



WELLHOUSE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

WELLHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2020

MANAGEMENT COMMITTEE

Darron Brown	Chair (elected 25/9/2019)
Maureen Morris	Vice Chair (elected 25/9/19)
Clare Monteith	Committee Member
Michelle Harrow	Committee Member
Jane Heppenstall	Committee Member
Sarah Morris	Committee Member
Shona McKenna	Co-optee (co-opted 24/10/2019)
Carol Torrie	Co-optee (co-opted 30/01/2020)
David Robb	Committee Member (resigned 24/10/2019)
Tom Lucas	Committee member (resigned 02/03/2020)
Vanda Cooper	Co-optee (deceased 20/01/2020)

EXECUTIVE OFFICERS

Martin Wilkie-McFarlane	Director & Secretary
Carol Hamilton	Housing & Customer Services Manager
Gordon Kerr	Finance & Corporate Services Manager
William Black	Assets & Maintenance Manager (Appointed 29 July 2019)

REGISTERED OFFICE

The Hub
49 Wellhouse Crescent
Glasgow
G33 4LA

EXTERNAL AUDITOR

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

INTERNAL AUDITOR

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

BANKERS

Clydesdale Bank plc
49 Main Street, Baillieston,
Glasgow
G69 6SQ

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

WELLHOUSE HOUSING ASSOCIATION LIMITED

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Registration information

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

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

The Management Committee presents its report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2020.

Legal Status

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

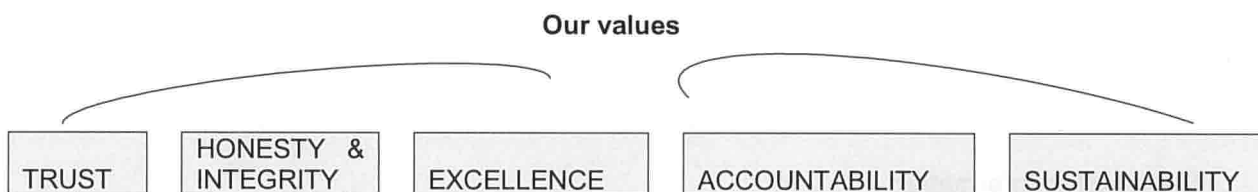
Strategic Report

Principal Activities

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

Our Values

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



Our Vision: Wellhouse – the Place to Be

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

Our Strategic Objectives

To ensure we stay focused on transforming our business and making the social impact we seek, we have developed a set of six strategic objectives for the period of the new Business Plan 2019/20 to 2021/22. From these objectives, all our activities will flow. We will also measure our success by setting targets against these objectives, ensuring that we deliver them effectively and efficiently. The six objectives are to:

Our Strategic Objectives (cont'd)



Review of Business 2019/20

1. Regulatory Engagement

- At the end of 2018/19, our engagement reduced to zero status and we have had positive feedback about our business plan, financial plans and asset management strategy;
- We continue to work with the Scottish Housing Regulator (SHR) in a positive and constructive manner – there is a new regulatory framework and we submitted an assurance statement in October 2019, following our AGM. Due to the Covid-19 lockdown, the SHR have not issued a status assessment on any RSL; and
- There has been zero expenditure on regulatory engagement or directly related costs since last year's AGM.

2. Governance

The Management Committee:

- Held 11 committee meetings in the year and our AGM;
- Scheduled 19 days of internal audit days in 2019/20 conducted by Wylie Bisset, reviewing the following subjects – Procurement; Statutory Instruments - Scotland Housing Act; Regulatory Standards – Assurance Statement; Data Retention and Follow Up Review, as well as our external audit processes;
- Had a business planning session to deliver our new 3-year plan and approve our updated asset management strategy. Copies of these have been submitted to the SHR and are formally reviewed by the committee each quarter – you will find them on the website;
- Conducted a fifth consecutive year of committee appraisals and are acting upon continuous improvement and our approved succession planning policy;
- Reaffirmed our approach to equalities & diversity, extending it to embrace human rights and promoted this to tenants, applicants, staff and stakeholders;
- Prepared for the introduction of Freedom of Information requirements;
- Submitted our returns timeously and accurately to the SHR, OSCR and the FCA;

Review of Business 2019/20 (cont'd)

- Held tenant scrutiny, supported by TPAS, through open session with a focus on value for money, had quarterly satisfaction phone surveys carried out and verified independently and joined the Next Steps pilot programme;
- Continued networking with our colleagues in EHRA which included campaigning and lobbying, service improvement and benchmarking performance, social welfare projects and initiatives, employment and training for local people and training for EHRA staff and committee; retained the Stonewall Scotland diversity champion Chartermark; worked with EHRA to produce a film and provided the secretariat role to EHRA;
- Represented you at EVH, SFHA, SHARE and EHRA events;
- Attended a number of meetings with the Scottish Housing Regulator;
- Attended meetings with the city council to explore future development options; and
- Worked closely with the Director and the management team in guiding and shaping the direction of Wellhouse HA.

