).

Glasgow Housing Association participates in the Strathclyde Pension Fund with its share of deficit at year end being £33.5m (£20.8m deficit, 2012). This movement reflects the results from the FRS 17 actuarial valuation which incorporate the change in future inflation assumptions. At the year end, Glasgow Housing Association Limited had a net asset position of £170.9m (£144.5m, 2012).

Cube Housing Association participates in the Scottish Housing Association Pension Scheme. As the scheme is a multi-employer defined benefit scheme where assets are co-mingled for investments purposes and it is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employer. The overall scheme deficit at the year end was £304m. Following consideration of the results of the valuation it was agreed that the shortfall of £304m would be dealt with by payment of additional contributions of 5.4% of pensionable salaries per annum with effect from 1st April 2014. Past service deficit contributions will increase each 1 April at a rate of 3%.

FINANCIAL REVIEW

Valuation

Lowther Homes' policy is to value housing properties on an open market basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The 2011/12 property valuation included the Park Lane portfolio at market valuation of £20.5m (as at October 2011). In line with the accounting policy, this valuation has been revisited for 2012/13 and provided on both a "subject to tenancies" (£14.6m) and "vacant possession" (£19.8m) basis which aligns with the approach for all Lowther Homes properties.

It is PricewaterhouseCoopers LLP view "that the balance sheet should reflect the market value subject to tenancies as this reflects the actual circumstances at that date" and accordingly the £14.6m "subject to tenancies" valuation for Park Lane portfolio has been used.

In respect of Registered Social Landlord subsidiaries, Cube Housing Association policy is to state Housing Properties at cost less social housing and other public grants less accumulated depreciation while Glasgow Housing Association properties are valued on an Existing Use Value for Social Housing (EUV-SH) basis. For consolidated financial statements, Financial Reporting Standard 2 (FRS2) requires that, other than in exceptional circumstances, uniform Group accounting policies should be used. Such exceptional circumstances exist for the 2012/13 financial year and the reasons are disclosed in the Note 2 on page 38.

Cash flows

Wheatley Group cash flows are shown on page 35. Net cash inflow from operating activities was £16.7m (£34.2m, 2012). The increase in net cash of £2.1m (£3.4m reduction, 2012) was after grants of £35.8m (£18.7m, 2012) and loan receipts of £85.1m (£122.3m, 2012). The principal cash outflows were operating costs and investment in assets, particularly housing stock of £111.2m (£148.3m, 2012).

Liquidity

Wheatley Group's short-term liquidity has improved in the year to show net current liabilities of £10.0m (£21.8m, 2012). Creditors falling due after more than one year have increased to £619.3m from £500.0m in 2011/12 with the main movements being additional bank loans to fund investments in tenants' homes and Cube Housing Association joining the Group.

Going concern

There are no uncertainties related to events or conditions that cast doubt upon the entity's ability to continue as a going concern.

Capital Structure and Treasury Policy

The activities of the largest Group subsidiary, Glasgow Housing Association, are funded on the basis of a Business Plan which is updated annually. The main elements of Glasgow Housing Association's long-term funding are a 30-year loan facility with a syndicate of banks and capital grants and loan provided by the Scottish Government.

The syndicated loan facility allows Glasgow Housing Association to borrow up to £700m and is to be fully repaid by 2040. In broad terms, the current Business Plan assumes that GHA will increase its borrowings each year until they complete the remaining significant capital investment programme in the early years of the Plan. The debt is progressively paid off in subsequent years and is projected to be fully paid off by 2038/39 (2038/39, 2012). An amount of £30m of the GHA syndicated loan facility is for on-lending to Lowther Homes Limited.

FINANCIAL REVIEW

The Business Plan assumes total capital grants of £470m from the Scottish Government made up of the following funds:

i) Secured repayable loan

These grants and loans were originally assumed to be repayable in 2040. However, if Glasgow Housing Association is successful in achieving certain targets in respect of its performance and second stage transfers then the grant repayments are significantly reduced. To date, following the delivery of the SST programme and the achievement of performance targets, £289.1m of the repayment has been written off.

Total grant available of £370m

Grant received as at 31 March 2013 totalled £331.6m of which, £289.1m of the repayment has been written off by Scottish Government.

ii) Contingent Efficiencies Grant

The Scottish Government has made available £100m of Contingent Efficiencies Grant. £100m has been received up to 31 March 2013. This Grant is repayable in 2033/34.

The Business Plan also includes Scottish Government funding for specific elements of our investment programme in respect of demolition and new build works.

Cube Housing Association is funded by a combination of long and medium term bilateral bank loans totalling £44.9m. Similar to GHA, Cube will increase its borrowing to fund its capital investment programme. All the loans will be repaid by 2037/38.

Wheatley Housing Group manages its interest rate risk by entering into hedging arrangements, which have the effect of fixing the interest rate on a proportion of the projected debt levels each year. The interest rate on the remainder of the debt will vary in accordance with market interest rates. We regularly review our arrangements with respect to the hedge on our loans to ensure that we achieve adequate protection for our projected debt profile as it evolves. The Board receives updates each quarter which detail the debt, cash and interest received and paid. Changes to banking arrangements and bank signatories are approved by the Board.

The Group Treasury Management Policy sets down the framework for investing and managing of cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Group's loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure. In turn, it ensures that Group officers have the authority to take the necessary action as and when required in response to changes in the financial markets. The overriding objective of this Policy is to be risk averse, whilst at the same time maximising return on funds invested within laid down agreed parameters.

Longer term business planning

Each year the Group and its subsidiaries produce a 30-year Business Plan which details and costs long-term plans. This document, which is examined by the Board and by external auditors, demonstrates our longer-term viability and regeneration plans.

WHEATLEY BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2013 Wheatley's Articles of Association allowed for the appointment of up to ten Directors as follows:

- Up to five Non-Executive Directors
- Up to two GHA nominated Directors
- Up to two co-opted Directors
- One "other" Director

At 31 March 2013 there were ten Directors.

The Directors of the Board during the year are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/ Group Directorships
Alastair Dempster	17 September 2012	-	-	GHA Enterprises Limited, GHA (Funding) Limited, Group Remuneration, Appointments, Appraisals & Governance Committee and Group Strategic Development Committee
Martin Armstrong	17 September 2012	-	-	GHA Enterprises Limited
Mike Blyth	17 September 2012	-	-	Glasgow Housing Association Limited, Glasgow Housing Association (Funding) Limited, Group Audit Committee, Group Remuneration, Appointments, Appraisals & Governance Committee and Group Strategic Development Committee
John Grant	17 September 2012	-	-	Glasgow Housing Association Limited, Lowther Homes Limited and Group Strategic Development Committee
Ronnie Jacobs	17 September 2012	-	-	Lowther Homes Limited and Group Strategic Development Committee
Alastair MacNish	17 September 2012	-	-	GHA Enterprises Limited, Glasgow Housing Association (Funding) Limited, Lowther Homes Limited, Group Audit Committee and Group Strategic Development Committee

Gordon Sloan	17 September 2012	-	-	Glasgow Housing Association Limited, GHA Enterprises Limited, Lowther Homes Limited, Glasgow Housing Association (Funding) Limited, Group Remuneration, Appointments, Appraisals & Governance Committee, Group Strategic Development Committee and Group Audit Committee
Elizabeth Walford	17 September 2012	-	-	Glasgow Housing Association Limited, GHA (Management) Limited, Glasgow Housing Association (Funding) Limited, Group Audit Committee & Group Strategic Development Committee
Lesley McInnes	28 August 2012	-	-	Cube Housing Association Limited
Sheila Gunn	6 November 2012	-	-	Glasgow Housing Association Limited, GHA (Management) Limited and GHA Enterprises Limited

The Board is responsible for the strategic direction of the Group and financial planning.

Key responsibilities are:

- approval of the Group strategy;
- approval of the Group Business Plan, budget and any variations and amendments to them, together with other matters which fall within the role of the Group Board;
- approval of the creation of new subsidiaries and partnerships;
- approval of the group governance arrangements, systems of internal control and delegations;
- defining and ensuring compliance with our values and objectives as a registered social landlord; and
- approving each year's Group financial statements.

The Board also delegates authority to its Committees as follows:

Audit Committee

Responsible for:

- reviewing the Group's system of internal control, compliance assurance and risk management system;
- providing an overview of the internal and external audit functions;
- scrutinising the financial statements;
- appoint and agree the remuneration of external auditors
- monitoring the implementation of internal audit recommendations and external audit reports and management letters;
- reviewing the internal audit plan and scope of work; and
- reviewing the effectiveness of the overall risk strategy.

