

**20 August 2020**

Dear Member,

The next Management Committee will be held on **27 August 2020, at 11:00am via Zoom. Management Team will join the meeting at 11:30am.**

	<b>Agenda Item</b>	<b>Lead</b>	<b>Time</b>	
1.	Committee Appraisals/Succession and Development Plan. <b>(Closed session – Linda Ewart &amp; Committee only)</b>	Linda Ewart	30 min	Discussion
2.	Welcome, <i>Sederunt</i> & Apologies	Chair	1 min	Verbal
3.	Declarations of Interest.	Chair	1 min	Verbal
4.	Draft Annual Statutory Accounts Report  Appendix 1 - Draft Statutory Account Appendix 2 - Auditors Management report Appendix 3 - Letter of Representation Appendix 4 - SHR Annual Financial Statement (Verbal) Appendix 5 - FCA Return	Scott Moncrief	30 min	Approval
5.	30 Year Financial Projections – incorporating SHR -FYFP	Finance Manager	15 min	Approval
6.	Operational update	Management Team	10 min	Note
7.	AOCB	Chair	2 min	

Meeting close: 12:45pm, Next Meeting: 23 September 2020 - SGM &amp; AGM at 6pm.

Wellhouse Housing Association  
Committee Member Annual Reviews 2020



Linda Ewart  
August 2020

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## Introduction

1.1 Wellhouse Housing Association annually reviews the contribution made to its governance by the members of its Management Committee. These annual reviews are good practice as they provide an opportunity for the Chair to meet with each member individually to talk about their voluntary contribution to Wellhouse.

1.2 Additionally, as a Registered Social Landlord, Wellhouse is required to comply with the Regulatory Standards of Governance and Financial Management published by the Scottish Housing Regulator<sup>1</sup>. These Standards require the individual contributions of committee members and the collective performance of the committee to be reviewed and also require that there is a formal and active approach to succession planning<sup>2</sup>.

1.3 Wellhouse has developed its framework for committee reviews to reflect the good practice advice published by SFHA. A template, which is revised annually, is used to provide a consistent structure for each discussion and each committee member is provided with a confidential note of their meeting. A Feedback Report is presented to the committee to ensure that members are aware of the themes and action points that have been identified in the reviews. A separate Succession / Learning and Development Plan is prepared to inform recruitment and prioritise training.

1.4 This report describes the 2020 annual reviews and forms part of the Evidence Bank that Wellhouse maintains to provide assurance to the Management Committee and demonstrate compliance with the regulatory requirements.

1.5 2020 is an exceptional year. The annual reviews took place in June, during the early stages of Phase 2 of the Scottish Government's Routemap through the Covid-19 emergency. Consequently, the discussions were conducted on-line, using Zoom, which is the platform that has supported Wellhouse's governance arrangements since restrictions were introduced to deal with the emergency in March. The interviews were led by the Chair, supported by Linda Ewart, who has performed a similar role in previous years and who prepared the individual notes and this feedback report.

1.6 At the time of the reviews, Wellhouse had eight committee members, two of whom had been appointed recently and did not, therefore, take part. Consequently, six interviews were completed. Wellhouse's Rules (and the SHR's Constitutional Standards) specify that the Management Committee must have a minimum of seven members to function. The current membership is, therefore, close to the minimum and it is recommended that, if the AGM does not result in additional members joining, recruitment should be prioritised. The succession plan identifies priorities for future recruitment.

1.7 The report follows the structure of the interview template and focuses on the collective aspects of the review discussions.

<sup>1</sup> SHR Regulatory Framework 2019

<sup>2</sup> Regulatory Standards 6.1, 6.2, 6.3

## Reasons for Being Involved

2.1 All of Wellhouse's committee members are volunteers and so it is important that each individual feels that their contribution is worthwhile. As well as providing an opportunity for the Chair to provide some feedback on individual contributions, these annual discussions enable Wellhouse to gather useful information that can be used to support future recruitment. When describing the role of a voluntary committee member, it is very important to be able to explain what makes volunteering enjoyable and rewarding. As it is likely that Wellhouse will seek to recruit new members soon, some of the information provided in this report could be included in the recruitment packs that are provided to potential candidates.

2.2 There is agreement that the current committee is made up of people who work well together, even in difficult circumstances. Everyone is focussed on doing the best they can for Wellhouse and committee members get a lot of satisfaction from being part of something that is practical, makes a difference and has an impact on the local community. Committee members have different perspectives and experience; everyone remarked on the respect that is evident for these different outlooks and ideas and they value the opportunity to work with and learn from people they might not otherwise be in contact with.

2.3 The last year has been especially challenging and committee members believe that swift and effective communication, amongst the committee and with staff, has helped to support effective actions and decisions.

2.4 Half of committee members live locally but everyone is clearly committed to Wellhouse. The blend of experience and knowledge is recognised as being one of the committee's strengths. Committee members acknowledge that living locally means that they have first-hand experience and knowledge of how the committee's decisions and the association's activities impact on the community. This very strong advantage can sometimes be off-set by the significant and not always positive attention of members of the community.

2.5 Everyone talked about the importance of being able to 'give something back': for local people, this can be about investing in their own community and helping to influence what happens; for people without that local connection, it can be about contributing their professional expertise and knowledge to a community and purpose that they want to support and, for some, with which they still have family connections.

### Suggestions

1. Priorities committee recruitment to sustain governance effectiveness and supplement existing skills, knowledge and experience
2. Include feedback from the reviews in the recruitment packs issued to potential candidates to describe the benefits of volunteering as a committee member

## Review of the Last Year

3.1 Committee members agree that the last year has been very challenging (Connect was mentioned specifically), but there is also agreement that the way in which Wellhouse has responded demonstrates the strength of its governance. Everyone referred to how well the committee works together, especially in difficult circumstances. It was suggested that, if Wellhouse's governance wasn't sound, the effect of the 2019 AGM events would have been much worse: as it was, the committee has maintained a dignified approach throughout. Committee members are confident that the decisions that have been taken will improve matters and will be effective. Although the committee is satisfied that events have been handled as well as they could, there is also an appetite to review what happened and to learn any lessons for the future.

3.2 Committee members feel able to express their views openly and honestly and are confident that they will always be listened to – by their colleagues and by staff. There is a very strong sense of mutual respect amongst committee members, who listen to each other and are prepared to 'agree to disagree' – and to find an acceptable way forward that everyone can support. There is no reluctance to engage in difficult conversations and opinions can be expressed forthrightly but, equally, issues are resolved and the committee stands firmly together: collective responsibility is taken seriously and is upheld. It was noted that the events of the last year have demonstrated the strength of talent that is present in the committee and there is satisfaction that the committee has been 'on the ball'; it has adapted when necessary and been restrained when appropriate.

3.3 The discussions indicated that there is no sense of complacency: committee members recognise that their role is to ask questions and it is clear that several members regularly challenge themselves as to whether they are asking the right questions. Committee members appreciate that their role is recognised and respected by the senior staff and there is agreement that the relationship between the committee and the management team is constructive and effective.

3.4 Committee members believe that the initial response to the Covid-19 emergency, in terms of the office and staff, was the right approach: it was 'good and clear' and communication was prioritised. There is, however, a lot of disquiet about the weaknesses that have been identified in the IT capability, which has compromised the effectiveness of Wellhouse's actions. Committee members recognise that staff have been inventive in finding work-arounds for many of the issues that have emerged. It was agreed that it is important to 'look back and learn'. Some uncertainty was apparent in respect of the planning for the future, although there is confidence that decisions will be made in the right way.

## Suggestions

3. Review events relating to the 2019 AGM and Connect and identify lessons for the future
4. Undertake a 'lessons learned' exercise about Wellhouse's response to Covid-19 to inform plans for re-starting services / reviewing future activities; take account of wider sector experience too

## Fulfilling the Role

4.1 Committee members were asked to self-assess their confidence in the key governance responsibilities: the outcomes are presented in the table below:

Level of Confidence	Very	Reasonably
Explaining WHA's role to tenants and others	5	1
Understanding the bigger picture and how it affects Wellhouse	5	1
Contributing to discussions at meetings and having your views listened to	5	1
Being aware of and meeting the requirements of the Code of Conduct	6	
Asking questions and obtaining information from WHA staff	6	
Dealing with difficult issues	6	

4.2 These results show a strong level of confidence in the key governance responsibilities and reflect the discussions overall. Some committee members work in housing and share their professional knowledge and experience during discussions. Other committee members attend regular meetings in wellhouse and the wider community and feedback to the committee. The Code of Conduct is very prominent for everyone: as people remarked, the committee has plenty of practical and recent experience in applying and upholding its requirements.

## Committee Skills, Knowledge and Experience

5.1 During the conversations, committee members acknowledged the wide range of experience that members bring to the table. To help inform training and succession planning – and to provide a focus for recruitment – the following profile has been developed to illustrate the current strengths of Wellhouse's Management Committee.

- Customer experience of Wellhouse as a landlord
- Community knowledge and experience: local commitment and connection
- Knowledge of public and private housing law
- Knowledge of Scottish and UK welfare and social care systems
- Experience of HR and managing people
- Knowledge and experience of construction sector

- Ability and experience to navigate difficult situations; identify solutions; negotiate compromise and agreement
- People skills
- Commitment to team working

5.2 This profile could be used as the basis for developing / reviewing the overall profile for the committee to identify any areas that should be prioritised for recruitment<sup>3</sup>. As mentioned at Section 1, finance and IT knowledge would be key areas. It was also suggested that experience of the use of social media would be helpful too.