3. Strategic Update

3.1 Wellhouse Housing Association Executive Management:-

- Focused on Value for Money – we have cut the costs in a number of areas of the business and continue to keep this as a focus;
- Looked at rents and service charges – we have dropped the introduction of a service charge, following consultation, and asked TPAS to run conversations with tenants throughout 2019/ 20 to assess priorities for spend;
- Retained a number of charter marks from the Chartered Institute of Housing and other bodies;
- Worked to retain an interest in the vacant sites in Wellhouse to put us in a strong position for the future provision of new housing – once the issue with flooding is resolved, we will be able to progress our plan for our options around developing new homes, in partnership with Glasgow City Council and Scottish Water;
- Confirmed our position as an ethical, not-for-profit business and registered social landlord, who operates solely for the community of Wellhouse;
- Focused on operations and core business;
- Focused on being the best we can be;
- Attained re-accreditation as an Investors in People Organisation, being upgraded to Silver;
- Embedded our new three-year strategic business plan for Wellhouse HA;
- Completed a full programme of policy reviews;
- Published all committee minutes from April 2019;
- Reported on our performance to tenants;
- Produced a plan for common areas, bin shelters and back courts and begin expenditure on improvements;
- Produced a business plan for the Hub; and
- Worked with Glasgow City Council on matters such as refuse collection; fly tipping; litter and dog fouling.

Review of Business 2019/20 (cont'd)

3.2 In 2020/21, our plans focus on

- The delivery of the business plan for the Hub, which was approved by committee in early 2020;
- The re-invigoration of our community activities with a new provider (Easthall Residents Association having already completed all due diligence);
- Attaining a valuation and Site Investigations for the St John Ogilvie Site;
- Updating Valuations for the Balado Rd Primary School Site;
- Providing significant investment in back court and bin area upgrades;
- Consult widely with tenants;
- Carry out a rent affordability exercise;
- Reinvest in our staff; and
- Invest in the Hub in relation to maintenance work required.

At the time of writing, due to the unforeseen impact of the Covid-19 Pandemic, the delivery dates on these will be subject to significant change.

4 Housing & Customer Service

4.1 Void/Allocation Performance 2019/20

- The Common Housing Register consists of 8 defined Housing Needs Groups and we allocate a percentage of properties to each group;
- There were 457 applicants on the Common Housing Register who had expressed an interest in being rehoused in Wellhouse HA;
- We let 35 properties;
- We took 14.46 days on average to let properties in 2019/20;
- Our void rent loss to the end of 2019/20 was 0.41%;
- 88.68% of new tenants sustained their tenancy for more than one year; and
- 100% of new tenants who responded to our survey at their settling-in visit were happy with the standard of their home when they moved in.

4.2 Customer Satisfaction

- Overall satisfaction indicators showed similar customer satisfaction rates across the range of indicators with the following exceptions;
- The two largest satisfaction increases were satisfaction with the overall service we provide which improved from 83.58% to 86.45% and satisfaction with repairs carried out is continuing to improve from 87.43% to 88.18%; and
- The largest expressed drop in satisfaction was the opportunities to take part in our decision-making process. This had reduced from 91.04% last year to 85.84% this year.

Review of Business 2019/20 (cont'd)

4.3 Rental Income Performance

- Rent collected for 2019/20 was 98.37% of monies due;
- The gross rent arrears, (adjusted for technical and w/offs as per ARC Report) had increased to £286,242 (8.89% of rental income) at the end of 2019/20;
- At the end of 2019/20, 64 tenants owed more than £1000. The total debt of these cases was £153,014, which accounts for half the debt;
- Rental income continued to be affected by Welfare Benefit Reform and Universal Credit throughout 2019/20;
- Income Advice Officer continues to provide an excellent service and to date she has accessed in excess of £2.4m in financial gains for tenants and the Association and the Drop- in service proved to be a great success; and
- The Income Advice Officer provided excellent assistance to 500 service users.

4.4 Housing & Customer Service: in 2020/21:-

4.4.1 We will continue to work with a variety of support providers to assist those affected by:-

- Domestic Violence;
- Numeracy and literacy issues;
- Mental health;
- Multiple debts including debts accrued or increased as a result of Covid-19;
- Alcohol and drugs misuse;
- Victim Support;
- People with Physical and Learning Difficulties; and
- Support services for very young tenants.

4.4.2 Voids/allocations:

- We are moving into our third year of operating the Common Housing Register with four of our neighbouring Housing Associations. However, we will be reviewing the Common Housing Register outcomes over the period, during this year, to ensure it is meeting the policy outcomes we wish to deliver and meeting the needs of our applicants;
- The targets we have set for 2020/21 are focused on increasing lets to homeless applicants, whilst continuing to rehouse other priority groups. We have set an ambitious target of 35% for homeless households, up 10% from 2019/20; and
- In addition, we will be reviewing Homeless Temporary Furnished Flat provision within our stock with Glasgow City Council, aimed at settling existing occupiers where this meets their housing needs and replacing some provision that has been in place for many years.