Group Remuneration, Appointments, Appraisals and Governance Committee

Responsible for:

- approving the process for recruitment, selection, succession planning and appraisal of Board members;
- ensuring Board members within the Group have the necessary balance of skills and experience to fulfil their roles;
- evaluation and review of Group's governance framework; and
- the appointment and remuneration of the Group Chief Executive.

Group Strategic Development Committee

Responsible for:

- oversight of performance within the Group on key strategic measures;
- reviewing the Group's strategic and financial planning arrangements;
- oversight of the implementation of agreed Group strategies; and
- review business rationale for any new major strategic projects.

EMPLOYEE POLICIES

Equal Opportunity

The Wheatley Group remains committed to the principle of equal opportunity and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, race, age, colour, nationality, religion, HIV status, disability or sexuality. Policies are in place to support any staff member who becomes disabled through modification of duties or retraining and support.

Employee Relations

Wheatley's subsidiaries recognise three trade unions: Unison, Unite and GMB and engage in collective bargaining and consultation with them. We continue to work closely with our trade union partners in ensuring our policies remain relevant, fit for purpose and compliant with all relevant legislation. The Group Human Resources team develops training programmes to ensure consistent implementation of these policies throughout the organisation and to empower our staff to use our policies to make informed decisions.

The Academy

Our people are at the heart of delivering everything we do across all the services we offer through our subsidiaries – be it our social landlords, factoring or market rental businesses. We will ensure that staff access all the development and support they need to be able to deliver to our customers. We have developed a new induction process where everyone new to the Group attends our corporate induction which takes place over two and a half days. It concentrates on our vision, our values and our customers' experience.

Apprenticeship Programme

We provide a tailored two year work placement supported by a programme of development for modern apprentices where they achieve Chartered Institute of Housing Level 2 in Housing Practice and SVQ Level 2 in Business Administration.

Graduate Trainees

We have four graduate trainees undertaking a two year work placement. They develop their skills and knowledge in housing management by working across the Group.

Bursaries for staff

We have 26 members of staff undertaking external further education courses with funding support from Wheatley.

Accredited Development

We now offer three different accredited CIH qualifications and two accredited leadership development programmes in-house at The Academy and are continuing to develop and extend the number of CIH qualifications we offer.

Partnerships

We continue to develop partnerships with Colleges and Universities so that we can provide continuing professional development for our staff.

Tenants and their families

We support our Better Lives Strategy by creating learning and development opportunities for our tenants and their families to build their educational attainment and their employability. This includes providing bursaries for tenants and their families to go to university, offering paid work placements through our Community Janitors programme and clauses in our contracts which require our contractors to offer local people jobs and training.

TENANT PARTICIPATION

Wheatley's social landlords are led by tenants. Our objectives, strategies and services are shaped by what our tenants tell us is important to them, their families and communities.

We listen to our tenants and engage with them on a day to day basis, across the range of our engagement activities and through our satisfaction surveys and focus groups. We value and learn from the comments and complaints that we receive and use this to inform our learning and to develop services that meet their requirements.

We regularly consult with our tenants on a range of formal and informal issues, including allocations, rent setting, investment priorities and service development. We also consult with tenant representatives including local housing committees and registered tenant groups.

Our engagement structures are diverse and provide opportunities for tenants to participate with us in ways that are meaningful to them. We encourage and enable participation through capacity and skill building programmes that include accredited learning qualifications with the associated benefits of transferable skills for the workplace or volunteering.

HEALTH AND SAFETY

Reporting and Prevention of Accidents

Wheatley is committed to providing a safe, secure and pleasant environment for our tenants and colleagues. Our Boards, as part of their governance roles, are provided with quarterly reports in respect of reportable accidents/incidents that occur at work (Reporting of Injuries Diseases and Dangerous Occurrences Regulations – RIDDOR – 1995 Updated 2012). The Health and Safety team has an extensive remit in respect of colleagues' health and safety and is primarily concerned with the design, implementation and audit of a bespoke safety management system for our sites. Training including Health and Safety and Fire Awareness packages are an integral part of the team's remit and are designed and delivered by the team. In addition the team investigates accident/incident causation and provides competent guidance and advice as required.

Employee Support

Wheatley has a customised Occupational Health Contract in place for staff including an Employee Assistance Programme.

Awards

The Health and Safety team has obtained a bronze accreditation in respect of Healthy Working Lives (HWL) which is the initial stage of a three year programme and is currently working towards the silver award with the gold award as the final stage.

The Health and Safety team achieved the silver award in June 2012 following our first ever submission in the Occupational Health and Safety category of the ROSPA awards (Royal Society for the Prevention of Accidents). The Health and Safety team has now achieved four 5 star audits from 2008-2012 carried out by the British Safety Council, including the award of a Sword of Honour in 2010. This prestigious award scheme recognises the “best of the best in health and safety management” as its accolade.

SUSTAINABILITY

We continue to implement initiatives on recycling, energy efficiency and reclamation of materials from demolished properties.

POLITICAL AND CHARITABLE DONATIONS

There were no political or charitable donations made by any of the Wheatley subsidiaries during the year.

CREDITOR PAYMENT POLICY

Group subsidiaries agree payment terms with suppliers when entering into contracts. The average creditor payment period for Group subsidiaries for the year was within 30 days.

DISCLOSURE OF INFORMATION TO AUDITORS

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Group’s auditors are unaware and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Group’s auditors are aware of that information.

STATEMENT OF INTERNAL CONTROLS

1. Introduction – background and responsibility

The system of internal controls is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:-

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and
- Manage them efficiently, effectively and economically; and
- Safeguard assets against unauthorised use or disposition; and
- Manage the maintenance of proper accounting records.

2. Overview of main features of the system of Internal Control

The Board of Wheatley Housing Group is responsible for ensuring that an effective system of internal control is maintained within all members of the Group. This system of internal control can provide reasonable but not absolute assurance against material misstatement or loss.

The mechanisms by which the Board obtains assurance that the system of internal control is working effectively are the same as those that the Board uses to assure itself, although there are separate and additional responsibilities of the Group Chief Executive in respect of the organisational management and operational systems and procedures.

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

- Corporate Governance arrangements as outlined in the Corporate Governance Statement;
- Regular meetings of the Board, and Subsidiary Boards, which have a schedule of matters which are specifically reserved for approval and which are the subject of regular standard reports as required;
- Arrangements under terms of reference for the Audit Committee of the Group Board to meet regularly and receive reports from management and internal and external auditors on the system of internal control in operation across the Group, and to provide reasonable assurance that control procedures are in place and are being followed;
- Arrangements under terms of reference for a Strategic Development Committee of the Board to meet regularly and receive reports from Finance Management on the soundness of financial management and to provide reasonable assurances prudent practices are in place and being followed;
- Written policies and procedures including Standing Orders setting out delegated authorities across Group subsidiaries;
- An organisational structure to support business processes and with clear lines of responsibility;
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal personal development programme;
- An Internal Audit function with an annual Internal Audit plan and producing an annual Internal Audit Report;
- Adoption of a risk based approach to internal control through evaluating the likelihood and significance of identified corporate risks, vesting responsibility for risk management and internal control with designated owners and with an ongoing process of monitoring and reporting progress against the company's key risks established through the corporate risk management function;

WHEATLEY BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

- A Business Plan and Budget supporting strategic and operational plans, financial targets, regularly revised forecasts, a comparison of actual with budget and with forecast on a quarterly basis, operating cash flow and variance statements, and key performance indicators, all of which are reviewed by the Board; and
- Measurement of financial and other performance against the Delivery Plan objectives and key performance indicators and targets.

3. Role of Internal Audit and Management

The Internal Audit function has a central role in the process of developing this Statement of Internal Controls. As part of Internal Audit work, reviews are directed using a risk based approach to assess the robustness of the implementation of the Group's key system of internal control.

Internal Audit provide information on the various strengths and weaknesses on the approach we have adopted, and advise where improvements are necessary and desirable for good governance. Management across the Group are responsible for the implementation of improvements identified through the audit process.

In line with good practice, Internal Audit provides the Audit Committee with an Annual Internal Audit Report and Statement, which summarises all the work completed during 2012/13. The overall Internal Audit opinion provided in this statement is detailed below:

“Based on our programme of audit work undertaken during the year, assurance can be given that the Group's systems of internal control are generally working soundly and operate reasonably consistently across all departments to ensure effective, economic and efficient management.”

4. Risk and Control Framework

Wheatley Housing Group recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.”

Risk management is a key element of the Group's overarching governance arrangements as it demonstrates that we have considered what might go wrong with our plans, that we have analysed the consequences of things going wrong and that we have thought through the actions and controls we need to prevent or limit these consequences.