5.3 The annual reviews demonstrated that everyone makes an effective contribution to Wellhouse's governance. This offers assurance to the Management Committee that any experienced committee member who is due to stand down but seek re-election at the AGM can be supported to do so<sup>4</sup>.

## Suggestion

5. Develop the committee profile to support recruitment, training and succession planning

## How well does the Management Committee Function?

6.1 As well as considering each individual contribution, the annual reviews are a means of supporting the management committee to review its collective effectiveness. Committee members were asked to rank the committee's performance in three areas and the feedback is presented in the table below:

Functions as a team	<p>All agree very well</p> <ul style="list-style-type: none"> <li>• Members listen to and respect each other; they draw together and understand each other's different perspectives</li> <li>• There is a good blend and balance of diverse skills, knowledge and experience</li> <li>• It would be useful to do more training together</li> </ul>
Functions as strategic planners	<p>50:50 believe very well or well some of the time</p> <ul style="list-style-type: none"> <li>• There is potential to develop the committee's strategic role; if the Covid-19 response is successful, this could provide confidence</li> </ul>

<sup>3</sup> Regulatory standard 6.2 "The governing body annually assesses the skills, knowledge, diversity and objectivity it needs to provide capable leadership, control and constructive challenge to achieve the RSL's purpose, deliver good tenant outcomes, and manage its affairs. It assesses the contribution of continuing governing body members and what gaps there are that require to be filled.

<sup>4</sup> Regulatory Standard 6.3 "The governing body ensures that any non-executive member seeking re-election after nine years' continuous service demonstrates continued effectiveness"



	<ul style="list-style-type: none"> <li>• IT knowledge is a gap: committee needs to understand the digital potential</li> <li>• Committee plans well; the focus of the sub-committees is helpful</li> </ul>
Partnership with senior staff	<p>All agree very well</p> <ul style="list-style-type: none"> <li>• There has been good partnership working in challenging circumstances; opportunities to work with staff between meetings on specifics is good</li> <li>• Committee is unafraid to question and challenge recommendations; staff always respond well</li> <li>• Potential to improve communication between committee and staff following Covid-19 experience</li> <li>• Move towards information being 'shared' with the committee rather than 'presented'</li> </ul>

6.2 The key area for development is the committee's confidence as strategic planners. Recent months have required very significant changes in the way services are delivered and governance is exercised. Committee members are confident that they have adapted well to the concept of 'virtual governance' but they also recognise that Wellhouse's IT has been demonstrated to be unfit for purpose. Across the social housing sector, there is likely to be a root and branch examination of how services should be delivered going forward – and of the extent to which business plans need to be reviewed in the context of recent experience. It may be useful for the committee to consider holding a specific session to consider the lessons of the past year and to discuss their implications going forward, in the context of the bigger social, economic and political environments.

#### Suggestion

6. The Committee should take time to review Wellhouse's model of service delivery in the context of the lessons learned from Covid-19 and tenant views to inform future planning and strengthen the strategic focus

## Monitoring Performance

7.1 All committee members agree that, individually and collectively, they are very active in asking questions, probing information and challenging recommendations, particularly in those areas where they feel confident in their own knowledge. Where confidence is lower, challenge and scrutiny are less effective; finance was mentioned as a specific example. For those committee members who have experience of how things used to be, all are clear that the committee recognises and exercises their governance responsibilities effectively and do not simply accept what is presented without challenge or scrutiny. Staff recognise and support this role. Equally, it is recognised that there is the opportunity for the committee to further reduce its



dependence on staff by increasing its own collective knowledge e.g. via training, recruitment and accessing specialist advice (where appropriate). As a result, committee members could become still more confident in discharging their responsibility to hold staff to account.

7.2 There is agreement that the committee is effective in monitoring performance: half of the committee are also tenants of Wellhouse and so are able to consider performance information in the context of their own experience and that of the people they know. Similarly, those who live locally are able to consider policy development and implementation in the context of the impact that will be felt locally – and to share their views openly with the committee as a whole. The diverse range of experience that is present on the committee helps to ensure that scrutiny is well informed and wide-ranging.

## Future Priorities

8.1 Committee members were invited to identify priorities for Wellhouse over the coming year. These priorities are listed below and it is suggested that they should be considered as part of the review / lessons learned exercise suggested earlier in this report:

- Recover from Covid-19 business interruption: assess the impact on income and service delivery; review and, if necessary, revise business plan
- Make sure people feel safe when returning to work; support flexible working
- Talk to people and listen to their views about what needs to be done
- Invest in IT to ensure systems can support future models of service delivery and tenants' preferences for engaging with their landlord
- Make more use of external / expert advice to support committee scrutiny and inform decision-making
- Do what needs to be done to resolve and move forward from issues with Connect
- Support tenants with financial information and inclusion activities
- Actively progress new build: help address homelessness and create more positive relationship with the community
- Make a decision about Wellhouse's future participation in the Glasgow CHR
- Recruit additional committee members

## The Role of the Chair

9.1 A new Chair was elected at the 2019 AGM and the 2020 committee reviews provided an opportunity for committee members to comment on how the new Chair was conducting their role. The Chair was not present for this part of the discussion, although the following feedback has been shared with him in advance of the report being presented to the Management Committee. Everyone was very positive about the way in which Darron has approached the role of Chair and there is lots of appreciation that Maureen was willing to continue as vice-chair and to support Darron in his new role (not least from Darron himself). The list below summarises the comments made:

- Good understanding of what it's like to live in Wellhouse
- Has a very measured approach to what needs to be done; balanced and is able to remain neutral
- Good communicator
- Well-informed
- Made the transition well; still things to learn; made a good start; coping well
- Safe pair of hands to take over from Maureen
- Very inclusive; brings people into the discussions
- Very good in dealing with the Trust: helped to contain the situation as well as it could be
- Listens and has lots of good things to say; is learning to be less quick to express own views
- Might find it useful to network with other Chairs by attending conferences / networking

### Conclusion

10.1 The 2020 Annual Reviews have presented a positive assessment of Wellhouse's governance. It has been a very challenging year but there is agreement that the issues that have arisen have been handled as well as they could. There is confidence that the committee has been strong and united in dealing with some sensitive and challenging matters affecting the Wellhouse community.

10.2 The suggestions that are made in this report are offered for the committee's consideration as it seeks to act on the feedback from the reviews and respond to the 'new normal'. Separate training and succession plans have been prepared which have been provided to the Chair.

Linda Ewart

5 August 2020

## Wellhouse Housing Association

### Committee Succession and Learning / Development Plan

#### Succession

Committee Member	Intends to Stand Again	OB Interest
Jane Heppenstall	Y	Future Potential
Clare Monteith	Y	No
Michelle Harrow	Y	Yes
Maureen Morris	Y	Yes
Darron Brown	Y	Yes
Sarah Morris	Y	Unsure

The table above reflects the six interviews completed during the 2020 Reviews. The Management Committee has eight members, which means that numbers are close to the minimum requirement of 7. During the discussions, it was suggested that the committee should aim to strengthen its **financial expertise**. There was also some discussion about the importance of digital technology and of Wellhouse's social media 'presence'. Consequently, it may be useful to seek to recruit people who have experience of implementing/driving **digital change** and also, perhaps, someone with **PR/communications** experience.

#### Individual Learning and Development Priorities

Committee Member	Priorities
Jane Heppenstall	Informal discussions to find out / keep up to date with local situations Understanding and achieving meaningful diversity Keeping up to date Scottish welfare system
Clare Monteith	Audit and finance
Michelle Harrow	Roles and responsibilities / professional boundaries
Darron Brown	Finance refresher How to defuse angry situations <sup>1</sup>
Maureen Morris	EHRA attendance
Sarah Morris	HA Finance

#### Committee Training Priorities\*

Financial Competency How to support staff return to work /office-base
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<sup>1</sup> Booked on session that was cancelled and keen to attend re-scheduled event

Use of social media <sup>2</sup> How to conduct / present at public meetings
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*\*There is some support for an Away Day (or equivalent) but there is also caution about the demands placed on people's time and some doubt that a whole day is the best approach*

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<sup>2</sup> Priority recommendation from previous investigation

<b>Management Committee</b>	27th August 2020
<b>Agenda Item</b>	4
<b>Title of Paper</b>	2019/20 Draft Annual Statutory Accounts
<b>Author</b>	Gordon Kerr, Finance & Corporate Services Manager
<b>Attachment(s)</b>	<ol style="list-style-type: none"> <li>1. Draft Annual Statutory Accounts</li> <li>2. Auditors Management Report</li> <li>3. Letter of representation</li> <li>4. Scottish Housing Regulator (SHR) Annual Financial Statements (AFS) On-line Submission (Verbal)</li> <li>5. Financial Conduct Authority (FCA) Annual Return</li> </ol>

## FOR APPROVAL

### 1 PURPOSE

- 1.1 To consider and approve the annual financial statements for the year 2019/20.
- 1.2 To consider the management letter received from the external auditors.
- 1.3 To agree the response from the Association to the management letter/report.
- 1.4 To approve the letter of representation to be sent from the Association to the external auditors.
- 1.5 To consider the AFS On-line Submission.
- 1.6 To consider the FCA Annual Return

### 2 RECOMMENDATIONS

- 2.1 That the Management Committee considers and approves the annual financial statements for the year to 31 March 2020.
- 2.2 That the Management Committee considers and discusses the Audit Management Letter/Report from the external auditors in respect of their audit of financial statements to 31 March 2020.
- 2.3 That the Management Committee agrees the Association's response to the Audit Management Letter/Report.
- 2.4 That the Management Committee agrees the contents of Letter of Representation, signed version of which to be issued to the external auditors.