4.4.3 Customer Satisfaction

- We will continue to work throughout this year with TPAS and our tenants to deliver against an action plan developed as a result of our participation in the Next Steps Programme; and
- We will continue to review out opportunities for consultation with our tenants and service users to ensure we consult widely.

Review of Business 2019/20 (cont'd)

4.4.4 Rental Income

- We will carry out a rent affordability exercise;
- We aim to reduce the numbers of tenants owing rent and we will focus our support to those individuals and families as well as those who have accrued debt over many years and the policy will be updated accordingly;
- To date we have 161 tenants who are in receipt of UC and collectively they owe around £154,608. The Income Advice Officer and Housing Officers will continue to support these tenants as well as those who have accrued rent arrears directly as a result of Covid-19; and
- We aim to increase our rental income and to reduce our current arrears to the set target of 8.22%.

5 Maintenance

5.1 Works carried out 2019/20 included:

- 96 Kitchens;
- 61 Bathrooms;
- 37 Boilers;
- New Doors and Screens Phases 1 & 2;
- New vinyl in 8 closes;
- 3,275 repairs on average carried out per year;
- 100% Gas servicing;
- Back court areas identified for new wheelie/euro bin roll out by GCC, joint visits with GCC and Staff work to be agreed and Tendered;
- Kitchen Replacements to Phases 3, 4G & 5;
- Bathroom Replacements to Phases 2A & 2B;
- Cyclical and Planned works due to start October/November;
- Smoke alarm upgrades to meet new legislation ongoing;
- Boiler Replacements; and
- Procurement of Consultants.

5.2 2020/21 Maintenance Plans include:

- Deliver £1.1m of planned maintenance investment;
- Continue to work with Scottish Water in a positive manner on the drainage impact assessment for the area;
- Procure several contracts delivering community benefits and value for money including;
- Repairs and Voids;
- Cyclical Painting, Electrical testing; and
- Gutter Cleaning, roof anchor testing/installation.

Review of Business 2019/20 (cont'd)

With the ongoing Pandemic and restrictions on working practices we may find that what we have budgeted for may not be deliverable, either through unforeseen cost rises or length of time to procure and complete a project due Social Distancing and changed methods of delivery. The Construction Industry Coronavirus (CICV) Forum has published several updates to the Building Industry one of which stated "It would be insanity to enter into contracts on normal terms at normal prices knowing what lies ahead for at least the short and likely medium term." As part of this they are advising clauses in new contracts to cover any delay, disruption or suspension of the works due to any published government guidance, updated risk assessments or operating restrictions or changes in legislation in relation to a pandemic, which we as the client would incur. We will continue to work closely with our existing Contractors as well as review updates and advice from the Government, Regulator and Housing Sector to ensure we obtain the best quality and value for money for our Tenants and prioritise what Contracts we pursue as we move forward.

6 Finance & Corporate Services Summary

6.1 Highlights from 2019/20 Accounts

- Turnover - £3.9 million
- Operating Costs - £2.8 million
- Surplus for Year - £1.2 million
- Housing Properties - £28.3 million
- Cash - £2.0 million
- Housing Loans - £8.2 million
- Revenue Reserves - £6.6 million
- Loan Financial Covenants Compliance

This is the second year of the SHAPS Pension Scheme being accounted for as a defined scheme since information became available to separate out the assets and the liabilities between Association scheme members. It initially resulted in an accounting charge of £189k whereas this year the scheme has eliminated the accounting deficit. In future years there is likely to be more volatility arising from this new valuation as can be seen with the Strathclyde pensions scheme having a deficit in the prior year whereas this year has incurred an actual gain. This is managed by taking a long-term view of pensions and keeping abreast of assumptions used by the actuaries.

6.2 Value for Money (VFM)

- New Value for Money policy approved by Committee and now appearing on website;
- Continuing commitment to saving money through lower costs and efficiency savings; and
- Procurement policy requires competitive tendering for new contracts.

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

Review of Business 2019/20 (cont'd)

6.3 Freedom of Information (FOI)

- Wellhouse Housing Associations is now covered by Freedom of Information legislation as of 11th November 2019;
- A Model Publication Scheme has been adopted and Scottish Information Commissioners guidance is being followed;
- Wellhouse website has been updated to reflect the updated guidance on Open All Hours Framework; and
- Quarterly statistical reporting to Scottish Information Commissioner.

6.4 2020/21: the year ahead

- Consolidate the Value for Money function and ensure it is reviewed regularly and remains fit for purpose;
- Consolidate the Freedom of Information function and continue to look for improvements in the way this function is carried out; and
- Carry out a full review of the IT function and introduce new software/hardware where appropriate;

7 Key performance indicators as reported in 2019/20 Annual Return on the Charter

KPI Brief Description	KPI Target	2019/20 Actual (ARC)
Rent Collected as % of total rent due for year	100%	98.37%
Gross Rent Arrears as % of rent due for year (Current & Former Tenants)	4.50%	8.89%
% of Void Rent Loss	0.80%	0.19%
Average time to complete EME repairs	4 hours	2.06 hours
Average time to complete NON-EME repairs	6 days	3.72 days
Reactive repairs carried out completed right first time	100%	99.81%

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1. Each member of the Management Committee holds one fully paid share of £1 in the Association with the exception of Co-optees to the Management Committee.