As the parent company, the Wheatley Housing Group manages the governance arrangements to manage the risks associated with control of activities of, and managing the risks of, all subsidiaries; to ensure that there is an appropriate use of funds across the Group; that risks to the core business of the Group are managed and mitigated and that strong governance arrangements are upheld by all subsidiaries to protect the reputation of the Group.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, whether or not they have a formally defined role in the process.

To ensure the successful implementation of the Risk Management Policy and Strategy, clear roles and responsibilities for the Risk Management process have been established.

The Executive Team is the facilitator of the Risk Management Framework and processes. Their role is to ensure that Departmental Managers comply with the Risk Management Framework including monitoring of the risk registers on Covalent; which is the Group's performance management system. This ensures that Departmental Managers keep their risk registers up to date, new and emerging risks are identified and risk scores are challenged.

Risk Management is an integral part of the culture and way we are run. Risk Management plans are incorporated and embedded into business plans of all applicable sections of the organisation (e.g. service improvement plans, project plans, team plans, individual plans). In this way, Risk Management is not the responsibility of senior management alone, but more appropriately the responsibility of all colleagues.

The significant risks facing the organisation are detailed below. Mitigating actions are in place to control the risk exposure to an acceptable level.

- Transforming services by the innovative use of Information and Communication Technology;
- Having adequate business continuity / disaster recovery plans in place for key business activities;
- Welfare Reform impact on resources and cash flow;
- Achievement of partnership integration;
- Access to funding for the Wheatley Housing Group;
- Wider economic downturn leads to increased deprivation and greater pressure of Wheatley group resources due to increased demand for services;
- Rights skills, experience and commercial expertise to achieve strategic objectives and operate in new markets;
- Wheatley Housing Group compliance with the Social Housing Charter; and
- Political landscape changes which impact the Wheatley Housing Group.

MANAGEMENT INFORMATION SYSTEMS

Management Information Systems have been developed to provide information on the key areas outlined in the Business Plan and Delivery Plan. Business performance is reported monthly against key financial and non-financial targets. Management accounts comparing actual results against budget are presented to the Board. The organisation continues to broaden and develop the depth and detail of data required to assist management at all levels.

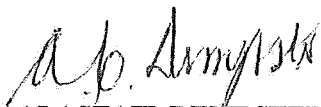
INVESTMENT APPRAISAL

Capital expenditure is specified in the Business Plan and regulated by a budgetary process and Scheme of Financial Delegation. For expenditure beyond specified levels or out with budget and plans, approval is required by Committee or the Board as appropriate.

QUALITY AND INTEGRITY OF PERSONNEL

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

On behalf of the Board



ALASTAIR DEMPSTER, CHAIR
28th August 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

We have audited the financial statements (the "financial statements") of Wheatley Housing Group Limited for the year ended 31 March 2013 which comprise the Group Income and Expenditure Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Surpluses and Deficits, the Group Note of Historical Cost Income and Expenditure and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Section 69 of the Housing (Scotland) Act 2010 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 31 March 2013 and of the group's income and expenditure and group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

Opinion other matter prescribed by the Companies Act

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

Matters on which we are required to report by exception

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

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
28 August 2013

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

**GROUP INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 £ 000	2012 £ 000
Turnover	3	193,310	194,651
Operating costs before past pension service gain	3	(195,517)	(181,805)
Past pension service gain	24	-	-
Total operating costs		(195,517)	(181,805)
Operating (deficit) / surplus		(2,207)	12,846
Gain / (loss) on sale of fixed assets – housing properties	9	2,194	(18,210)
Interest receivable and similar income	10	1,173	2,561
Interest payable and similar charges	11	(22,590)	(16,600)
Deficit on ordinary activities before taxation		(21,430)	(19,403)
Taxation on deficit for the year	12	(35)	(18)
Deficit for the year	23	(21,465)	(19,421)

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2013**

		2013 £000	2012 £000
Deficit for the year	23	(21,465)	(19,421)
Unrealised gain on revaluation of fixed assets	23	57,632	24,109
Actuarial loss on pension assets and liabilities	24	(14,414)	(16,655)
Total recognised surpluses and deficits for the year		21,753	(11,967)

**NOTE OF HISTORICAL COST INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2013**

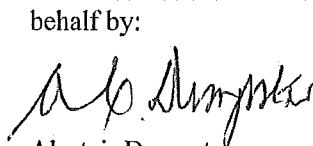
	2013 £000	2012 £000
Reported deficit for the year	(21,465)	(19,421)
All amounts relate to continuing operations.		

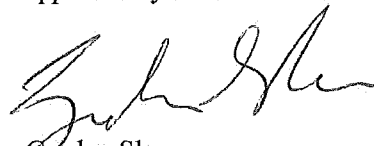
The notes on pages 36 to 62 form part of these financial statements.

**GROUP BALANCE SHEET AT 31 MARCH
2013**

	<i>Notes</i>	2013 £000	2012 £000
Tangible fixed assets			
Housing properties	15	805,376	651,416
Other tangible fixed assets	16	28,025	26,080
Fixed asset investments	17	72	-
		833,473	677,496
 Debtors due after more than one year	 18	 205,576	 270,310
Current assets			
Investment Property		-	-
Debtors due within one year	18	30,098	35,340
Cash at bank and in hand		14,548	7,968
		44,646	43,308
Creditors: amounts falling due within one year	19	(54,631)	(65,089)
		(9,985)	(21,781)
 Net current liabilities		 (9,985)	 (21,781)
 Total assets less current liabilities		 1,029,064	 926,025
Creditors: amounts falling due after more than one year	20	(619,304)	(500,000)
		409,760	426,025
 Provisions for liabilities and charges	21	(188,364)	(252,302)
Government grant		(1,008)	(1,032)
		220,388	172,691
Net assets excluding pension liability		220,388	172,691
 Pension liability	24	(33,510)	(20,768)
		186,878	151,923
Net assets including pension liability		186,878	151,923
 Capital and reserves			
Share capital	22	-	-
Revenue reserve excluding pension reserve	23	95,259	105,193
Pension reserve	23	(33,510)	(20,768)
Revenue reserve including pension reserve	23	61,749	84,425
Revaluation reserves	23	125,129	67,498
		186,878	151,923
Consolidated funds		186,878	151,923

These financial statements were approved by the Board on 28th August 2013 and were signed on its behalf by:


Alastair Dempster
Chair


Gordon Sloan
Board Member

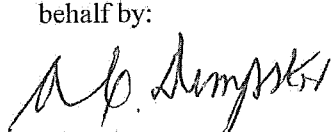

Mark Logan
Secretary

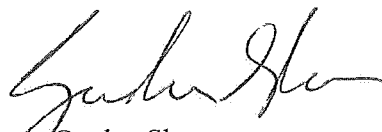
The notes on pages 36 to 62 form part of these financial statements.

**COMPANY BALANCE SHEET AT 31
MARCH 2013**

	<i>Notes</i>	2013 £000	2012 £000
Current assets			
Investment in Group undertakings	28	-	-
Creditors: amounts falling due within one year	19	-	-
Net current assets		-	-
Total assets less current liabilities		-	-
Net assets excluding pension liability		-	-
Pension liability		-	-
Net assets including pension liability		-	-
Capital and reserves			
Share capital	22	-	-
Company funds		-	-

These financial statements were approved by the Board on 28th August 2013 and were signed on its behalf by:


Alastair Dempster
Chair


Gordon Sloan
Board Member


Mark Logan
Secretary

The notes on pages 36 to 62 form part of these financial statements.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	<i>Notes</i>	2013 £000	2012 £000
Net cash inflow from operating activities	27	16,674	34,195
Returns on investment and servicing of finance			
Right to buy and Second Stage Transfer proceeds	9	3,582	28,745
Payment to Glasgow City Council for their share of right to buy proceeds and payments to Second Stage Transfer Organisations	9	-	(38,340)
Interest received	10	49	48
Interest paid	11	(22,590)	(16,600)
Net cash outflow from returns on investment and servicing of finance		(18,959)	(26,147)
Capital expenditure and financial investment			
Improvement of properties	15	(111,214)	(148,283)
Purchase of other fixed assets	16	(6,568)	(4,088)
Capital grants received	25	35,778	18,695
Net cash outflow from capital expenditure and financial investment		(82,004)	(133,676)
Financing			
Cash at acquisition		1,331	-
Loan drawn down	20	85,065	109,750
Scottish Government Loan received	20	-	12,500
Net cash inflow from financing		86,396	122,250
Increase / (reduction) in net cash	27	2,107	(3,378)

The notes on pages 36 to 62 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. Legal status

Wheatley Housing Group (“Wheatley” or “the Company”) is a housing association registered with Communities Scotland under the Housing (Scotland) Act 2010. The Company and its subsidiaries are referred to as “the Group”.