2.5 That the Finance Manager should proceed to submit the AFS On-line Return to SHR once the Financial Statements have been approved.

2.6 That the Finance & Corporate Services Manager submits the FCA Annual Return by the specified deadline of 31 October 2020 once the Financial Statements have been approved.

### **3 BUSINESS PLAN, VISION AND VALUES**

3.1 This Report is consistent with Wellhouse's Strategic Objective to provide good governance and financial management

3.2 This Report is relevant in respect of the following Core Values:-

- Accountability

3.3 This Report also meets point 12:15 from 2019/20 Operational Plan – "External Audit".

3.4 This Report meets point 12:19 from 2019/20 Operational Plan – "FCA Return".

3.5 This Report should contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

### **4 BACKGROUND**

#### **4.1 Annual Accounts**

4.1.1 Draft annual accounts for the year to 31 March 2020 are attached for consideration and review. The opportunity to make changes, where appropriate, remains.

4.1.2 The financial statements have been audited by Scott Moncrieff Audit Services, and in their opinion the statements:-

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

4.1.3 The figures are consistent with the information presented to Scott Moncrieff Audit Services by the finance team at the commencement of the audit. No adjustments required to figures on the face of the Accounts, the only exceptions being presentational changes.

## 4.2 Audit Management Report

- 4.2.1 On an annual basis the external auditors are required to issue a formal report to the Management Committee on their findings from the audit carried out - including conclusions, areas of risk and any significant audit and accounting matters. This information is provided to SHR as a matter of course together with the formal reply to the report by the Management Committee. Details of the draft report are attached and can be discussed in full at Management Committee meeting.
- 4.2.2 A representative from Scott Moncrieff Audit Services shall be in attendance at the meeting to review the contents of the accounts and discuss audit findings with Committee. The Finance Manager will also be in attendance at Management Committee meeting.
- 4.2.3 Management Committee will be asked to discuss the draft response to this Management Report and give approval.

## 4.3 Letter of Representation

- 4.3.1 On an annual basis the external auditors would normally request that the Management Committee sign a letter of representation provided by the auditors.

This letter is used to allow the Management Committee to declare in writing that the financial statements and other presentations to the auditors are sufficient and appropriate and without omission of material facts to the best of the Management Committee's knowledge

## 4.4 Scottish Housing Regulator AFS On-line Return

- 4.4.1 The Audited Financial Statements (AFS) return is an online return designed to collate selected information from the audited annual financial statements of RSLs in Scotland. This return should be consistent with the Financial Statements and the layout reflect the requirements of the Determination of Accounting Requirements and the SORP. The AFS return is a regulatory requirement and is accessed through the Social Landlord Portal.

## 4.5 Financial Conduct Authority Annual Return

- 4.5.1 There is a statutory requirement for Wellhouse to complete and submit the Annual Returns to FCA by 31 October 2020.

# 5 MAIN ISSUES

## 5.1 Draft Statutory Accounts

The Report of the Management Committee starts on page 1 and covers 11 pages. This is quite detailed and reports on core values, strategic objectives, review of business, future developments, principal risks, KPI's and internal financial controls. This report is followed by the Report of the Independent Auditor, which covers scope of the audit,



conclusions on Going Concern, responsibilities of Management Committee and Auditors, and their opinion of the financial statements. The financial statements, as such, and all accompanying notes are on pages 16 to 42.

#### Main Points from the Accounts

- Turnover for the year is £3,863,455, increasing from £3,830,198 in 2018/19.
- Operating expenditure for the year is £2,805,620, which is an increase from the previous year of over £51,000.
- Surplus for the year is £846,378 compared to a surplus for 2017/18 of £857,759.
- Other Comprehensive Income includes an actuarial gain of £309,524 in respect of the multi-employer DB Pension Scheme in the Accounts. This compares with an actuarial loss in the previous year of £189,000.
- Surplus after including Other Comprehensive Income is £1,155,903. This is up from £668,759 in 2018/19, an increase of £487,144 from the previous year.
- Housing properties has increased to £40,921,891 reflecting replacement components of £443,818 less disposals of over £200,000.
- Housing properties depreciated cost is £28,300,716.
- Cash balance has risen by around £250,000 to £2,018,751 at year-end.
- Net assets at 31 March 2019 are £6,560,246 increasing from £5,404,421, reflecting the total comprehensive income for the year of £1,155,903.

The annual surplus for the year of £1,155,903 is £192,987 higher than the figure reported in the management accounts to 31 March 2020. The main changes are as follows:-

- £309,000 – Actuarial gain in respect of multi-employer DB Pension Scheme;
- (£65,000) – Increase in bad debt provision;
- (£38,000) – Increase to property depreciation.

The budget for the year indicated a surplus of £535,563, therefore, a favourable variance of around £620,000.

Turnover has increased from 2018/19 by just over £33,000. The rent increase of 3.4% accounted for £108,000, which was offset by £35,000 reduction in revenue grants along with release of deferred grants decreasing by £40,000 in 2019/20.

Operating costs have increased by around £51,000 since 2018/19. The charge to SOCI for bad debts provision accounts for an increase of £89,000. Staffing costs have increased by around £60,000, legal and professional by £26,000 and these have been offset by a reduction in maintenance costs of £119,000.

Interest payable has reduced by around £35,000, mainly due to a Clydesdale Bank loan reverting back to variable rate generating a saving in interest of £30,000 per annum.

Other comprehensive income - New accounting treatment, which was introduced in last year's financial statements allows the assets and liabilities of individual associations to be identified separately. The performance of the scheme resulted in an

actuarial gain in 2019/20 of £309,000 being credited to SOCI. This compared favourable with an actuarial loss in the previous year of £17,000.

There was no development in 2018/19, however, cost properties increased due to investing £443,000 in replacement components. Disposals of components and depreciation of over £1 million means that the figure in the Statement of Financial Position for Housing Properties has fallen by almost £600,000.

Cash has increased by just over £250,000 to just over £2 million. This is mainly due to savings from the planned renewals programmes and operational surpluses.

Debtors – although rent arrears have increased by £75,000, bad debt provision for rent arrears has increased by £65,000 resulting in £10,000 increase in debtors. Stage 3 adaptations grant was not paid until April resulting in a debtor at year-end of £25,000. Two large prepayments invoices were processed in March resulting in a debtor of £90,000. Total increase in debtors of £135,000.

Creditors: Amounts falling due in less than one year has reduced by £200,000. This is due to the trade creditors figure reducing by around the same amount. A late component replacement programme towards the end of 2018/19 resulted in £1/4 million invoices inflating the trade creditors position. This has now reduced to a more normal level.

Creditors: Amounts falling due in more than one year has reduced by £800,000. This is due to the release of Deferred Capital Grants (£550,000) and loan capital repayments of £250,000.

Cumulative Revenue Reserves and Net Assets are now sitting around £6.6 million, increasing from £5.4 million.

## 5.2 **Audit Management Report**

The Audit Management Report identifies 3 audit adjustments, which were made to Accounts after being presented for Audit. Only one of these adjustments had an effect on the bottom line and that was the treatment of the SHAPS Past Service Surplus. These adjustments have been made and are included in the draft statutory accounts within this report.

There were another 2 transactions disclosed to and by the Auditors, however, it was felt that these could remain unadjusted. These are detailed within the report.

During the course of the audit of the financial statements, Scott Moncrieff examined the principal internal controls, which are in place to ensure accuracy of accounting records and to safeguard the Association's assets. They have identified one observation and this has been graded as 3 and is considered to be moderate risk exposure. This is a similar observation as was included in last year's report and, therefore, the observation still remains.

The observations identified last year is as follows:-

- Per review of purchase invoices being posted to the nominal ledger it was identified that invoices had incorrectly been posted into the wrong period

Management Response – we take a more pragmatic approach with invoices and relevant periods, particularly at the year-end. Our approach is to post them directly into the correct period (the period to which the expenditure relates but not necessarily the date of the invoice) as opposed to posting them into the “incorrect” period (the period which is consistent with the date of the invoice but not consistent with the period to which the expenditure relates). This other approach results in at least one, sometimes two adjustments having to be made to ensure the invoice amount is finally charged to the “correct” period. We think there is more risk of human error with this approach. Because Wellhouse is not VAT registered, as such, there is no issue of reclaiming VAT earlier than it is entitled to be claimed.

## **6. DISCUSSION**

- 6.1 Committee is invited to discuss any of the information contained in the draft Statutory Accounts and the observations raised in the Audit Management Report and to discuss the management responses to the observations.

## **7. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES**

- 7.1 There is a regulatory requirement for Wellhouse to submit the approved and signed financial statements together with the management letter and the management response to the management report to SHR by 30 September 2020 in accordance with SHR guidance. There is also a regulatory requirement for Wellhouse to submit an online Return to SHR detailing the figures within the accounts by 30 September 2020.
- 7.2 There is a statutory requirement for Wellhouse to prepare and have audited financial statements for the year ended 30 September 2020. 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).
- 7.3 Covenant compliance - Lenders, in line with the loan agreements, require signed copies of the year end accounts information by 30 September 2020.
- 7.4 Because Wellhouse is registered under the Co-operative and Community Benefit Societies Act 2014, there is a statutory requirement to complete and submit Annual Returns to FCA

## **8. FINANCIAL IMPLICATIONS**

- 8.1 Not applicable.