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

Statement of the Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Statement of Recommended Practice for Social Housing Providers issued in 2018 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement on Internal Financial Control

During financial year 19/20 there has been a considerable focus on the governance and financial management of the Association.

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control that is appropriate for the business environment in which it operates. The Management Committee acknowledges that a number of significant weaknesses were identified from the various external reviews and investigations undertaken on behalf of the Management Committee in the previous financial years – in the main, relating to the years prior to 2015. Steps were taken to remedy these deficiencies in the systems of internal financial control and the Association was fully implemented by means of a detailed Governance Improvement Plan, which was completed by the end of 2016.

By that time, all financial regulations and procedures were reviewed and updated to reflect good practice, a firm of Internal Auditors was appointed, a rolling programme of internal audit is being undertaken and a number of substantial operational improvements have been made. At the date of signing the financial statements the Management Committee is satisfied that steps are being taken to ensure that there is appropriate planning, monitoring and control of the Association's financial and business affairs and that the financial control system in place is satisfactory and appropriate to the size and complexity of the organisation.

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

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

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

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

Statement on Internal Financial Control (cont'd)

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

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

The Management Committee has reviewed the system of internal financial controls in existence in the Association for the year ended 31 March 2020 and until the date these financial statements have been signed. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

Donations

During the year the Association made charitable donations of £2,100 (2019: £Nil).

Auditor

The appointed auditor, Scott-Moncrieff, tendered their resignation during 2019 and were replaced by Scott-Moncrieff Audit Services. Scott-Moncrieff Audit Services have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

Disclosure of information to the auditor

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

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

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

By order of the Management Committee

Martin Wilkie-McFarlane



Secretary

Dated: 27 August 2020

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2020

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

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for any non-compliance.

Opinion

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

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

Scott - Moncrieff Audit Services

Scott-Moncrieff Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
25 Bothwell Street
Glasgow
G2 6NL

Dated: 27 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

WELLHOUSE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Matters on which we are required to report by exception

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

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

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 9, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

WELLHOUSE HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Use of our report

This report is made solely to the association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott - Moncrieff Audit Services

Scott-Moncrieff Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
25 Bothwell Street
Glasgow
G2 6NL

Date: 27 August 2020

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
Turnover	4	3,863,455	3,830,198
Operating expenditure	4	(2,805,620)	(2,754,053)
Operating surplus	4	1,057,835	1,076,145
Release of negative goodwill	15	38,134	38,134
Gain on sale of property, plant and equipment	10	-	3,541
Interest receivable and other income		7,322	5,881
Interest and financing costs	11	(256,912)	(290,942)
Movement on fair value of commercial properties	13	-	25,000
		(211,456)	(218,386)
Surplus before tax		846,379	857,759
Taxation	12	-	-
Surplus for the year		846,379	857,759
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	24	-	(172,000)
Actuarial gain/(loss) in respect of pension scheme	24	309,524	(17,000)
Total comprehensive income for the year		1,155,903	668,759

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020**

	Share Capital £	Revenue Reserve £	Total Reserve £
Balance at 1 April 2019	196	5,404,225	5,404,421
Total comprehensive income for the year	-	1,155,903	1,155,903
Issue of shares	4	-	4
Cancellation of shares	(82)	-	(82)
Balance at 31 March 2020	<u>118</u>	<u>6,560,128</u>	<u>6,560,246</u>

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

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

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Notes	£	2020 £	£	2019 £
Tangible fixed assets					
Housing properties – depreciated cost	13(a)		28,300,716		28,874,845
Other non-current assets	13(b)		1,343,643		1,376,927
			29,644,359		30,251,772
Negative goodwill	15		(1,067,759)		(1,105,893)
			28,576,600		29,145,879
Current assets					
Debtors	16	263,913		128,912	
Cash and cash equivalents	17	2,018,751		1,768,920	
			2,282,664	1,897,832	
Creditors: amounts falling due within one year	18	(1,322,355)		(1,514,924)	
Net current assets			960,309		382,908
Total assets less current liabilities			29,536,909		29,528,787
Creditors: amounts falling due after more than one year	19		(22,976,663)		(23,767,802)
Pension defined benefit liability	24		-		(356,564)
Net assets			6,560,246		5,404,421
Capital and reserve					
Share capital	21		118		196
Revenue reserve	22		6,560,128		5,404,225
			6,560,246		5,404,421

The financial statements were approved by the Management Committee on 27 August 2020 and signed on their behalf by:

Darron Brown



Chair

Maureen Morris



Vice Chair

Martin Wilkie-McFarlane



Secretary

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Net cash generated from operating activities	28		1,169,795		1,532,319
Cash flow from investing activities					
Purchase of components for housing properties		(443,818)		(726,067)	
Proceeds of sale of other property, plant and equipment		-		3,541	
Government Capital grants received		-		-	
Interest received		7,322		5,881	
Net Cash outflow from investing activities			(436,496)		(716,645)
Cash flow from Financing Activities					
Interest paid on loans		(248,912)		(281,942)	
Loan principal repayments		(234,560)		(230,854)	
Share capital issued		4		6	
Net cash outflow from financing			(483,468)		(512,790)
Net change in cash and cash equivalents			249,831		302,884
Cash and cash equivalents at 1 April	17		1,768,920		1,466,036
Cash and cash equivalents at 31 March	17		2,018,751		1,768,920

(i) Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	Other non- cash changes £	At 31 March 2020 £
Cash and cash equivalents				
Cash	1,768,920	249,831	-	2,018,751
	1,768,920	249,831	-	2,018,751
Borrowings				
Debt due within one year	(219,625)	(1,713)	-	(221,338)
Debt due after one year	(8,169,783)	236,273	-	(7,933,510)
	(8,389,408)	234,560	-	(8,154,848)
Total	(6,620,488)	484,391	-	(6,136,097)

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2020. These financial statements comprise the results of the Association only.

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

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

The Association's Scottish Charity number is SC036552.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018.

The effect of events relating to the year ended 31 March 2020, which occurred before the date of approval of the financial statements by the Management Committee have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2020 and of the results for the year ended on that date.

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

The principal accounting policies are set out below.

Going concern

The Association has generated a healthy surplus in recent years and the Committee believes that the Association will carry on this trend for the foreseeable future. In addition to this, the Association has healthy cash reserves and a strong net assets position. The Management Committee have therefore adopted the going concern basis in preparing the financial statements. This conclusion has been arrived at after considering the expected impact of Covid-19 to the Association's operations and financial performance.

Turnover

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

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

2. Principal accounting policies (cont'd)

Apportionment of management expenses

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

Government capital grants

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

Government revenue grants

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

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the Association is entitled to them, it is probable they will be received and they can be measured reliably.

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

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

Interest receivable

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

Interest and financing costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Principal accounting policies (cont'd)

Valuation of housing properties

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

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

Depreciation and impairment of other fixed assets

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

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

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

Works to existing properties

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

Capitalisation of development overheads

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

Development interest

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

2. Principal accounting policies (cont'd)

Commercial properties

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

Leases/leased assets

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

Negative goodwill

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

Debtors

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

Rental arrears

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

Cash and cash equivalents

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

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Loans

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

2. Principal accounting policies (cont'd)

Financial instruments

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

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

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

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

Retirement benefits

The Scottish Housing Association Defined Benefits Pension Scheme (Note 24)

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

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

3. Judgements in applying policies and key sources of uncertainty

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

The Management Committee consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

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

Estimate

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPS pension scheme

The valuation of the commercial properties

Basis of estimation

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

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

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account. This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

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

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

4. Particulars of turnover, operating expenditure and operating surplus

	Notes	Turnover £	Operating Expenditure £	2020 Operating surplus £	Turnover £	Operating Expenditure £	2019 Operating surplus £
Affordable lettings	5	3,792,478	(2,719,361)	1,073,117	3,763,110	(2,658,697)	1,104,413
Other activities	6	70,977	(86,259)	(15,282)	67,088	(95,356)	(28,268)
Total		3,863,455	(2,805,620)	1,057,835	3,830,198	(2,754,053)	1,076,145

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

5. Particulars of income and expenditure from social letting activities

	General Needs Housing £	2020 Total £	2019 Total £
Income from lettings			
Rent receivable net of identifiable service charges	3,218,894	3,218,894	3,110,858
Service charges receivable	-	-	137
Gross rents receivable	3,218,894	3,218,894	3,110,995
Less: Rent losses from voids	(13,229)	(13,229)	(9,800)
Net rents receivable	3,205,665	3,205,665	3,101,195
Release of deferred government capital grants	561,945	561,945	602,310
Other revenue grants	24,868	24,868	59,605
Total income from affordable letting activities	3,792,478	3,792,478	3,763,110
Expenditure on affordable letting activities			
Service costs	-	-	206
Management and maintenance administration costs	1,057,245	1,057,245	959,467
Reactive maintenance costs	409,179	409,179	427,776
Bad debts – rents and service charges	72,746	72,746	(15,975)
Planned and cyclical maintenance	94,899	94,899	124,462
Major repairs	45,200	45,200	117,184
Stage 3 repairs	22,147	22,147	39,105
Depreciation of social housing	1,017,945	1,017,945	1,006,472
Operating expenditure for affordable letting activities	2,719,361	2,719,361	2,658,697
Operating surplus on letting activities, 2020	1,073,117	1,073,117	
<i>Operating surplus on letting activities, 2019</i>	<i>1,104,413</i>		<i>1,104,413</i>

Included in depreciation of affordable housing is £23,862 (2019: £43,369) in respect of the loss on disposable components.