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.

Basis of accounting

The financial statements of the Group and the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2012, 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, Accounting by Registered Social Landlords Update 2008, issued by the National Housing Federation.

Whilst the Group Balance Sheets show net current liabilities, the Group has in place through its subsidiaries loan facilities as explained in note 20 which allows the borrowing of sufficient funds to meet current liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

On 7 March 2003 a Group subsidiary (Glasgow Housing Association) acquired, as part of a large scale voluntary transfer, the housing stock and a number of other related assets of Glasgow City Council. The acquisition was structured such that the Glasgow Housing Association paid a notional consideration of £25 million for the assets (this consideration was not based on a valuation of the assets being acquired) and received grant funding from the Scottish Executive of £368 million, payable in instalments over the next 10 years. The net effect of the transfer was therefore the acquisition of the assets, at their current value, and a remaining £343 million of grant income.

The excess of the purchase price over the fair value of the net assets acquired was £7 million. Under the recommendations of the SORP for business combinations and the requirements of FRS 10 Goodwill and intangible assets, this amount would have been classified as a fixed asset on the balance sheet and amortised over its estimated useful economic life. The Glasgow Housing Association Board, however, did not believe that this treatment presented a true and fair view of the nature of the large scale voluntary transfer as a whole, since they believed that the amount paid to the Council should be considered in substance as an adjustment to the grant receivable of £368 million. Consequently, the assets were included in the financial statements at their fair value and the grant receivable from the Scottish Executive was reduced to £361 million.

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2013. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 2 - Accounting for subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

Acquisitions are accounted for at historical cost from the date of acquisition. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group reconstruction which resulted in Wheatley Housing Group Limited becoming the new ultimate parent company has been accounted for under merger accounting as there has been no change in control.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. In respect of the Group income and expenditure account, turnover also includes factoring income.

Grant income

Grant income received is matched with the expenditure to which it relates. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is deducted from the cost of housing properties on the face of the balance sheet. Financial reporting standards require tangible fixed assets to be stated at purchase price, or valuation, less any provision for depreciation or diminution in value. However, this requirement conflicts with the generally accepted accounting principles for Registered Social Landlords (RSLs) set out in the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP 2008). The purpose of these capital grants is to subsidise the cost of social housing, and the income from properties is a function of net cost. Accordingly the Board considers it necessary to adopt the accounting treatment set out in the SORP to give a true and fair view.

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.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

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

Glasgow Housing Association participates in the Strathclyde Pension Fund ("the Fund"). The Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. All existing and new employees have the option of joining the Fund. The Fund is a defined benefit one, providing benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Fund are held separately from those of the Association.

Glasgow Housing Association accounts for its participation in the Fund in accordance with 'FRS 17 Retirement benefits'. The 'FRS 17 Retirement benefits' requires disclosures presented for both the current and comparative period. The 'FRS 17 Retirement benefits' also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The Fund liabilities are 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. Glasgow Housing Association's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Cube Housing Association participates in the SFHA Defined Benefits Pension Scheme and retirement benefits to employees of Cube 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.

Tangible Fixed Assets – housing properties

The Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

Valuation of Social Housing Stock

Glasgow Housing Association properties are valued on an Existing Use Value for Social Housing (EUV-SH) basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Group's 30 year Business Plan which identifies the core stock which will be the subject of the Group's investment expenditure going forward and the stock which forms part of the demolition programme until 2016, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised repairs. Included in the cost of repairs are the direct costs of staff engaged in the investment programme.

Cube Housing Association properties are stated at cost less social housing and other public grants and less accumulated depreciation and are not revalued.

For consolidated financial statements, FRS2 requires that, other than in exceptional circumstances, uniform Group accounting policies should be used. However there may be reasons for departing from this basic principle and retaining different accounting policies.

Due to the complexity and timescale required to obtain a complete valuation for the first time no full valuation is available for Cube social housing stock at 31 March 2013 which we view as being exceptional circumstances. A complete valuation has been instructed and this will be used to align Group accounting policy on social housing stock from 2013/14 financial year.

Donated assets

All donated assets are separately disclosed. Properties donated from Glasgow City Council are valued at EUV-SH basis. The difference between the EUV-SH value and the transfer price is treated as a government grant. Government grants are written-off against the value of the asset over the estimated useful life of the asset being 50 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

Housing for Market Rent

Housing for Market Rent properties are valued on an open market value basis at the balance sheet date by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised repairs.

Depreciation is charged on all housing properties on a straight-line basis to write down the value of freehold properties, plus capital additions net of grants over their estimated expected useful economic lives. The average life of Lowther Homes Limited housing stock is estimated to be 50 years.

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, the Group's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Group has taken account of views provided by both internal and external professional sources.

Freehold land is not subject to depreciation. Depreciation is charged so as to write down the cost or valuation (net of Housing Association Grant, and other capital grants) of the freehold housing properties and major components on a straight line basis over their expected useful economic lives.

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

	Economic Life
Land	n/a
Bathrooms	25 to 30 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 to 20 yrs
Internal works & common areas	20 yrs
Kitchens	20 to 25 yrs
Mechanical, Electrical & Plumbing	25 to 40 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

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 recoverable amount and any write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Development expenditure including direct development staff costs; 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.

Non-housing properties

The Group owns a number of non-housing properties. The Group applies the same capitalisation and component life approach as stated under Housing Properties unless otherwise stated below.

Commercial properties

Commercial properties are stated at existing use value and are subject to revaluation at least every five years.

Investment properties

Investment properties are held at current market valuation and are not subject to depreciation.

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 costs of housing properties.

HAG due or received in advance is included as a current asset or liability. HAG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Properties are disposed of under the appropriate legislation and guidance. All HAG relating to the share of property sold are removed from the financial statements at the date of sale. Any HAG received that cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. 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
Commercial properties	50 yrs
Combined Heat & Power plant	30 yrs
Furniture, fittings and office equipment	5 to 6.7 yrs
Computer equipment	3 to 4 yrs

Improvements to housing properties

The Group capitalises repairs and improvement expenditure on housing properties that results in an enhancement of the economic benefit of the asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

Capitalisation of development overheads

Staff costs that are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

Provisions

The Group only provides for contractual liabilities that exist at the balance sheet date.

Taxation

As charities, Glasgow Housing Association and Cube Housing Association are exempt from corporation tax on their charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979. A charge for taxation is made in the Group's non-charitable subsidiary companies, based on their profit for the year. In accordance with FRS 19 Deferred Tax, full provision is made for all material timing differences.

Value Added Tax

The Group is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on Glasgow Housing Association refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

Development Agreement

Glasgow Housing Association has entered into agreements with Glasgow City Council whereby the undertaking of catch up repairs and improvement works remained with the City Council, with that obligation sub-contracted to Glasgow Housing Association. This has been shown on the Group's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both amounts will be reduced by the appropriate amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

3. Particulars of turnover, operating costs and operating surplus

Group	2013		2012	
	Turnover	Operating Costs	Operating surplus/ (deficit)	Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	162,576	148,062	14,514	22,281
Other activities (note 5)	30,734	47,455	(16,721)	(9,435)
Past pension service gain	-	-	-	-
Total after past pension service gain	193,310	195,517	(2,207)	12,846

There were no transactions during the year in Wheatley Housing Group Limited entity.