## 9. KEY RISKS

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Failure to prepare Financial Statements in accordance with applicable law and reporting standards and have them audited accordingly would result in Wellhouse failing to comply with statutory and legal requirements.	That Wellhouse will fail in one of its legal obligations by not submitting the Annual Return by the required deadline date.	
<b>Mitigation</b>	<b>Mitigation</b>	<b>Mitigation</b>
Ensure that the Financial Statements are prepared using 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). Ensure that the Financial Statements are audited by an independent auditor, who will express an opinion in accordance with applicable law and International Standards on Auditing	Ensure all Finance staff are aware of the deadline dates for all statutory, legal and regulatory returns.	

## 10. EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS

10.1 None apparent.

## 11. SUSTAINABILITY

11.1 Not applicable.

## 12. SWOT ANALYSIS

12.1 Not required.

## 13. CONCLUSION

13.1 The external audit took place during the first week in July and on the whole the process went smoothly, with no significant issues to report. Positive financial results being posted.

**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

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#### 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)
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

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**Registration information**

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



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

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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.

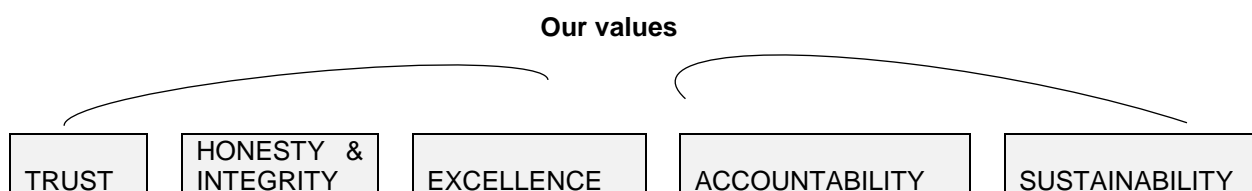
**Strategic Report**

**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 2021;
- 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 in March;
- 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.



## 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%

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

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**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**

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#### **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**

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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, 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

## 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

---

#### 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](http://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**

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

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**

	<b>Share Capital £</b>	<b>Revenue Reserve £</b>	<b>Total Reserve £</b>
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**

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

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

**Darren 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 £
<b>Net cash generated from operating activities</b>	28		1,169,795		1,532,319
<b>Cash flow from investing activities</b>					
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	
<b>Net Cash outflow from investing activities</b>			(436,496)		(716,645)
<b>Cash flow from Financing Activities</b>					
Interest paid on loans		(248,912)		(281,942)	
Loan principal repayments		(234,560)		(230,854)	
Share capital issued		4		6	
<b>Net cash outflow from financing</b>			(483,468)		(512,790)
<b>Net change in cash and cash equivalents</b>			249,831		302,884
Cash and cash equivalents at 1 April	17		1,768,920		1,466,036
<b>Cash and cash equivalents at 31 March</b>	17		<u>2,018,751</u>		<u>1,768,920</u>

(i) Analysis of changes in net debt

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

The notes form part of these financial statements.

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

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**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.

**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.

<b>Component</b>	<b>Useful Economic Life</b>
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	(2,719,362)	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)
<b>Total</b>		<b>3,863,455</b>	<b>(2,805,620)</b>	<b>1,057,835</b>	<b>3,830,198</b>	<b>(2,754,053)</b>	<b>1,076,145</b>

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 £
<b>Income from lettings</b>			
Rent receivable net of identifiable service charges	3,218,894	3,218,894	3,110,858
Service charges receivable	-	-	137
<b>Gross rents receivable</b>	<b>3,218,894</b>	<b>3,218,894</b>	<b>3,110,995</b>
<b>Less:</b> Rent losses from voids	<b>(13,229)</b>	<b>(13,229)</b>	<b>(9,800)</b>
<b>Net rents receivable</b>	<b>3,205,665</b>	<b>3,205,665</b>	<b>3,101,195</b>
Release of deferred government capital grants	561,945	561,945	602,310
Other revenue grants	24,868	24,868	59,605
<b>Total income from affordable letting activities</b>	<b>3,792,478</b>	<b>3,792,478</b>	<b>3,763,110</b>
<b>Expenditure on affordable letting activities</b>			
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
<b>Operating expenditure for affordable letting activities</b>	<b>2,719,361</b>	<b>2,719,361</b>	<b>2,658,697</b>
<b>Operating surplus on letting activities, 2020</b>	<b>1,073,117</b>	<b>1,073,117</b>	
<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	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	13,631	13,631	(120)	(5,618)	7,893	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
<b>Total from other activities 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,977</b>	<b>70,977</b>	<b>(21,831)</b>	<b>(64,428)</b>	<b>(15,282)</b>	
<i>Total from other activities 2019</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>67,088</i>	<i>67,088</i>	<i>(11,935)</i>	<i>(83,421)</i>		<i>(28,268)</i>

**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)	<b>68,775</b>	67,325
Pension contributions in respect of the Director	<b>6,877</b>	6,723
Only the director received emoluments greater than £60,000		
Total emoluments paid to key management personnel	<b>197,258</b>	191,174
Employer NI in respect of key management personnel	<b>22,584</b>	21,740
Pension contributions payments in respect of key management personnel	<b>15,284</b>	16,767
	<b>235,126</b>	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	<b>1</b>	1

**8. Employee information**

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

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

**10. Gain on sale of property, plant and equipment**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Proceeds on sale of property, plant and equipment	-	3,541
Net book value of assets at time of sale	-	-
	<b>=====</b>	<b>=====</b>
Gain on sale of housing stock	-	3,541
	<b>=====</b>	<b>=====</b>

**11. Interest and financing costs**

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



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

<b>(a) Housing properties</b>	<b>Housing properties held for letting £</b>	<b>Housing properties under construction £</b>	<b>Total £</b>
<b>Cost</b>			
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
<b>Depreciation</b>			
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
<b>Net Book Value</b>			
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>(b) Other fixed assets</b>	<b>Commercial properties</b>	<b>Office premises (leasehold)</b>	<b>Office furniture &amp; equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>Aggregate Depreciation</b>				
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
<b>Net Book Value</b>				
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.

<b>14. Housing stock</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
The number of units of accommodation in management at the year-end was:-		
General Needs - New build	342	342
- Rehabilitation	451	451
	793	793
<b>15. Negative goodwill</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Gross</b>	<b>1,449,101</b>	<b>1,449,101</b>
<b>Amortisation</b>		
As at 1 April	(343,208)	(305,074)
Released during the year	(38,134)	(38,134)
	(381,342)	(343,208)
<b>Net position at 31 March</b>	<b>1,067,759</b>	<b>1,105,893</b>

**WELLHOUSE HOUSING ASSOCIATION LIMITED**

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

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

<b>16. Debtors</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Arrears of rent and service charges	<b>299,146</b>	224,326
Less: Provision for doubtful debts	<b>(204,949)</b>	(140,587)
	<b>94,197</b>	83,739
Social housing grant receivable	<b>24,868</b>	-
Other debtors	<b>144,848</b>	45,173
	<b>263,913</b>	128,912

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

<b>17. Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>2,018,751</b>	1,768,920
	<b>2,018,751</b>	1,768,920
<b>18. Creditors: amounts falling due within one year</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Bank loans (note 19)	<b>221,338</b>	219,625
Trade creditors	<b>211,712</b>	441,189
Rent in advance	<b>97,102</b>	81,223
Other creditors	<b>118,605</b>	117,238
Accruals	<b>114,849</b>	89,820
Deferred capital grant (note 20)	<b>558,749</b>	565,829
	<b>1,322,355</b>	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**

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

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

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

**WELLHOUSE HOUSING ASSOCIATION LIMITED**

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

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

**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**

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

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 2019 £'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
<b>Defined benefit liability at the end of the period</b>	<b>(1,576)</b>	<b>(1,796)</b>

## 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)
<b>Fair value of plan assets at end of period</b>	<b>1,576</b>	<b>1,439</b>

## 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
<b>Defined benefit costs recognised in Statement of Comprehensive Income</b>	<b>10</b>	<b>11</b>



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)
<b>Total amount recognised in other comprehensive income – gain/(loss)</b>	<b>310</b>	<b>(17)</b>

## 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	-
<b>Total Assets</b>	<b>1,576</b>	<b>1,439</b>

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	-	-	-
<b>Total</b>	-	-	-

**Deferred members**

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

**Pensioners**

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

**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 2017. 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).

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

<b>26. Capital commitments</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	64,333	-
	<u>64,333</u>	<u>-</u>
Funded by:		
Grants	-	-
Reserves	64,333	-
Private finance	-	-
	<u>64,333</u>	<u>-</u>
	<u>64,333</u>	<u>-</u>
<b>27. Commitments under operating leases</b>		
At the year end, the total future minimum payments under operating leases were due as follows:		
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Equipment:</b>		
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
	<u>9,019</u>	<u>12,843</u>
	<u>9,019</u>	<u>12,843</u>
<b>28. Net cash flow from operating activities</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Surplus for the year	846,379	857,759
<b>Adjustments for non-cash items:</b>		
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)
<b>Adjustments for investing and financing activities:</b>		
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)
	<u>1,169,795</u>	<u>1,532,319</u>
Net cash generated from operating activities	<u>1,169,795</u>	<u>1,532,319</u>



**Scott-Moncrieff**  
business advisers and accountants

With **Campbell Dallas**  
a Crisp company



## Wellhouse Housing Association Limited

Audit management report  
for the year ended 31  
March 2020





# Wellhouse Housing Association Limited

## Audit management report for the year ended 31 March 2020

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# 1 Purpose of this report

International Standards on Auditing (UK) 260, “Communication with those charged with governance” and 265 “Communicating deficiencies in internal control to those charged with governance and management” require Scott-Moncrieff Audit Services to report the significant findings from our audit to you.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Management Committee of Wellhouse Housing Association Limited;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with Martin Wilkie-McFarlane and Gordon Kerr.