There is no supporting housing accommodation or shared ownership accommodation.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting People income £	Other income £	Total Turnover £	Operating expenditure - bad debts £	Other operating expenditure £	2020 Operating surplus/ (deficit) £	2019 Operating surplus/ (deficit) £
Wider role activities	-	-	-	13,631	13,631	(120)	(5,618)	7,893	-
Factoring	-	-	-	-	-	-	-	-	9,069
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Agency / management services	-	-	-	-	-	-	-	-	-
Commercial and hub activity	-	-	-	52,248	52,248	-	(27,016)	25,232	4,552
Tenant participation costs	-	-	-	-	-	-	(8,394)	(8,394)	(5,711)
Re-chargeable repair bad debts	-	-	-	-	-	(2,828)	-	(2,828)	(11,935)
Connect Community Trust	-	-	-	-	-	-	(23,400)	(23,400)	(30,747)
Shared equity property sales	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	5,098	5,098	(18,883)	-	(13,785)	6,504
Total from other activities 2020	-	-	-	70,977	70,977	(21,831)	(64,428)	(15,282)	
<i>Total from other activities 2019</i>	-	-	-	67,088	67,088	(11,935)	(83,421)		(28,268)

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Directors' emoluments

The directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. No emoluments were paid to any member of the Management Committee during the year (2019: £nil). The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

	2020 £	2019 £
Emoluments payable to the Director (excluding pension contributions)	68,775	67,325
Pension contributions in respect of the Director	6,877	6,723
Only the director received emoluments greater than £60,000		
Total emoluments paid to key management personnel	197,258	191,174
Employer NI in respect of key management personnel	22,584	21,740
Pension contributions payments in respect of key management personnel	15,284	16,767
	235,126	229,681

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

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

	2020 Number	2019 Number
£60,001 to £70,000	1	1

8. Employee information

	2020 Number	2019 Number
The average number of full-time equivalent persons employed during the year was:	20	19
The average total number of employees employed during the year was	20	20
Staff costs were:	2020 £	2019 £
Wages and salaries	613,247	569,221
Society security costs	58,180	52,306
Other pension costs	52,422	42,767
	723,849	664,294

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employee information (cont'd)

Year ended 31 March 2020

During the year, past service deficit contributions of £56,693 (2019: £54,091) were paid. Of this payment, £55,040 (2019: £52,438) was a payment in respect of the SHAPS past service deficit liability. The remainder of £1,653 (2019: £1,653) was pension management costs which have been included in the pension contributions total included in staff costs above.

9. Operating surplus

	2020	2019
	£	£
Surplus before tax is stated after charging:		
Depreciation - Tangible Fixed Assets	1,027,367	998,547
- Loss on disposed components	23,862	43,369
Auditor's Remuneration - Audit services (exc VAT)	9,270	9,015
- Other services (exc VAT)	4,226	1,255
Internal Auditor's fees (exc VAT)	11,040	11,040
Operating lease rentals – other	9,070	10,772
	1,084,835	1,073,998

10. Gain on sale of property, plant and equipment

	2020	2019
	£	£
Proceeds on sale of property, plant and equipment	-	3,541
Net book value of assets at time of sale	-	-
	-	3,541

11. Interest and financing costs

	2020	2019
	£	£
Defined benefit pension liability – interest charge (Note 24)	8,000	9,000
On bank loans and overdrafts	248,912	281,942
	256,912	290,942

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12. Tax on surplus on ordinary activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities Nil (2019: £nil). No tax is due on the Association's other activities due to the losses incurred Nil (2019: £nil).

13. Tangible fixed assets			
(a) Housing properties			
Cost	Housing properties held for letting £	Housing properties under construction £	Total £
At 1 April 2019	40,605,983	80,530	40,686,513
Additions - properties	-	-	-
Additions - components	443,818	-	443,818
Disposals - properties	-	-	-
Disposals - components	(208,440)	-	(208,440)
At 31 March 2020	40,841,361	80,530	40,921,891
Depreciation			
At 1 April 2019	11,811,668	-	11,811,668
Charge for year	994,085	-	994,085
On disposals – properties	-	-	-
On disposals - components	(184,578)	-	(184,578)
At 31 March 2020	12,621,175	-	12,621,175
Net Book Value			
At 31 March 2020	28,220,186	80,530	28,300,716
At 31 March 2019	28,794,315	80,530	28,874,845

Additions to housing properties include capitalised development administration costs of £Nil (2019: £nil) and capitalised interest of £Nil (2019: £nil).

Included in freehold housing properties is land with a historic cost allocation of £1,307,306 (2019: £1,307,306).

All land and properties are freehold.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13. Tangible fixed assets

(b) Other fixed assets	Commercial properties	Office premises (leasehold)	Office furniture & equipment	Total
Cost	£	£	£	£
As at 1 April 2019	340,000	1,395,549	187,928	1,923,477
Additions	-	-	-	-
Revaluations	-	-	-	-
Disposals	-	-	(3,132)	(3,132)
As at 31 March 2020	340,000	1,395,549	184,796	1,920,345
Aggregate Depreciation				
As at 1 April 2019	-	371,693	174,857	546,550
Charge for year	-	24,951	8,333	33,284
Depreciation on disposals	-	-	(3,132)	(3,132)
As at 31 March 2020	-	396,644	180,508	576,702
Net Book Value				
At 31 March 2020	340,000	998,905	4,738	1,343,643
At 31 March 2019	340,000	1,023,856	13,071	1,376,927

The commercial properties (4 shop units) were revalued by Jones Lang La Salle, Chartered Surveyors, at 30 April 2019 on a market basis. The Management Committee consider this to be the fair value at 31 March 2020.