4. Particulars of turnover, operating costs and operating surplus from social letting activities

Group	General Needs	Supported Housing	Shared Ownership	2013 Total	2012 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	155,431	3,683	109	159,223	148,454
Service charges	4,200	271	2	4,473	3,862
Gross income from rents and service charges	159,631	3,954	111	163,696	152,316
Less rent losses from voids	(1,081)	(39)	-	(1,120)	(1,354)
Net income from rents and service charges	158,550	3,915	111	162,576	150,962
Total turnover from social letting activities	158,550	3,915	111	162,576	150,962
Management and maintenance administration costs	62,240	1,380	12	63,632	59,346
Service costs	5,989	84	-	6,073	5,189
Planned and cyclical maintenance including major repairs costs	23,396	654	-	24,050	22,082
Reactive maintenance costs	31,289	483	-	31,772	24,918
Bad debts – rents and service charges	1,251	22	-	1,273	359
Depreciation of social housing	20,783	470	9	21,262	16,787
Operating costs from social letting activities	144,948	3,093	21	148,062	128,681
Operating surplus from social lettings	13,602	822	90	14,514	22,281

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

5. Particulars of turnover, operating costs and operating surplus from other activities

Group	Grants From Scottish Ministers £ 000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2013 Operating Surplus /(Deficit) £ 000	2012 Operating Surplus /(Deficit) £ 000
Wider role activities to support the community	-	-	-	-	5,092	(5,092)	(5,163)
Factoring	-	9,290	-	9,290	8,442	848	606
Commercial Property	-	2,483	-	2,483	436	2,047	2,069
Support activities	-	-	1,251	1,251	1,599	(348)	(292)
Owners' improvement activities	-	5,199	-	5,199	4,358	841	(357)
Demolition activities	7,931	-	-	7,931	8,719	(788)	2,435
Other income	-	4,580	-	4,580	1,692	2,888	5,946
Depreciation – Non Social Housing Organisation Restructuring	-	-	-	-	8,252	(8,252)	(5,604)
Development & Construction of Property Activities	-	-	-	-	3,713	(3,713)	(3,933)
Community Ownership Programme	-	-	-	-	4	(4)	(886)
Total from other activities	7,931	21,552	1,251	30,734	47,455	(16,721)	(9,435)

6. Board members' emoluments

Board members received £nil (2012: £nil) by way of reimbursement of expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

7. Directors' emoluments

	2013	2012
	£ 000	£ 000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	1,029	1,161
Emoluments payable to the Chief Executive (excluding pension contributions)	196	191

During the periods the directors' emoluments (excluding pension contributions) fell within the following band distributions:

More than £70,000 but not more than £80,000	-	1
More than £80,000 but not more than £90,000	-	1
More than £110,000 but not more than £120,000	-	1
More than £120,000 but not more than £130,000	1	2
More than £130,000 but not more than £140,000	3	1
More than £140,000 but not more than £150,000	1	1
More than £190,000 but not more than £200,000	1	1

The directors are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate. Directors' duties extend across the Group with emoluments paid by the employing subsidiary company and not directly by Wheatley Housing Group Limited.

The directors are eligible to join the pension scheme of the Group subsidiary company by which they are employed and employer's contributions are paid on the same basis as other members of staff.

8. Employees

In the year to 31 March 2013, the full time equivalent number of employees of the Group, including directors, was 1,621 (2012: 1,627). All staff are employed by either Glasgow Housing Association or Cube Housing Association with their costs being recharged to other Group companies where appropriate.

	2013	2012
	£ 000	£ 000
Staff costs (for the above persons)		
Wages and salaries	47,485	45,486
Social security costs	3,999	3,709
Employer's pension costs	5,616	6,819
	57,100	56,014

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

9. Surplus / (deficit) on sale of fixed assets – housing properties

This represents net income from the sale of properties under tenants' Right-to-Buy (RTB) entitlement and the second stage transfers (SST) to other Registered Social Landlords. There were no SST transfers in the year (2012: 9) reflected in the proceeds / disposal values below.

Group	2013 £ 000	2012 £ 000
Right-to-Buy		
Proceeds from disposal of properties	3,582	3,229
Value of properties disposed	(1,388)	(1,103)
Due from Glasgow City Council	-	140
	<u>2,194</u>	<u>2,266</u>
Second stage transfers		
Proceeds from disposal of properties	-	25,516
Value of properties disposed	-	(9,688)
Payments made to SST organisations	-	(36,304)
Payments made to SST organisations re prior year transfers	-	-
	<u>-</u>	<u>(20,476)</u>
Surplus / (deficit) on sale of fixed assets	<u>2,194</u>	<u>(18,210)</u>

10. Interest receivable and similar income

Group	2013 £000	2012 £000
Bank interest receivable on deposits in the year	49	48
Net return on pension asset	1,124	2,513
Total	<u>1,173</u>	<u>2,561</u>

11. Interest payable and similar charges

Group	2013 £000	2012 £000
Bank interest payable	22,590	16,600
Total	<u>22,590</u>	<u>16,600</u>

12. Tax on deficit on ordinary activities

Group	2013 £000	2012 £000
Corporation tax		
UK Corporation Tax on income for the year	207	220
Adjustments in respect of prior years	(220)	(202)
Group tax relief	48	-
	<u>35</u>	<u>18</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The charitable status of Glasgow Housing Association and Cube Housing Association means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the Group's other non-charitable subsidiary companies.

Factors affecting the tax charge for the current period

Group	2013 £000	2012 £000
Current tax reconciliation		
Profit / (loss) on ordinary activities of subsidiary undertakings	(391)	(40)
Current Tax at 24% (2012: 26%)	17	33
Effects of:		
Charitable donation against prior period liabilities	190	187
Over provision in prior year	(220)	(202)
Group tax relief	48	-
Total current tax charge	35	18

13. Auditors' remuneration

	2013 £000	2012 £000
The remuneration of the auditors (excluding VAT) is as follows:		
Audit of these financial statements	13	69
Audit of financial statements of subsidiaries pursuant to legislation	104	12
Other services	140	66

The prior year comparative for Auditors' Remuneration reflects the structure of the Group at that time when Glasgow Housing Association was both the parent organisation and Association.

14. Financial commitments

Capital commitments

All capital commitments of the Group were as follows:

Group	2013 £000	2012 £000
Expenditure contracted for, but not provided in the financial statements	39,524	52,931
Expenditure authorised by the Board but not contracted	26,613	35,328
	66,137	88,259

Operating leases

At 31 March 2013 the Group had annual commitments under non-cancellable operating leases as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

Group	2013 Land and Buildings £000	2013 Other £000	2012 Land and Buildings £000	2012 Other £000
Operating leases that expire:				
Within one year	1,372	-	253	-
In the second to fifth years inclusive	286	518	167	167
Over five years	696	-	1,692	-
	2,354	518	2,112	167

15. Tangible fixed assets - Housing Properties

Group	Core Stock £ 000	Donated Assets £ 000	Housing Under Construction £ 000	Housing For Market Rent £ 000	Shared Owner- ship £ 000	Total £ 000
Cost or Valuation						
At 1 April 2012	717,162	1,325	11,907	26,291	-	756,685
Acquisitions	107,829	-	-	-	1,752	109,581
Additions	88,025	-	22,990	199	-	111,214
Disposals	(1,381)	-	-	-	-	(1,381)
Transfers	6,416	-	(9,906)	3,490	-	-
Revaluation	43,942	22	-	(6,443)	-	37,521
At 31 March 2013	961,993	1,347	24,991	23,537	1,752	1,013,620
Grants						
At 1 April 2012	98,961	-	5,949	360	-	105,270
Acquisitions	56,582	-	-	-	1,168	57,750
Received / receivable for year	24,777	-	11,001	-	-	35,778
Transfers	322	-	(322)	-	-	-
At 31 March 2013	180,642	-	16,628	360	1,168	198,798
Depreciation						
At 1 April 2012	-	-	-	-	-	-
Acquisitions	(7,745)	-	-	-	(131)	(7,876)
Charge for year	(21,246)	(24)	-	(418)	(9)	(21,697)
Disposals	16	-	-	-	-	16
Revaluation	19,669	24	-	418	-	20,111
At 31 March 2013	(9,306)	-	-	-	(140)	(9,446)
Net Book Value						
At 31 March 2013	772,045	1,347	8,363	23,177	444	805,376
Net Book Value						
At 1 April 2012	618,202	1,325	5,958	25,931	-	651,416

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The valuation of housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Group's demolition programme, as detailed in the Group's 30-year Business Plan for 2013/14. The demolition programme identifies 3,949 properties for demolition over the next few years, with no long term investment expenditure associated with these properties. For accounting purposes (FRS12), demolition programme stock has a nil balance sheet value.

GHA retained stock for letting has been valued at £720.1 million. Due to the complexity and timescale required to obtain a complete valuation for the first time no full valuation is available for Cube social housing stock at 31 March 2013 which we view as being exceptional circumstances. A complete valuation has been instructed and this will be used to align Group accounting policy on social housing stock from 2013/14 financial year. At the balance sheet date, Cube social housing stock (at cost less social housing and other public grants and less accumulated depreciation) is stated as £52.0m.

Housing properties have been valued by Jones Lang LaSalle, an independent professional advisor 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 RCIS at 31 March 2013 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of 6.25% (2012: 6.25%) was used for retained stock and a rate of 8.0% (2012: 8.0%) for demolition stock. The valuation assumes an increase of RPI + 1% for retained stock, except years 2 to 4 at RPI only, in line with the Group's 30 year Business Plan (2013/14). 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 2007/08 GHA received 30 properties from GCC at nil cost with 1 property subsequently sold. The 29 properties were valued by Jones Lang LaSalle at £1.347m as at 31 March 2013 (2012: £1.325m) on a EUV-SH basis. In line with our policy on donated assets the value of these properties has been treated as a government grant and written-off against the value of the asset across the economic life of the asset. The balance on the government grant account at 31 March 2013 was £1.008m (2012: £1.032m).