We would like to thank Martin Wilkie-McFarlane, Gordon Kerr, Sandra Davidson, Joan McDermott and their colleagues for their kind co-operation and assistance during our audit.

## 2 Audit conclusion

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. 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).

We confirm that there are no issues affecting the Association's ability to continue as a going concern. We agree with the Management Committee's conclusion that the impact of Covid-19 should not significantly affect the going concern status of the Association and that the disclosures in the financial statements in respect of this is appropriate.

We did not identify any subsequent events which require amendments or disclosures to be made to the financial statements.

### Auditor Independence

International Standard on Auditing (UK) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. In addition to the audit of the financial statements, Baldwins Holdings Limited, a company in the same group as Scott-Moncrieff Audit Services, provides adhoc taxation services to the Association including an annual review of the financial statements in order to confirm that there are no corporation tax issues. All tax provided by Baldwins Holdings Limited are carried out by staff separate from the audit team.

We can confirm that we have complied with the Financial Reporting Council's Auditing Ethical Standard. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

## 3 Audit risk areas identified at the planning stage

### Identified audit risk areas

As noted in our audit planning letter submitted to the Management Committee we identified the audit risk areas, noted in the table below, as significant matters. We considered these matters in detail during our audit fieldwork.

Audit risk areas	Audit findings
<b>Risk 1 – Management override of controls</b>	
<p>In any organisation, there is a risk that management and Committee members have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK) 240: “The auditor’s responsibilities relating to fraud in an audit of financial statements”.</p> <p>Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.</p>	<p>Our review of the accounting records did not identify any significant transactions outside the normal financial control processes. We did not identify any evidence of management override.</p> <p>Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.</p>
<b>Risk 2 – Revenue recognition</b>	
<p>Under International Standard on Auditing (UK) 240: “The auditor’s responsibilities relating to fraud in an audit of financial statements” there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Association could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported revenue position.</p> <p>Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.</p>	<p>We evaluated each material revenue stream, considered the Association’s revenue recognition policy and carried out testing to ensure this is appropriate and has been applied.</p> <p>Conclusion: We have gained satisfactory assurance in respect of the recognition of revenue transactions in the year.</p>
<b>Risk 3 - Rental arrears</b>	
<p>The recoverability of rental arrears is becoming more difficult with welfare reform, universal credit and continued pressure on the household income of the Association’s tenants.</p> <p>As part of the preparation of the financial statements, senior management and the Management Committee must perform a detailed</p>	<p>The rental arrears balance at the year-end has been reviewed and the provision against arrears has been deemed reasonable and adequate.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the mitigation of this risk.</p>

Audit risk areas	Audit findings
<p>review of the housing arrears at the year end and identify those that will not be recoverable and write these off and identify those that may not be recoverable and make a suitable provision against them. We would also expect, in most cases, that former arrears balances are either written off or are fully provided against.</p> <p>As part of the audit of the financial statements we will review the bad debt write off and provision made by the Association to determine if these are appropriate. We will place a particular focus on former arrears balances and significant current arrears balances.</p>	
<p><b>Risk 4 – Accounting for Scottish Housing Associations’ Pension Scheme (SHAPS)</b></p> <p>Due to the complexity of the actuarial valuation, there is a risk that the SHAPS movement is not accounted for or disclosed correctly within the financial statements. We will ensure that the movements in the year have been accounted for correctly and that the necessary disclosures have been made in the financial statements.</p> <p>We will also review the assumptions used in the pension valuation to ensure that these are reasonable.</p>	<p>The movement in the SHAPS defined benefit pension liability has been recognised in the financial statements correctly. We are satisfied that actuarial assumption are reasonable having compared these with benchmark data. All required disclosures have been included in the financial statements.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the mitigation of this risk.</p>
<p><b>Risk 5 – Expenditure</b></p> <p>Given the RSL is spending tenant's monies and grant funds it is important that we ensure that the purchase is appropriately incurred and subject to the appropriate control procedures.</p>	<p>We have performed detailed testing of a sample of expenditure items in the year and ensured that these were items appropriate to the business of the Association and were approved in line with the Association's approval policy.</p> <p>Conclusion: No issues noted from our detailed testing.</p>
<p><b>Risk 6 – Impairment of Housing Stock</b></p> <p>There is a risk that the underlying value of the housing properties is less than as recorded in the financial statements. We will review for impairment indicators.</p>	<p>From our review, we did not identify any impairment indicators and have concluded there was no impairment in the year.</p> <p>Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.</p>
<p><b>Risk 7 – Impact of COVID-19</b></p> <p>As part of our consideration of post balance sheet events and going concern, we will consider the current and expected future impact of Covid-19 on the Association. We will require that forecasts supporting the 12-month period following the financial statements have been updated to take into account the expected impact of Covid-19.</p>	<p>We have concluded that it is unlikely that Covid-19 will have a significant impact on the going concern status of the Association.</p> <p>Conclusion: From our review we did not identify any issues with regards the going concern status of the Association.</p>

## 4 Significant audit and accounting matters

### Significant issues identified during our audit fieldwork

We did not identify any further significant issues during the course of our audit work.

### Audit adjustments

A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1.

Number of audit adjustments	Effect on Total Comprehensive Income
4	Decrease of £12,475

We agreed all audit adjustments with Gordon Kerr.

### Unadjusted items

A summary of the net effect of the unadjusted items is shown below. A schedule of the unadjusted items can be found in appendix 2.

Number of unadjusted items	Effect on Total Comprehensive Income
3	Decrease of £7,624

We agreed with Gordon Kerr that these amounts are not material and thus they have not been incorporated into the financial statements.

### Qualitative aspects of accounting practices and financial reporting

During the course of an audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our observations are as follows:

Qualitative aspect considered	Audit conclusion
<b>The appropriateness of the accounting policies used.</b>	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the Association
<b>The timing of the transactions and the period in which they are recorded.</b>	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.
The potential effect on the financial statements of any uncertainties including significant risks and disclosures such as pending litigation that is required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	We did not identify any unusual transactions in the period from our testing.
Apparent misstatements in the Management Committee's report or material inconsistencies with the financial statements.	There has been no misstatement or material inconsistency with the financial statements included in the Management Committee's report.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit with regards to any accounting treatment or disclosure.
Difficulties encountered in the audit.	We did not encounter any difficulties during the audit.

## Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the Management Committee. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

## Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

## 5 Review of financial performance

The material movements in the financial statements were:

Statement of Comprehensive Income		
Account	2020: £x 2019: £y (change £z; w%)	Explanation for movement
<b>Turnover</b>	2020: £3,863,455 2019: £3,830,198 (change £33,257; 1%)	The increase in turnover in the year is largely due to the rent increase of 3.4% applied from the beginning of the financial year which amounted to approximately £108k offset by the £35k reduction in revenue grant income received from the Scottish government. There was also a £40k reduction in the deferred government grants released in the year.
<b>Operating expenditure</b>	2020: £2,805,620 2019: £2,754,053 (change £51,567; 2%)	The increase in operating expenditure is largely down to staff costs increasing by £60k due to the 2.3% pay rise and a new staff member. Alongside this, legal and professional fees have increased by £26k in the year due to the legal case against CCT as well as a number of one off reports such as £4k on investors in people, £3.5k consultant on the arc, TPT £2k set up fee and £2k investment property valuation. Bad debts have increased by £89K as the bad debt provision was increased. This is offset by a £119K reduction in repairs and maintenance costs.
<b>Interest and financing costs</b>	2020: £256,912 2019: £290,942 (change £34,030; 12%)	Interest charges are expected to reduce as capital repayments are made. In addition, a fixed rate loan had ended in the final quarter of the prior year and rolled over to variable rate amounting to a saving of around £30k interest.
<b>Revaluation gain</b>	2020: £nil 2019: £25,000 (change £25,000; 100%)	There was no revaluation in the year as the current carrying value of the investment property is considered to be reflective of the market value at the year end given a valuation was performed in April 2019.
<b>Initial recognition of multi-employer DB Pension Scheme</b>	2020: £nil 2019: £172,000 (change £172,000; 100%)	In the prior year TPT were able to collate the information to recognise the pension scheme as defined benefit, therefore an 'initial recognition' occurred. This was a one-off and will therefore not reoccur.
<b>Actuarial gain/(loss) in respect of DB Pension Scheme</b>	2020: £309,524 2019: (£17,000) (change £326,524; 1921%)	A large actuarial gain eliminated the pension liability although one would expect part if not all of this gain to reverse in 2021.