The office is built on land leased. The lease expires on 23 June 2063.

14. Housing stock

2020
£

2019
£

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

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

15. Negative goodwill

2020
£

2019
£

Gross	1,449,101	1,449,101
Amortisation		
As at 1 April	(343,208)	(305,074)
Released during the year	(38,134)	(38,134)
	(381,342)	(343,208)
Net position at 31 March	1,067,759	1,105,893

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

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

16. Debtors	2020	2019
	£	£
Arrears of rent and service charges	299,146	224,326
Less: Provision for doubtful debts	(204,949)	(140,587)
	94,197	83,739
Social housing grant receivable	24,868	-
Other debtors	144,848	45,173
	263,913	128,912
All amounts shown under debtors fall due for payment within one year.		
17. Cash and cash equivalents	2020	2019
	£	£
Cash at bank and in hand	2,018,751	1,768,920
18. Creditors: amounts falling due within one year	2020	2019
	£	£
Bank loans (note 19)	221,338	219,625
Trade creditors	211,712	441,189
Rent in advance	97,102	81,223
Other creditors	118,605	117,238
Accruals	114,849	89,820
Deferred capital grant (note 20)	558,749	565,829
	1,322,355	1,514,924

At the year-end other creditors included outstanding pension contributions of £11,503 (2019: £10,800).

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

19. Creditors: amounts falling due after more than one year	2020	2019
	£	£
Bank loans	7,933,510	8,169,783
Deferred capital grants (note 20)	15,043,153	15,598,019
	22,976,663	23,767,802

Bank loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year-end was £23,447,129 (2019: £23,922,791). The loans are repayable at rates of interest of between 1.12% to 4.40% in instalments, due as follows:

Amounts due within one year	221,338	219,625
Amounts due between one and two years	221,432	224,560
Amounts due between two and five years	672,077	681,456
Amounts due in more than five years	7,040,001	7,263,767
	8,154,848	8,389,408
Less: amount shown in current liabilities	(221,338)	(219,625)
	7,933,510	8,169,783

20. Deferred capital grants	2020	2019
	£	£
Balance at 1 April	16,163,848	16,766,158
Grants received in year	-	-
Released to income in year – components disposed	(3,196)	-
Released to income in year – Housing properties	(535,157)	(555,253)
Released to income in year – Other fixed assets (office)	(23,593)	(47,057)
Balance at 31 March	15,601,902	16,163,848
Split as follows:		
Amounts due within one year	558,749	565,829
Amounts due between one and two years	558,749	565,829
Amounts due between two and five years	1,676,247	1,697,487
Amounts due in more than five years	12,808,157	13,334,703
	15,601,902	16,163,848

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. Share capital	2020 £	2019 £
Shares of £1 each issued and fully paid		
At 1 April	196	308
Shares issued in year	4	6
Shares cancelled in year	(82)	(118)
	<hr/>	<hr/>
At 31 March	118	196
	<hr/>	<hr/>

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

22. Revenue reserve

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

23. Related party transactions

3 members (2019: three) of the Committee at the year-end are tenants of the Association. Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage. The total rent charged in the year relating to tenant Management Committee members is £15,643 (2019: £16,236). The total rent arrears relating to tenant Management Committee members is £1,174 (2019: £1,929). The total prepaid rent relating to tenant Management Committee members is £1 (2019: £15).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

24. Retirement benefit obligations

General

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

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

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

Defined benefit scheme

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

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

Final Salary with a 1/60th Accrual Rate Scheme

There was an annual employer past service deficit contribution of £55,040 made in the year ended 31 March 2020 (2019 - £52,438).

As at the Statement of Financial Position date there are no active members (2019: *nil*) of the defined benefit scheme employed by Wellhouse Housing Association Limited. The last remaining member transferred to the defined contribution scheme during the year to 31 March 2019. Wellhouse Housing Association Limited no longer offers membership to the defined benefit scheme with all existing and new staff offered the defined contribution scheme.

The last triennial valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £877 million. The valuation revealed a shortfall of assets compared to liabilities of £121 million, equivalent to a past service funding level of 89%

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

24. Retirement benefit obligations (cont'd)

General (cont'd)

Accounting treatment from 1 April 2018

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

At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £172,000 to recognise a liability of £384,000 as at 1 April 2018.