During the year GHA disposed of 87 properties (2012: 100 properties) to tenants under RTB entitlements. These properties were valued at £1.365m during the year (2012: £1.103m). During the year Cube disposed of 3 properties (2012: 2 properties) to tenants under RTB and Shared Ownership entitlements.

The number of units of accommodation owned and managed (excluding unlettable voids) by the Group at 31 March 2013 is shown below:

	2013	2012
Social Housing		
General	42,580	40,698
Shared ownership	49	-
Supported Housing	831	715
 Total Social Housing	43,460	41,413

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The housing valuation has been based on the number of houses held for letting, approved for demolition and planned for demolition as per the approved business plan as follows:

	2013	2012
Housing Properties		
Housing held for long-term letting	42,287	39,403
Housing approved / planned for demolition	3,949	4,879
Total Units	46,236	44,282

The difference between total units and Total Social Housing is made up of unlettable voids mostly within the approved for demolition and planned for demolition categories.

16. Tangible fixed assets - other tangible fixed assets

Group	Commercial Properties £ 000	Combined Heat & Power £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost or valuation					
At 1 April 2012	19,580	-	10,247	21,798	51,625
Acquisitions	293	2,541	566	-	3,400
Additions	558	2,391	531	3,088	6,568
At 31 March 2013	20,431	4,932	11,344	24,886	61,593
Depreciation					
At 1 April 2012	(1,853)	-	(8,159)	(15,532)	(25,544)
Acquisitions	(265)	(2,541)	(383)	-	(3,189)
Charge for year	(376)	(20)	(1,106)	(3,333)	(4,835)
At 31 March 2013	(2,494)	(2,561)	(9,648)	(18,865)	(33,568)
Net Book Value					
At 31 March 2013	17,937	2,371	1,696	6,021	28,025
At 31 March 2012	17,727	-	2,088	6,265	26,080

Commercial Properties belonging to Glasgow Housing Association were valued by an independent professional advisor, Ryden Property Consultants, on 31 March 2012 in accordance with the appraisal and valuation manual of the RICS. This process resulted in an elimination of £0.2m from the revaluation reserve in 2011/12. No further revision was considered appropriate in the year 2012/13.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

17. Fixed Asset Investments

Group	Shared Equity Properties £ 000
Cost	
At 1 April 2012	-
Acquisitions	1,200
Additions	-
Disposals	-
At 31 March 2013	<u>1,200</u>
Grants	
At 1 April 2012	-
Acquisitions	<u>1,128</u>
At 31 March 2013	<u>1,128</u>
Net Book Value	
At 31 March 2013	<u>72</u>
At 31 March 2012	<u>-</u>

18. Debtors

Due after more than one year:

Group	2013 £ 000	2012 £ 000
Development agreement (note 2)	186,717	250,456
Arrangement fees	18,859	19,705
Deferred Expenditure	-	149
Total	<u>205,576</u>	<u>270,310</u>

In accordance with the Development Agreement accounting policy, included in debtors is a balance of £186.7m (2012: £250.5m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the properties. The Council has sub-contracted Glasgow Housing Association to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilised when the work is actually undertaken.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

Due within one year:	2013	2012
Group	£ 000	£ 000
Arrears of rent and service charges	13,592	11,024
Less: provision for bad and doubtful debts	(4,313)	(5,462)
	<hr/> 9,279	<hr/> 5,562
Other debtors	20,819	29,778
Total	<hr/> 30,098	<hr/> 35,340

19. Creditors: amounts falling due within one year

Group	2013	2012
	£ 000	£ 000
Amounts falling due within one year:		
Trade creditors and accruals	32,214	49,615
Deferred Income	5	-
Rent and service charges received in advance	4,233	3,506
Salaries, wages, other taxation and social security	1,115	1,043
Corporation tax	208	236
Bank overdraft	8,738	4,265
Other creditors	8,118	6,424
Total	<hr/> 54,631	<hr/> 65,089

Company	2013	2012
	£	£
Amounts falling due within one year:		
Amounts due to Group undertakings	103	-
Total	<hr/> 103	<hr/> -

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

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

Group	2013	2012
	£ '000	£ '000
Scottish Government Loan	100,000	100,000
Bank loans	514,345	400,000
Other creditors	4,959	-
Total	619,304	500,000

The Scottish Government has made available to Glasgow Housing Association £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2012: £100.0m) has been received and is shown as an interest free loan. The amount is repayable in 2033/34.

Bank lending facility

A committed facility of £700.0m (2012: £700.0m), secured on the Glasgow Housing Association's housing stock is available from a syndicate of banks. During the year an additional £82.0m was drawn down (2012: £109.75m) at an interest rate of 4.8% (2012: 4.8%). Of the £700.0m facility £30m is committed for onlending to Lowther Homes Limited which is secured on Lowther Homes' market rental stock. Of the £82m drawn during the year onlending to Lowther Homes totalled £2m (2012: £20.9m) at an interest rate of 5.25% (2012: 6.29%).

The bank loans are secured over the whole of the housing stock, including new build properties completed since stock transfer in March 2003 and certain other properties of the Group subsidiary company, The Glasgow Housing Association Limited.

A committed facility of £44.9m (2012: £44.9m) secured on Cube Housing Association's housing stock is available from two banks under bilateral loan agreements. During the year an additional £3.1m was drawn down (2012: £5.0m) at an interest rate of 3.91% (2012: 4.03%). At the balance sheet date Cube borrowings under this facility were £32.3m (2012: £29.2m).

Borrowings are repayable as follows	2013	2012
	£ '000	£ '000
In less than one year	-	-
In less than five years and more than one year	10,970	-
In more than five years	503,375	400,000
	514,345	400,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

21. Provisions for liabilities and charges

Group	Development Agreement £ '000	Insurance £ '000	Total £ '000
At 1 April 2012	250,455	1,847	252,302
Created in year			
Utilised	(63,738)	(200)	(63,938)
At 31 March 2013	186,717	1,647	188,364

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the Development Agreement between Glasgow Housing Association and Glasgow City Council and as work progresses the provision will be utilised when the work is actually undertaken.

Insurance

A provision has been made in respect of the excess arising on all outstanding insurance claims.

22. Share capital

Wheatley Housing Group Limited was incorporated on 13th June 2012 and is a Company Limited by Guarantee and not having a Share Capital.

23. Reserves

Group	Revenue reserve £ 000	Revaluation reserve - core housing stock £ 000	Revaluation reserve- donated assets £ 000	Revaluation reserve - commercial properties £ 000	Total £ 000
Opening Balance at 1 April 2012	84,440	60,451	295	6,751	151,937
Acquisitions	13,188	-	-	-	13,188
Deficit for the year	(21,465)	-	-	-	(21,465)
Revaluation during the year	-	57,586	46	-	57,632
Actuarial loss in respect of pension provision	(14,414)	-	-	-	(14,414)
Closing balance at 31 March 2013	61,749	118,037	341	6,751	186,878

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

24. Pensions

Glasgow Housing Association

The Group subsidiary, GHA, participates in the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of GHA in investments under the overall supervision of the Fund Trustees.

The last formal valuation was been carried out as at 31 March 2011. Results of this valuation have been projected forward using approximate methods.

The assumptions that have the most significant effect on the results of the valuation 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 2013	31 March 2012
Discount rate	4.5%	4.8%
Expected rate of return on plan assets	5.2%	5.8%
Future salary increases	*5.1%	**4.8%
Inflation	2.8%	2.5%

* Salary increases are assumed to be 1.0% p.a. until 31 March 2015 reverting to the long term assumption thereafter.

** Salary increases are assumed to be 1.0% p.a. until 31 March 2015 reverting to the long term assumption thereafter.

In valuing the liabilities of the pension fund at 31 March 2013, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- o Current pensioner aged 65: 21.0 years (male), 23.4 years (female).
- o Future retiree upon reaching 65: 23.3 years (male), 25.3 years (female).

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 GHA has been allocated a share of cost under an agreed policy throughout the periods shown.