Statement of Financial Position		
Account	2020: £x 2019: £y (change £z; w%)	Explanation for movement
<b>Housing properties</b>	2020: £28,300,716 2019: £28,874,845  (change £574,129; 2%)	During the year, the Association made disposals with a net book value of £24k and incurred a depreciation charge of £994k which was offset by component additions of £444k.
<b>Other fixed assets</b>	2020: £1,343,642 2019: £1,376,927  (change £33,285; 2%)	This is due to the depreciation incurred in the year of £33k.
<b>Negative goodwill</b>	2020: £1,067,759 2019: £1,105,893  (change £38,134; 3%)	This is due to the amortisation release in the year of £38k.
<b>Debtors</b>	2020: £263,914 2019: £128,912  (change £135,002; 105%)	Net rental arrears have increased by £10k due to the impact of the introduction of universal credit. The stage 3 grants were still owed at the year end this year, a total of £25k. These were received in April 2020. There were two additional prepayments at the year end due to timing of invoicing - the SFHA annual subscription of £10k and insurance invoices of £80k.
<b>Cash and cash equivalents</b>	2020: £2,018,751 2019: £1,768,920  (change £249,831; 14%)	Refer to the Statement of Cash Flows.
<b>Creditors due within one year</b>	2020: £1,322,356 2019: £1,514,924  (change £192,568; 13%)	There has been a £229k decrease in the trade creditor balance due to significant bathroom and kitchen replacements towards the prior year end. This has been offset by the increase in accruals of £25k due to grant to Connect Community Trust remaining unpaid at the year end.
<b>Creditors due in more than one year</b>	2020: £22,976,663 2019: £23,767,802  (change £791,193; 3%)	Capital repayments of £235k were made in the year on the loan balance and £562k was released from the deferred capital grant to the statement of comprehensive income during the year.
<b>SHAPS defined benefit liability</b>	2020: £nil 2019: £356,564	A large actuarial gain eliminated the pension liability although one would expect part if not all of this gain to reverse in 2021.



(change £356,564; 100%)

## 6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which the Management Committee have established to enable them to ensure, as far as possible, the accuracy and reliability of the Association's accounting records and to safeguard the Association's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

The significant weaknesses noted from our work are detailed in the action plan below.

### Action plan – audit recommendations

We identified one observation which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition	No of audit observations	
		Current year	Prior year
5	Very high risk exposure - Major concerns requiring immediate attention	-	-
4	High risk exposure - Absence / failure of significant key controls	-	-
3	Moderate risk exposure - Not all key control procedures are working effectively	1	1
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	-	-
1	Efficiency / housekeeping point	-	-

### Follow up on prior year action plan

1	Nominal ledger posting dates
<b>Observation</b>	Per review of purchase invoices being posted to the nominal ledger it was identified that invoices had incorrectly been posted into the wrong period
<b>Risk and recommendation</b>	Expenditure could be recognised in the wrong accounting period. Ensure all invoices are being posted on the date per the invoice. If the invoices relate to a prior or future period then an accrual or prepayment should be recognised.
	<b>Grade 3</b>
<b>Prior year management response</b>	As part of the walk-through testing of purchase ledger, 2 invoices were discovered to have been posted to December instead of November. This

	was human error, and ordinarily, invoices mis-posted will be picked up as part of the accruals process where they are re-allocated into the correct period
<b>Audit observation in current year</b>	<b>An audit adjustment was raised in the current year for invoices posted to the incorrect period, point remains.</b>

## 7 Future developments

As part of our service to you and to help you keep up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website:

<http://www.scott-moncrieff.com/news/e-bulletin-signup>.

#### 4.2 Draft Annual Statutory Accounts Appendix 2 Audit Management Report

[illegible]

## Appendix 2 – Unadjusted items

As summarised in Section 4, we identified the following unadjusted items during the audit. We agreed with Gordon Kerr that these amounts are not material and thus they have not been incorporated into the financial statements.

Unadjusted items - current year						
	JE detail	Statement of Comprehensive Income (SOI)		Statement of Financial Position (SOP)		Impact on SOI
		Dr	Cr	Dr	Cr	
1	Legal fees	£	3,381		-£	3,381
	Accruals			£	3,381	-
	<i>Being the correction to legal fee accrual at year end</i>					
2	Depreciation	£	2,716		-£	2,716
	Housing property depreciation			£	2,716	-
	<i>Being extrapolation of depreciation error</i>					
3	Deferred capital grants			£	1,527	-
	Amortisation release	£	1,527		-£	1,527
	<i>Being the extrapolated error of over amortisation</i>					
		Impact on SOI - a decrease of				-£ 7,624

## Appendix 3 – Your audit team



**James McBride**  
Audit Partner  
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**Nneamaka Ochuba**  
Audit Manager  
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Scott-Moncrieff Audit Services  
Allan House  
25 Bothwell Street  
Glasgow  
G2 6NL

Dear Sirs

**Wellhouse Housing Association Limited**

This representation letter is provided in connection with your audit of the financial statements of Wellhouse Housing Association Limited for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

By a resolution of the Management Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the Association for the year ended 31 March 2020, the following:-

**Financial statements and accounting records**

1. We have fulfilled our responsibilities under 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 for preparing financial statements which give a true and fair view in accordance with 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 for making accurate representations to you.
2. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
  - any change in accounting policies;
  - transactions of a type not usually undertaken by the Association;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.
5. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware, including that of the expected impact of COVID-19, and have considered a future period of at least one year from the date on which the financial statements are to be approved.
6. We confirm the financial statements are free of material misstatements, including omissions. We believe that those unadjusted items identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole and thus we have taken the decision not to adjust the financial statements for these items. A list of these items is attached to this letter of representation.

### **Fraud**

7. We acknowledge as Committee members our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
8. In our opinion, the risks that the financial statements may be materially misstated as a result of fraud are low due to the close supervision by the Management Committee.
9. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; and
  - others where the fraud could have a material effect on the financial statements.
10. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.

### **Compliance with laws and regulation, and contractual agreements**

11. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
12. The Association has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

### **Accounting estimates**

13. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.

### **Related parties**

14. We have disclosed to you the identity of the Association's related parties and all related party relationships and transactions of which we are aware.
15. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.
16. In particular, no Committee member, shadow Committee member, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Association at any time during the year.

### **Assets and liabilities**

17. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:
  - losses arising from sale and purchase commitments;
  - agreements and options to buy back assets previously sold; and
  - assets pledged as collateral.
18. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with United Kingdom Generally Accepted Accounting Practice.
19. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
20. The Association has satisfactory title to all assets and there are no liens or encumbrances on the Association's assets, other than as disclosed in the financial statements.
21. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

### **Subsequent events**

22. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

.....

**Martin Wilkie-McFarlane**

**Secretary**

Signed on behalf of the Management Committee

On

The Management Committee member in signing this letter is confirming on behalf of all Management Committee members that as far as the Management Committee members are aware there is no relevant audit information of which the auditor is unaware and the Management Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such information.

## Unadjusted Items

Unadjusted items - current year						
	JE detail	Statement of Comprehensive Income (SOCl)		Statement of Financial Position (SOFp)		Impact on SOCI
		Dr	Cr	Dr	Cr	
1	Legal fees	£	3,381			-£ 3,381
	Accruals			£	3,381	£ -
	<i>Being the correction to legal fee accrual at year end</i>					
2	Depreciation	£	2,716			-£ 2,716
	Housing property depreciation			£	2,716	£ -
	<i>Being extrapolation of depreciation error</i>					
3	Deferred capital grants			£	1,527	£ -
	Amortisation release	£	1,527			-£ 1,527
	<i>Being the extrapolated error of over amortisation</i>					
	Impact on SOCI - a decrease of					-£ 7,624

# Annual Return (AR30) form

## Section 1 – About this form

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965) or the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1969). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuels Public Register <https://mutuals.fca.org.uk>.

For guidance on our registration function for societies under the Co-operative and Community Benefit Societies Act 2014, which includes guidance on the requirement to submit an Annual Return, please see here: <https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

## Section 2 – About this application

<b>Society name</b>	Wellhouse Housing Association	
<b>Register number</b>	2469R (S)	
<b>Registered address</b>	The Hub, 49 Wellhouse Crescent, Glasgow	
<b>Postcode</b>	G33 4LA	

**2.1 What date did the financial year covered by these accounts end?**

3	1	0	3	2	0	2	0
---	---	---	---	---	---	---	---

**Section 3 – People**

**3.1 Please provide the names of the people who were directors of the society during the financial year this return covers.** Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

Name of director	Month and year of birth	
Maureen Morris		
Clare Monteith		
Darron Brown		
Michelle Harrow		
Jane Heppenstall		
Sarah Morris		
Shona McKenna		
Carol Torrie		

Continue on to a separate sheet if necessary.

**3.2 All directors must be 16 or older. Please confirm this is this case:**

All directors are aged 16 or over ☒

**3.3 Societies are within the scope of the Company Directors Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:**

No director is disqualified ☒

**3.4 Please state any close links which any of the directors has with any society, company or authority.** 'Close links' includes any directorships or senior positions held by directors of the society in other organisations.

**None**

**3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers.** Societies must have a secretary.

Name of secretary	Month and year of birth	
<b>Martin Wilkie-McFarlane</b>	<b>November</b>	<b>1966</b>

## Section 4 – Financial information

### 4.1 Please confirm that:

accounts are being submitted with this form ☒

the accounts comply with relevant statutory and accounting requirements ☒

the accounts are signed by two members and the secretary (3 signatures in total) ☒

**4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.**

Number of members	<b>7</b>
Turnover	<b>3,863,455</b>
Assets	<b>28,576,600</b>
Number of employees (if any)	<b>20</b>
Share capital	<b>118</b>
Highest rate of interest paid on shares (if any)	<b>N/A</b>



**4.3 What Standard Industrial Classification code best describes the society's main business?** Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes here: <http://resources.companieshouse.gov.uk/sic/>

68201

## Section 5 – Audit

Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance: <https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

### 5.1 Please select the audit option the society has complied with:

- |                                  |                                     |
|----------------------------------|-------------------------------------|
| Full professional audit          | <input checked="" type="checkbox"/> |
| Auditor's report on the accounts | <input type="checkbox"/>            |
| Lay audit                        | <input type="checkbox"/>            |
| No audit                         | <input type="checkbox"/>            |

### 5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act

We have complied with the audit requirements ☒

### 5.3 Please confirm any audit report (where required) is being submitted with this Annual Return

Yes ☒

Not applicable ☐

The information below impacts the level of audit required of the society's accounts. Please provide answers to the following questions.