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	1,576	1,439
Present value of defined benefit obligation	(1,576)	(1,796)
Defined benefit liability to be recognised	-	(357)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

24. Retirement benefit obligations (cont'd)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020 £'000	Year ended 31 March 2020 £'000
Defined benefit obligation at start of period	(1,796)	(2,028)
Current service cost	-	-
Expenses	(2)	(2)
Interest expense	(42)	(47)
Actuarial (losses)/gains due to scheme experience	28	(1)
Actuarial (losses)/gains due to changes in demographic assumptions	10	(5)
Actuarial (losses)/gains due to changes in financial assumptions	186	(128)
Benefits paid and expenses	40	415
Defined benefit liability at the end of the period	(1,576)	(1,796)

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	1,439	1,644
Interest income	34	38
Experience on plan assets (excluding amounts included in interest income) - gain	86	117
Contributions by the employer	57	55
Benefits paid and expenses	(40)	(415)
Fair value of plan assets at end of period	1,576	1,439

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current service cost	-	-
Admin expenses	2	2
Net interest expense	8	9
Defined benefit costs recognised in Statement of Comprehensive Income	10	11

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

24. Retirement benefit obligations (cont'd)

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain)	86	177
Experience gains and losses arising on the plan liabilities – gain	28	(1)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	10	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	186	(128)
Total amount recognised in other comprehensive income – gain/(loss)	310	(17)

Fund allocation for employer's calculated share of assets

	31 March 2020 £'000	31 March 2019 £'000
Absolute Return	97	122
Alternative Risk Premia	126	80
Corporate Bond Fund	115	101
Credit Relative Value	38	25
Distressed Opportunities	29	25
Emerging Markets Debt	56	46
Fund of Hedge Funds	-	4
Global Equity	217	232
Infrastructure	93	60
Insurance-Linked Securities	42	37
Liability Driven Investment	415	512
Long Lease Property	39	17
Net Current Assets	12	1
Over 15 Year Gilts	20	37
Private Debt	31	19
Property	29	29
Risk Sharing	50	42
Secured Income	88	50
Liquid Credit	41	-
Opportunistic Illiquid Credit	38	-
Total Assets	1,576	1,439

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

Assumptions as at	31 March 2020 % per annum
Discount rate	2.36
Inflation (RPI)	2.58
Inflation (CPI)	1.58
Salary growth	2.58
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**24. Retirement benefit obligations (cont'd)**

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2039	22.8
Female retiring in 2039	24.5

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

Member data summary**Active members**

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

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	2	29	50
Females	5	17	44
Total	7	46	46

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	2	16	67
Females	2	18	66
Total	4	34	67

24. Retirement benefit obligations (cont'd)

Employers debt on withdrawal

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

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

The Association has been notified by The Pensions Trust of the estimated debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated debt for the Association was £1,291,940.

25. Connect Community Trust

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

During the year Connect Community Trust charged the Association £Nil (2019: £1,656) for the Facilities Management service, £Nil (2019: £4,613) for maintenance work, and £Nil (2019: £10,747) as a settlement figure in relation to termination of the Facilities Management contract. The Association made £1,000 (2019: £nil) of donations in the year.

During the year the Association charged the Trust £8,125 (2019: £4,000) for Rent at Newhills Road, and £7,399 (2019: £9,402) for service costs associated with the Hub lease.

The Association granted funding of £21,300 (2019: £20,000) to Connect Community Trust during the year, however, this grant has not been claimed and is included in accruals at the year-end (2019: £nil).

During the year, the Association incurred expenses on behalf of the Trust to include rent, electricity, gas, rates and repairs, buildings insurance and use of the board room at 49 Wellhouse Crescent amounting to £18,610 (2019: £23,000) that were not recharged. At the year end, the Association owed Connect Community Trust £Nil (2019: £5,000) and Connect Community Trust owed the Association £21,585 (2019: £10,061).

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

26. Capital commitments	2020	2019
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	64,333	-
Funded by:		
Grants	-	-
Reserves	64,333	-
Private finance	-	-
	64,333	-
27. Commitments under operating leases		
At the year end, the total future minimum payments under operating leases were due as follows:		
	2020	2019
	£	£
Equipment:		
Not later than one year	9,019	10,960
Later than one year and not later than five years	-	1,844
More than five years	-	39
	9,019	12,843
28. Net cash flow from operating activities	2020	2019
	£	£
Surplus for the year	846,379	857,759
Adjustments for non-cash items:		
Carrying amount of housing property disposals	-	-
Depreciation of housing properties	1,017,947	1,006,472
Depreciation of other fixed assets	33,284	35,444
Decrease in stocks	-	-
Decrease/(increase) in debtors	(135,001)	40,091
(Decrease)/increase in creditors	(187,202)	30,031
Proceeds from sale of fixed assets	-	(3,541)
SHAPS past service deficit remeasurement	1,652	(1,000)
Release of negative goodwill	(38,134)	(38,134)
Movement on fair value of commercial properties	-	(25,000)
Adjustments for investing and financing activities:		
Interest payable	256,912	290,942
Interest received	(7,322)	(5,881)
Release of deferred Government capital grant	(561,945)	(602,308)
Forfeited share capital	(82)	(118)
SHAPS deficit contribution paid	(56,693)	(52,438)
Net cash generated from operating activities	1,169,795	1,532,319