	Value at 31 March 2013 £ 000	Value at 31 March 2012 £ 000
Present value of funded defined benefit obligations	(280,460)	(227,202)
Fair value of plan assets	246,950	206,434
Net liability	(33,510)	(20,768)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

Movements in present value of defined benefit obligation

	2013	2012
	£000	£000
Opening defined benefit obligation	227,202	208,219
Current service cost	6,347	6,356
Past service gain	-	-
Interest cost	11,113	11,556
Loss on curtailment	5,365	4,804
Actuarial losses	33,416	1,860
Contributions by members	2,130	2,135
Liabilities extinguished on settlements	-	(3,157)
Liabilities assumed in a business combination	-	-
Estimated benefits paid	(5,113)	(4,571)
Closing defined benefit obligation	280,460	227,202

Movements in fair value of plan assets

	2013	2012
	£000	£000
Opening fair value of plan assets	206,434	202,419
Expected return on plan assets	12,237	14,069
Actuarial gains / (losses)	19,002	(14,795)
Contributions by the employer	12,260	10,249
Contributions by the members	2,130	2,135
Assets distributed on settlements	-	(3,072)
Assets acquired in a business combination	-	-
Estimated benefits paid	(5,113)	(4,571)
Closing fair value of plan assets	246,950	206,434

Expense recognised in the income and expenditure account

	2013	2012
	£000	£000
Current service cost	6,347	6,356
Losses on settlements or curtailments	5,365	4,719
Past service gain	-	-
Assets acquired on a business combination	-	-
Liabilities acquired on a business combination	-	-
Interest on defined benefit pension plan obligation	11,113	11,556
Expected return on defined benefit pension plan asset	(12,237)	(14,069)
	10,588	8,562
	10,588	8,562

The expense is recognised in the following line items in the profit and loss account

	2013	2012
	£000	£000
Operating costs	195,517	181,805
Past pension service gain	-	-
Interest receivable	1,173	2,561

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £14.414m loss (2012: £16.655m loss).

Cumulative gains reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are losses of £41.484 million (2012: £27.070 million loss).

The fair value of the plan assets and the return on those assets were as follows

	2013 £000	2012 £000
Equities	187,681	158,954
Corporate bonds	34,573	22,708
Property	17,287	14,450
Cash	<u>7,409</u>	<u>10,322</u>
	246,950	206,434
Actual return on plan assets	31,299	2,077

History of experience gains and losses

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Balance Sheet						
Present value of scheme liabilities	(280,460)	(227,202)	(208,219)	(235,144)	(120,070)	(128,771)
Fair value of scheme assets	246,950	206,434	202,419	179,185	116,559	139,653
(Deficit) / surplus	<u>(33,510)</u>	<u>(20,768)</u>	<u>(5,800)</u>	<u>(55,959)</u>	<u>(3,511)</u>	<u>10,882</u>
	2013	2012	2011	2010	2009	2008
Experience Adjustments	£000 / %	£000 / %	£000 / %	£000 / %	£000 / %	£000 / %
Experience adjustments on scheme liabilities £000	318	10,333	(72)	7	11,500	2
Experience adjustments on scheme liabilities %	0.1	4.5	0.0	0.0	9.6	0.0
Experience adjustments on scheme assets £000	19,002	(14,795)	1,188	39,081	(39,206)	(14,228)
Experience adjustments on scheme assets %	7.7	(7.2)	0.6	21.8	(33.6)	(10.2)

Comparative information is shown to 2008 as the Association accounted for its participation in the Strathclyde Pension Fund on a defined contribution basis until 31 March 2007. A change in circumstances effective at that date resulted in the Association applying defined benefit accounting in full from 31 March 2007.

Cube Housing Association

Cube Housing Association participates in the Scottish Housing Association Pension Scheme (the Scheme). The Scheme is a multi-employer defined benefit scheme, is funded and is contracted out of the state scheme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

The Scheme offers five 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

An employer can elect to operate different benefit structures for their active members (as at first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Cube Housing Association has elected to operate the final salary with 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

The Trustee commissions 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.

During the accounting period, Cube paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 43 active members of the Scheme employed by Cube. The annual pensionable payroll in respect of these members was £1,317,679. Cube continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

The financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
Investment return pre-retirement	5.3
Investment return post-retirement (non-pensioners)	3.4
Investment return post-retirement (pensioners)	3.4
Pensionable earnings growth (annual)	4.1
Rate of price inflation	2.6
Rate of consumer price inflation	2.0

In addition, latest mortality research has been taken into account.

Valuation results

The long term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit Structure	Long term joint contribution rate (% of pensionable salary)
Final salary – 60ths	19.2
Career average – 60ths	17.1
Career average – 70ths	14.9
Career average – 80ths	13.2
Career average – 120ths	9.4

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

Following consideration of the results of the valuation it was agreed that the shortfall of £304m would be dealt with by payment of additional contributions of 5.4% of pensionable salaries per annum with effect from 1st April 2014. Past service deficit contributions will increase each 1 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.

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 financial performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and that 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 2013 (continued)**

25. Scottish Government and other grants

The Scottish Government has made available to Glasgow Housing Association a secured repayable grant of £370m receivable over 13 years. The grant is subject to a number of specified conditions. These conditions were revised on 1 April 2009 to make the grant repayable under certain circumstances. If Glasgow Housing Association delivers all commitments to tenants made at the time of transfer in March 2003, and meets the performance standards of the Regulator by 31 March 2015 then no grant will be repayable. In the opinion of the Board, it is improbable that this grant will be repaid, and accordingly no provision for repayment of the £331.6m received to date has been made in these financial statements.

Additionally, the Scottish Government has made available to Glasgow Housing Association a further £100m of Contingent Efficiencies Grant receivable over an eight year period from 2004/05. £100m has been received up to the 31 March 2013 and is shown as a loan (note 20).

A list of Scottish Government Grants and loans receivable for the year is given in the table below:

Grants & Loans	2013	2012
	£000	£000
Scottish Government Grants (Capital)		
Secured Repayable grant	21,656	9,156
Reprovisioning grant	11,002	9,539
Investment & innovation funding	-	360
Total Scottish Government Capital Grants	<u>32,658</u>	<u>19,055</u>
Other Capital Grants		
Energy Efficiency	3,146	-
Total Capital Grants	<u>35,804</u>	<u>19,055</u>
Scottish Government Revenue Grants		
Demolition grant	7,931	10,788
Scottish Government Loan		
Contingent Efficiency	-	12,500
Total	<u>43,735</u>	<u>42,343</u>

26. Related party transactions

The company retains a register of members' interests. During the year there were no interests in related parties that require to be declared by Directors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

27. Cash Flow Analysis

Reconciliation of surplus to net cash inflow from operating activities	2013	2012	
	£000	£000	
(Deficit) / surplus from operating activities	(2,207)	12,846	
Depreciation charges	27,362	21,924	
Decrease in debtors	6,732	3,896	
Decrease in creditors and provisions	(14,642)	(5,273)	
Release of government grant	(24)	(24)	
Pensions costs less contributions payable	(547)	826	
Net cash inflow from operating activities	<u>16,674</u>	<u>34,195</u>	
Reconciliation of net cash flow to movement in net debt	2013	2012	
	£000	£000	
Net debt at 1 April	(496,297)	(370,669)	
Increase in cash in the year	6,580	456	
Decrease in overdraft	(4,473)	(3,834)	
Cash inflow from debt due within one year	(10,970)	-	
Cash inflow from debt after more than one year	(103,375)	(122,250)	
Net debt at 31 March	<u>(608,535)</u>	<u>(496,297)</u>	
Analysis of changes in net debt	At 1 April	Cashflow	At 31 March
	2012		2013
	£000	£000	£000
Cash at bank and in hand	7,968	6,580	14,548
Overdraft	(4,265)	(4,473)	(8,738)
Movement in cash	<u>3,703</u>	<u>2,107</u>	<u>5,810</u>
Debt due within one year	-	(10,970)	(10,970)
Debt due after more than one year	(500,000)	(103,375)	(603,375)
Net debt	<u>(496,297)</u>	<u>(112,238)</u>	<u>(608,535)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

28. Subsidiary and associated undertakings

The ultimate parent company is Wheatley Housing Group Limited. The Group has six subsidiaries – Glasgow Housing Association Limited, Cube Housing Association Limited, Glasgow Housing Association (Funding) Limited (GFL), GHA Enterprises Limited, Lowther Homes Limited and YourPlace Property Management Limited, all private limited companies. Wheatley Housing Group Limited owns the whole issued share capital of all subsidiary undertakings.

The objectives of Glasgow Housing Association (Funding) Limited include the provision of finance to registered social landlords. GHA Enterprises Limited is a non-trading holding company overseeing commercial activity which, through Glasgow Housing Association (Management) Limited, delivers factoring services to homeowners. Lowther Homes Limited is involved in property development and acquisition and offers its properties for private and mid-market rent. Your Place Property Management Limited is non-trading.