**5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?**

Yes ☒

No ☐

**5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.**

Not applicable ☐

OSCR number:	SC036552
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**5.6 Is the society a housing association?**

No ☐ Go to **section 6**

Yes ☒ Go to question **5.7**

**5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:**

		Registration number
Homes and Communities Agency	<input type="checkbox"/>	
Scottish Housing Regulator	<input checked="" type="checkbox"/>	HAC281
The Welsh Ministers	<input type="checkbox"/>	
Department for Communities (Northern Ireland)	<input type="checkbox"/>	

## Section 6 – Subsidiaries

### 6.1 Is the society a subsidiary of another society?

Yes ☐

No ☒

### 6.2 Does the society have one or more subsidiaries? (As defined in sections 100 and 101 of the Act)

Yes ☐ Continue to question 6.3

No ☒ Continue to Section 7

### 6.3 If the society has subsidiaries, please provide the names of them below (or attach an additional sheet)

Registration Number	Name

### 6.4 Please provide below (or on a separate sheet) the names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions: (the society must have written authority from us to exclude a subsidiary from group accounts)

Registration Number	Name	Reason for exclusion

## Section 7– Condition for registration

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); **or**
- are conducting business for the benefit of the community ('community benefit society').

A society must answer the questions set out in either Section 7A or Section 7B of this form, depending on which condition of registration it meets.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance:

<https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

## Section 7A - Co-operative societies

Co-operative societies must answer the following questions in relation to the financial year covered by this return.

**7A.1 What is the business of the society?** For example, did you provide housing, manufacture goods, develop IT systems etc.

**7A.2 Please describe the members' common economic, social and cultural needs and aspirations.** In answering this question, please make sure it is clear what needs and aspirations members had in common.

**7A.3 How did the society's business meet those needs and aspirations?**

You have described the society's business answer to question 7A.1, and in question 7A.2 you have described the common needs and aspirations of members. Please now describe how during the year that business met those common needs and aspirations.

**7A.4 How did members democratically control the society?** For example, did the members elect a board at an annual general meeting; did all members collectively run the society.

**7A.5 What did the society do with any surplus or profit?** For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

## Section 7B - Community benefit societies

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

**7B.1 What is the business of the society?** For example, did you provide social housing, run an amateur sports club etc.

**Registered social landlord – the principal activity of the Association being the provision and management of affordable rented accommodation.**

**7B.2 Please describe the benefits to the community the society delivered?** Here we are looking to see *what* the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

**As a landlord and managing agent – the provision, construction, improvement and management of land and accommodation.**

**7B.3 Please describe how the society's business delivered these benefits?** The business of the society must be conducted for the benefit of the community. Please describe *how* the society's business (as described in answer to question 7B.1) provided benefit to the community.

**As above**

**7B.4 Did the society work with a specific community, and if so, please describe it here?** For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

**The local geographical community covers: The Wellhouse area in Easterhouse, Glasgow.**

**7B.5 What did the society do with any surplus or profit?** For instance, did you donate the money; did money get reinvested in the business; put into reserves; used for some other purpose?

**Surplus for the year was transferred to Reserves, which are carried forward to the next financial year. These Reserves are required for the future upkeep and maintenance of the properties.**

**7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest.** Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

**N/A**



## Section 8– Declaration

The secretary of the society must complete this section.

<b>Name</b>	<b>Martin Wilkie-McFarlane</b>
My signature below confirms that the information in this form is accurate to the best of my knowledge	
<b>Signature</b>	
<b>Position</b>	<b>Director</b>
<b>Date</b>	<b>28/08/20</b>

## Section 9 – Submitting this form

Please submit a signed, scanned version of this form along with your accounts and any auditor's report by email to: [mutualsannrtns@fca.org.uk](mailto:mutualsannrtns@fca.org.uk).

Or you can post the form to:

Mutual Societies  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

This form is available on the Mutuals Society Portal:

<https://societyportal.fca.org.uk>

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<b>Management Committee</b>	27 August 2020
<b>Agenda item</b>	5
<b>Title of Paper</b>	30 Year Financial Projections incorporating Scottish Housing Regulator (SHR) Five Year Financial Projections (FYFP)
<b>Author</b>	Gordon Kerr, Finance & Corporate Services Manager
<b>Attachments</b>	Long-term projections financial reports

## FOR APPROVAL

### 1 PURPOSE

- 1.1 To provide Management Committee members with details of the projected financial position of the Association over the medium and long term.

### 2 RECOMMENDATIONS

- 2.1 That Committee reviews the attached papers and, subject to satisfaction, note and approve the 30 Year projections.
- 2.2 That Committee is asked to give Finance Manager authority to electronically submit the approved figures to SHR in their Five-Year Financial Projections (FYFP) format.

### 3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This Report is consistent with Wellhouse's Strategic Objectives: -
- Objective 5: To maintain good governance and financial management
- 3.2 This Report is relevant in respect of the following Core Values: -
- Accountability
  - Sustainability
- 3.3 This Report also meets the following points from the 2020/21 Operational Plan
- 12.16 - "Five Year Return to SHR"
- 3.4 This Report should contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

#### 4. BACKGROUND and MAIN ISSUES

- 4.1 The setting of the long-term projections forms a part of the annual business planning cycle and should reflect the Association's current business plan, operational plans and longer-term plans.

- 4.2 The Housing (Scotland) Act 2010 places an obligation on SHR to monitor and report on the financial health of RSLs. One of the ways they are able to achieve this is by requiring RSLs to provide FYFP Return in a standardised format on an annual basis.

This information will also be submitted to SHR as part of the Business Planning requirements and will also be sent to Wellhouse lenders to comply with financial covenants requirements

- 4.3 Year 1 of the plan is 2020/21 and the figures shown here reflect the figures included in the annual budget formally adopted by Management Committee in March 2020.

- 4.4 At this point it has been decided to base the projections on the position Wellhouse is in at the moment i.e. no firm decision has been made in relation to Development. The amount of spend required, and the level of grant funding and all other resultant expenditure are just too indeterminate at this point in time. There are still too many unknown quantities. More importantly, however, no firm commitment has been given in respect of funding or capital contractual commitments

We are still particularly keen on developing and are planning to explore all options with Glasgow City Council. The Archdiocese has expressed an interesting in dealing with Wellhouse and there is also significant political support for Wellhouse to develop. Currently, the only land owned by Wellhouse is the site on Wellhouse Crescent, therefore, the other sites will still need to be purchased. This will require District Valuer to carry out more up-to-date valuations. This has not been able to happen as planned due to the Covid 19 Lockdown requirements.

Because of all these factors, we feel that it would not be correct accounting practice to include any Development activity in the 30-year forecast. Including rental income for more than 25 years in the model with no firm commitment currently in place contradicts one of the fundamental accounting concepts of Prudence.

Future 30 Year projections models will be updated to include all Development activity once firm commitments are in place.

- 4.5 The model includes the new accounting treatment required for SHAPS Pension Scheme. Although the current position as of March 2020 shows no liability, it is felt that reflecting the previous liability from March 2019 of £300k+ would be prudent as the liability is likely to re-appear and possibly increase in future years.

#### 5 DISCUSSION

- 5.1 The following assumptions have been used in calculating the financial projections: -
- Inflation levels (CPI) have been assumed at 2% for the 30-year term

- The model includes 2.5% rent increase as per 20/21 budget and assumes a real rent increase of 1% above inflation from years 2 until year 8.
- Year 9 onwards assumes inflation only (CPI) rent increase.
- Void losses have averaged 0.4% over the last 3-4 years. The model assumes prudent annual increases to the losses until it reaches 1.5% in year 4.
- Real planned maintenance costs increase at 0.5% above CPI for the full plan period
- Real rises on reactive maintenance costs of 0.5% above CPI for the full plan period
- Real increases of 0.5% above CPI in management costs until year 10, then 0.25% thereafter.
- The current staff structure remains in place for the full 30-year term
- LIBOR rate increases annually up until a maximum of 3.5% by year 4 and beyond. These rates are consistent with RBS Housing Finance Base Case assumptions.
- All debt repaid by end of plan period apart from recently re-financed RBS loan, which does not start repaying capital until year 9.
- No further new build activity (as per 4.4 above)
- Average annual spend of £10k on other fixed assets

## 5.2 The base model produces the following results: -

- Surpluses are generated annually over the full 30 years.
- Cash position starts at just over £2 million, reflecting the 2020/21 budget position at March 2020. Year 1 makes a cash deficit of over £200,000, however, this has already been explained in detail at Management Committee while approving the annual budget. There are surpluses made each year as the cash balance rises steadily until year 14. Between years 15 and 23, there are a few cash deficits, some quite hefty, however, these are the years when there is expected to be considerable investment in stock with a lot being spent on replacement components – each of the years in excess of £2 million invested.
- Cash begins to exceed debt by year 9, assuming no further loans are taken out.
- In the main there are no issues with lenders covenant compliance. All being achieved comfortably each year apart from Year 1, which only just managed to achieve Interest Cover by 113% against a target of 110%. This has also been discussed at great length at Management Committee when the 2020/21 budget was being approved.
- Current ability to borrow, based on latest stock valuations, is a further £10 million approximately. This reflects the latest RBS funded stock valuation carried out in December 2018. Clydesdale Bank funded stock will be valued again later this year and this will increase the amount which can be borrowed.