The results of Scotcash CIC have not been consolidated as an associate undertaking into these accounts as they are not material to the Group's operations. Scotcash provides accessible and affordable finance to individuals with limited access to banking services. GHA has provided start up funding to Scotcash and has no outstanding obligations.

Wheatley Housing Group Limited investment in subsidiaries at the year end was as follows:

Subsidiary	Issued share capital	% share capital held	£
The Glasgow Housing Association Limited	Industrial & Provident Society	Parent share	-
Cube Housing Association Limited	Industrial & Provident Society	Parent share	-
The Glasgow Housing Association (Funding) Limited	Company Limited by Guarantee	Parent share	-
GHA Enterprises Limited	100 x £1 ordinary shares	100%	100
Lowther Homes Limited	100 x £1 ordinary shares	100%	100
YourPlace Property Management Limited	2 x £1 ordinary shares	100%	2

29. Contingent liability

Under the terms of an agreement with Glasgow City Council, in the event of Glasgow Housing Association's commercial property assets being sold, the proceeds are subject to a claw back agreement which provides for up to 80% of the consideration being due to Glasgow City Council.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

30. Post balance sheet events

West Lothian Housing Partnership became a subsidiary of Wheatley Housing Group Limited on 1st August 2013.

Discussions are ongoing with the Loretto Group regarding a partnership which would see Loretto joining the Wheatley Housing Group Limited.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

Mark Logan
Wheatley Housing Group Limited
Granite House
177 Trongate
Glasgow G1 5HF

Auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow G2 7EQ

Bankers

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

Lloyds Banking Group
3rd Floor
25 Gresham Street
London EC2V 7HN

Members of Loan Syndicate

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

Lloyds Banking Group
3rd Floor
25 Gresham Street
London EC2V 7HN

Nationwide Building Society
Housing Finance
Kings Park Road
Moulton Park
Northampton
NN3 6NW.

European Investment Bank
100 Boulevard Konrad
Adenauer L-2950
Luxembourg

BOARD MEMBERS AND EXECUTIVE TEAM INFORMATION

Alastair Dempster CBE, Chair (Non-Executive Director)

A career banker, Alastair held a number of senior positions, latterly as the Chief Executive of Lloyds TSB Scotland PLC for 6 years. A fellow and former President of the Chartered Institute of Bankers in Scotland, Alastair has held a number of non-executive director positions in the private and public sector, including 9 years as an independent Board member of GHA.

Liz Walford (Non-Executive Director)

Liz has held a number of executive positions within the housing sector in England, retiring as the Group Chief Executive of Walsall Housing Group in 2009 following 5 years in post. Liz has extensive experience of business transformation and change, having supported significant change programmes and provided expert governance advice and support as a regulatory appointee on a number of housing provider Boards.

Mike Blyth (Non-Executive Director)

A chartered accountant, Mike was a partner for 30 years in Baker Tilly where he held a number of senior management positions both locally and nationally. In addition, he headed up the not-for-profit group in the West of Scotland and, as such, provided audit and advisory services to a wide range of Registered Social Landlords the length and breadth of Scotland. Mike is also a trustee and Vice Chair of Erskine Hospital and a non-executive director of Anglo Pacific Group PLC.

Ronnie Jacobs (Non-Executive Director)

Ronnie is a qualified surveyor and has over 30 years experience in the private housing sector, in particular new build. He has held a number of senior positions in the private housing sector, including Managing Director of Persimmon Homes and Miller Homes in Scotland and he recently retired as Scottish Regional Chairman of Miller Homes. Ronnie has advised the Scottish Government on housing as part of the Housing Supply Task Force and has served on the Board of Homes For Scotland.

Alastair MacNish (Non-Executive Director)

Alastair spent his career in local government, initially in finance as a Chartered Accountant, and latterly he spent 5 years as the Chief Executive of South Lanarkshire Council, Scotland's third largest local authority at the time. He was formerly the Chairman of the Accounts Commission and Audit Scotland and has advised the Scottish Government on a wide range of issues, including being part of the review group for MSP remuneration, chairing the Leadership Advisory Panel on Local Government Leadership Capacity and providing evidence to the Scottish Parliament Local Government and Communities Committee on the budget setting.

Gordon Sloan (GHA nominated Director)

Gordon has been the Chairman of GHA since 2010. Gordon spent his career in the civil service, working as a Children's Reporter. Gordon has extensive experience in community governance, where he is a member of Keystone Management Committee. He is also a Chair of the NHS Trust Panel in Glasgow.

John Grant (GHA nominated Director)

John has a wide range of experience of not-for-profit and commercial non-executive roles. He is currently a director of social enterprise Scotcash, a financial services company which provides loans to non-mainstream clients. John is also a non-executive director of Lowther Homes Limited, a private property development company and is a member of the GHA Board, chairing the West Area Committee.

BOARD MEMBERS AND EXECUTIVE TEAM INFORMATION

Lesley McInnes (Co-Optee)

Lesley has extensive senior experience in the housing sector, at Executive and Board level and is currently the Chief Executive of West Highland Housing Association. She also serves on the Board of Cube Housing Association and the Group Audit Committee.

Sheila Gunn (Co-Optee)

Sheila is a solicitor and has worked in legal private practice for 23 years, most recently as Partner and Head of Employment at Shepherd & Wedderburn. She has a track record of Board-level success as counsel to some of the UK's leading companies including Scottish Power, Cairn Energy and Ignis Asset Management. Sheila also has extensive experience in the housing sector having advised Ark Housing Association and Hanover Housing Association over many years on a wide range of issues and is also a director of GHA (Management) Limited.

Martin Armstrong (Director)

Martin is Group Chief Executive of the Wheatley Housing Group. Martin has over 20 years of public sector experience with a track record in strategy formulation, performance management and change management. He has successfully led the transformation of GHA to the top performing landlord in Scotland, a recognised and valued partner at local and national level as well as achieving a wide range of external recognition.

EXECUTIVE TEAM

Mark Logan, Group Director of Finance and Company Secretary

Mark, a Chartered Accountant, joined GHA in October 2009 from West of Scotland Housing Association where he was initially Director of Corporate Services before becoming Deputy Chief Executive. He was previously Assistant Director of Housing and Regeneration at Ernst & Young from 2000-2006 providing support to clients across the UK including large local authorities and housing organisations gaining a wealth of experience in stock and second stage transfer. Mark was appointed Group Director of Finance for the Wheatley Group in June 2012 and is also the Group's Company Secretary. Mark serves as a director of Lowther Homes Limited and YourPlace Property Management.

Alex McGuire, Group Director of Property

Alex joined GHA in April 2008 and was appointed Group Director of Property in 2013. Alex had responsibility for Glasgow Housing Association's £1.2 billion Investment Programme – the largest of its kind in Europe – as well as repairs and maintenance. Alex, formerly a Housing Strategy Manager at West Lothian Council, set up and ran the West Lothian Housing Partnership. He is a director of Lowther Homes Limited.

Graham Isdale, Executive Director of Corporate Affairs

A former UK Board director of one of the world's largest communications companies, Graham joined Glasgow Housing Association in 2009. He was previously instrumental in building two of the biggest independent PR consultancies in the UK and has handled major crisis, issues-management and communications assignments for multi-nationals all over the world, as well as FTSE 100 companies and Government departments and agencies. Graham is also a former regional newspaper editor.

Mags Lightbody, Director of Business Development and Growth

Mags joined Glasgow Housing Association in 2003 and specialises in business re-engineering and change management. She has successfully led transformation programmes across all core services (rent, letting, repairs and customer services) delivering impressive business returns and customer outcomes. Mags, who set up the Furnished Lets service and was the first Managing Director of YourPlace, is currently Director of Business Development and Growth, having had spells as Area Director for both the South and West of the city. Mags oversaw our award winning Think Yes! business transformation programme which focussed on empowering staff to deliver quality services to tenants at the point of delivery.

Fanchea Kelly, Executive Director of Housing and Support Services (to 25th July 2013)

Fanchea, who joined GHA in 2009, has over 20 years experience in housing in Scotland. She has led senior teams in City of Edinburgh Council, North Ayrshire, and the inspection team in Communities Scotland, as well as a spell in CoSLA contributing to the Housing (Scotland) Act 2001. She has specialisms in strategy and policy development, improving service delivery, and performance management frameworks. She has also delivered successful stock transfers and community regeneration projects, and has Board experience with a number of organisations and companies. Fanchea left the organisation in July 2013.