## 5.3 Some results thrown up by the sensitivity analysis are as follows: -

- Changes in interest rates didn't make huge differences to the cash balance due to the larger loans being on fixed rates.
- 1% increase in voids & bad debts results in cash reducing by £1.5 million over the 30 years.
- Rent increases being restricted to inflation only results in a large decrease in cash of just over £1 million. Bearing in mind that this only affects the first 8 years in the base model.
- Major repairs costs increasing by an additional 5% result in cash reducing by more than £2.0 million.
- Major repairs costs increasing at the same rate as inflation would result in an additional £3.5 million cash.
- A movement downwards in inflation of 0.5% results in cash decreasing by £1.9 million, whilst an increase in inflation of 0.5% would result in cash increasing by over £2 million.
- Although lenders covenants are met comfortably in the base model, it may become an issue when adverse scenarios are introduced, particularly when more than one scenario is introduced.

## 6. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 6.1 There is a regulatory requirement for Wellhouse to submit Five Year Financial Projections to SHR on an annual basis.
- 6.2 Wellhouse's lenders financial covenants specify that medium/long-term forecasts are submitted to them on an annual basis.
- 6.3 It is considered good practice for RSLs to produce medium/long-term forecasts.

## 7 FINANCIAL IMPLICATIONS

- 7.1 N/A.

## 8 KEY RISKS

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Failure to submit Annual Returns to SHR could result in engagement being kept at a higher level than is necessary.	Loan covenants could be breached in future years.	
Inadequate financial planning could lead to viability and cashflow problems.		
<b>Mitigation</b>	<b>Mitigation</b>	<b>Mitigation</b>

Ensure that all relevant staff members are aware of deadline dates for SHR submissions and these dates are adhered to.	Prepare annual long-term financial projections, which would highlight potential hot spot years at an early stage.	
Prepare annual long-term financial projections.		

## 9 SWOT ANALYSIS

Not required

## 10. EQUALITY AND DIVERSITY ISSUES

- 10.1 There are no identified impacts on any of the main minority groups or diversity implications even an unintended one.

## 11. SUSTAINABILITY

- 11.1 There are no identified impacts on sustainability even an unintended one.

## 12. CONCLUSION

- 12.1 Surpluses are being generated in each of the 30 years.
- 12.2 Cash surpluses are made in most of the years but overall cash continues to rise over the full term of the plan. Cash deficits are only made in years of intense investment in stock.
- 12.3 All lenders financial covenants are achieved each year.
- 12.4 A financially healthy outlook, although, it needs to be noted that there is no development activity included.

<b>Management Committee</b>	27 August 2020
<b>Agenda Item</b>	6
<b>Title of Paper</b>	Operational Update Report
<b>Author</b>	Management Team
<b>Appendices:</b>	

## FOR INFORMATION AND DECISION

### EXECUTIVE SUMMARY:

#### 1. Director – Main Issues

##### 1.1 Development.

- We have completed the buy back of a family home in Bartiebeith Rd, with support of Government Grant, working in partnership with our colleagues in DRS Housing at the City Council. This has increased our housing stock by 1 additional unit – a 4 apartments flat. The property has been allocated to a homeless application, as was a condition of the grant. A great result all round.
- The updated valuations and site investigations there were planned for St John Ogilvie Site and Balado Rd School site have been suspended due to Covid 19. I will update you as soon as possible.
- Our relationship with New Gorbals HA as our development agent has just been subject to an internal audit – preliminary results look very positive but we await the report.
- As reported previously, we now no longer have an issue with foul water but the flood water issue remains a problem.

##### 1.2 Remote working, etc

- We have carried out all of the necessary amendments to the office, in order to respect physical distancing, in keeping with Government Guidelines;
- The next stage of permitted office work is Monday 14 September, although this could change. It is expected that home working will remain the preference for government though;
- There is no anticipated change to “gatherings” i.e. for us, we cannot have more than 8 people at a gathering or more than 3 households – this means committee meetings must remain remote meantime.

### 1.3 SGM

We are aiming to hold an SGM on 23 September at 18.00, immediately prior to our AGM. This is to adopt the New Model Rules, as agreed at your extraordinarily committee meeting in July. Shareholders will be asked to vote to adopt them by post/ email and results will be announced on the night. Meeting will be hosted via Zoom. Papers and a copy of the Rules will be sent 14 days ahead of the meeting.

### 1.4 AGM

Takes place immediately after the SGM, via Zoom. Early notification, confirmation of attendance forms and nomination for committee forms will be sent 28 days ahead. Nominations to committee to be received 21 days ahead. Full AGM papers go out 14 days ahead. The meeting will only present the accounts and elect the committee. There is no shareholder participation this year. We hope to return to business as usual in 2021.

### 1.5 Committee – September

We will have a committee meeting immediately after the AGM to elect office bearers, via Zoom. The Director remains as the secretary – we will need to elect a chair and ideally, a treasurer and chair of both staffing and audit & risk committees. This year, we will ask you to approve Q2 Management Accounts too please.

### 1.6 Communications

The Big Partnership at the time of writing are finalising our first press release and the new ‘shop window’ Facebook site.

The Glasgow Times article that CCT requested has had very limited traction – only 17 comments, most of which were not supportive of their position. We have no idea who the commentators are. The story appears to have stopped receiving comments, although the anonymous blog we have all seen is continuing. It has a seemingly very small readership. The respective chairs are scheduling a meeting at the time of writing.

## 2. Housing & Customer Services Manager – Main Issues

- Officers are continuing to offer support to those tenants and families affected by Covid-19 and monitoring rental income by contacting tenants regarding missed payments and assisting with claims for Universal Credit / Housing Benefit
- The Team are dealing with an increase in neighbour disputes and complaints in relation to refuse collections and fly-tipping. Discussions with relevant Glasgow City Council (GCC) officers are ongoing and proving to be very useful in relation to finding solutions for estate management issues. In addition, a multi-agency approach to dealing with anti-social behaviour is being explored.
- Discussions are continuing with GCC Homeless Services to explore the possibility of converting leased temporary furnished properties to Scottish Secure Tenancies. To date there has been limited progress as most temporary tenants are overcrowded or under-occupying.

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- Data cleansing is ongoing for GDPR and audit purposes
- The £2000 funding from the Community Wellbeing Fund has supported 15 households with food parcels and a further 35 tenants with fuel top-ups.
- The process for distributing the £9750 awarded by the Supporting Communities Fund is underway. To date 4 mobile phones have been supplied and 20 tablets, accessories and data have been purchased to support the community with digital assistance.
- The Income Advisor continues to support tenants by providing benefit advice and offering claim support as well as supporting the Housing Officer with arrears cases and providing Universal Credit early intervention support for new claims.
- The normal allocation process has restarted with a relevant risk assessment and social distancing in place. 3 properties were successfully offered, viewed and accepted in July.

### **3. Assets & Maintenance Manager – Main Issues**

- We are in weekly contact with our contractors and they are all back to full staffing levels. As such we have started to issue routine jobs that we recorded during lockdown and are dealing with any new jobs as they arise.
- Gas servicing is continuing, we have caught up with all servicing following the end of Shielding on the 31<sup>st</sup> July. The last outstanding service was carried out on Friday 7<sup>th</sup> August.
- The Veranda works at Wellhouse Gardens is due for a site start 31st August. Tenants have been lettered and we will update following a pre-start meeting.
- Estate Services – Daniel the Estates Warden Supervisor started on the 6<sup>TH</sup> July. Close cleaning re started week commencing 17<sup>th</sup> August. We still have issues with fly tipping and the bin areas.
- Stage 3 Adaptations - we have fully committed our £25,000 allocation on the referrals received, GCC have been approached and asked for more funding. Until we receive confirmation of this any new adaptation requests will be put on hold.
- The Hub the boiler replacement is complete.

### **4. Finance & Corporate Services Manager – Main Issues**

The following is a summary of the ongoing day-to-day operational activity of the Finance & Corporate Services Team continuing to be carried out since remote working began:

- Adjusting to home working, with the following functions continuing to be carried out remotely;
- Posting all rent payments to tenant's accounts
- Posting all factoring payments to owner's accounts
- Sending out sales invoices to commercial customers
- Processing purchase invoices and pay suppliers

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- Process payroll and pay staff, HMRC and Pensions Trust
- All statutory and regulatory reporting and Returns
- Internal management reporting
- Treasury management and loan repayments
- Dealing with GDPR and FOI requests – one request which resulted in a charge being levied was not followed up.
- Internal and external audit functions 2 internal audits carried out at beginning of August – Development and Business Planning
- Liaising with Hiper and Resource to ensure IT/Telephony functions continue to operate smoothly
- Update website
- Finalising Year-End Annual Statutory Accounts exercise.
- Regular staff contact and conducting 1-2-1's

In addition to these day-to-day activities, the following tasks have been undertaken: -

- Hand sanitisers dispensers, hand sanitiser portable bottles, face masks, gloves all available in office in preparation of staff returning.
- Allander now carrying out office cleaning on a regular basis, consistent with work pattern pre-lockdown.
- Office Care have now carried out a full deep clean of the office IT equipment in preparation of staff returning to office-based work.
- Liaising with Insurers in preparation of staff returning to office-based work.
- New mobile phone handsets have been delivered to staff who use a business mobile phone and set up for business use.
- Additional Covid-19 Regulatory returns completed for SHR (monthly return and one-off staff costs) and SFHA Financial Data Collection return.
- Quarterly FOI/GDPR statistical return submitted.
- Inserting financial information in Hub Business Plan.