Loretto Housing

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

Loretto Housing Association Limited

(Co-operative & Community Benefit Society No. 1920RS)
(Scottish Housing Regulator Registration No. 154)
(Scottish Charity No. SC07241)

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2021.

Principal activities
The principal activities are the provision and management of affordable rented accommodation. Loretto Housing Association Limited is a wholly owned subsidiary of The Wheatley Housing Group Limited ("WHG" or "Wheatley Group").

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1920RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC07241.

The principal office of Loretto Housing is Lipton House, 2nd Floor, 170 Crown Street, Glasgow, G5 9XD.

OPERATING REVIEW

The year will be remembered as an extraordinary and exceptionally difficult one, with unprecedented circumstances affecting the business, our staff, and most importantly, our customers.

The pandemic left many Loretto customers facing severe financial hardship, and while the safety of our staff and customers remained our absolute top priority throughout the year, our focus was on providing rapid support to customers when they needed us most.

We opened the year with a new service model already in place, with housing staff and customer service advisors working from home. Repairs and maintenance services were limited to emergency and essential repairs, along with gas safety checks and servicing. Capital investment that was critical in terms of health and safety, including the installation of smoke and heat detectors, continued throughout the year, as did external capital work. Non-essential internal investment work was suspended. Our Neighbourhood Environmental Teams continued to work in Loretto communities.

As an agile, flexible organisation, Loretto responded quickly and decisively to changes in government guidance over the year.

When lockdown restrictions were temporarily eased, we increased the range of services we could carry out, such as stair-cleaning and a wider range of repairs, but reverted back to emergency and essential services as restrictions tightened again. Our new-build programme, suspended at the start of the year, resumed in June.

At all times we did everything possible to protect both customers and staff through strict adherence to health-and-safety practices and the use of the appropriate Personal Protective Equipment ("PPE").

Wheatley Foundation's emergency food service *EatWell* and *Emergency Response Fund* were at the forefront of the Group's customer support package, particularly during the first six months of the year. *EatWell* supported 218 Loretto households with food packs or vouchers in 2020/21. The *Emergency Response Fund*, set up to alleviate hardship and isolation during the pandemic, helped 193 Loretto customers with one-off essential purchases, ranging from fridges and mobile phone-top ups to family activity packs.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Throughout the year, housing officers working from home made thousands of welfare calls to ensure those in crisis got immediate help. Welfare benefits advice was particularly significant during this period.

Despite the unparalleled circumstances and restrictions on our activities this year, we made good progress on building 111 new homes at three sites over the year and invested £691k in planned improvements in our homes and communities.

The effects of the pandemic will be with us for years to come, but our strong position as part of Wheatley Group, our Think Yes culture and our track record in rapidly developing new and enhanced services to support our customers means we can be confident in facing future challenges.

Here are some of the highlights of the year:

Building new homes
Even with the restrictions in place during the year, Loretto made good progress on its new build programme with 21 new homes at Cobblebrae Farm in Falkirk, 58 at Dargavel Village in Bishopton, and 32 new homes at Hallrule Drive, Glasgow all underway.

Our new build developments continued to be recognised with a number of awards. Loretto's conversion of a school at Buckley Street in Glasgow won Housing Regeneration Project of the Year at the Scottish Home Awards and was nominated for Medium Development of the Year at the Homes for Scotland Awards.

Investing in our homes
Despite the restrictions caused by the pandemic this year, we still managed to deliver £691k worth of improvements to our homes and communities, which included £30k on new smoke and heat detectors for 75 homes and the controlled entry was upgraded at Circus Drive (£10k). Additionally, £95k was spent on environmental improvements at Poplar Place in Blantyre

Improving our neighbourhoods
Despite the restrictions, we continued our work to create clean and safe neighbourhoods people are proud to live in. As local authorities suspended bulk uplifts, our environmental teams provided that service in Loretto communities.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with Loretto communities to tackle anti-social behaviour, crime and fire safety.

While Covid restrictions meant home fire safety visits were suspended over the year, we continued to support customers over the phone and online, and delivered pioneering products such as fire-retardant bedding and air fryers to a number of customers.

Letting homes
While our allocations were suspended in the early part of the year, we resumed letting in August and allocated homes to those in priority need, mainly homeless households. Over the year, Loretto allocated eight homes to homeless people. We also 'flipped' two temporary furnished homes, turning them into permanent homes for the homeless people living in them.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Our repairs service
At the start of financial year, our repairs and maintenance service was restricted to emergency and essential services only. As lockdown restrictions were temporarily eased, we were able to increase the range of essential repairs we could carry out, but reverted back to emergency and essential services as restrictions tightened again. Throughout the year, our overriding priority was the safety of our staff and customers.

Despite the challenges of strict health and safety guidelines, new processes to keep people safe, as well as restrictions on travel, we still managed to deliver 5,576 reactive repairs over the year.

Supporting our customers
More than a fifth (21%) of Loretto customers are now on Universal Credit ("UC"), an increase of 6% from last year. We continued to support our customers through the challenges they faced during the pandemic, including attending online tribunals with the Department of Work and Pensions to represent vulnerable customers.

Our Welfare Benefits Advisors and Fuel Advisors supported almost 33 Loretto customers over the year, and helped them claim more than £220k in benefits and tax credits they were entitled to. We also helped customers access external funding to alleviate fuel poverty.

We will continue to support our customers over the next year with the difficulties posed by UC and the impact of the pandemic.

We continued to support our customers to get online and to encourage them to engage with us through our digital channels and online self-service accounts. By the end of the financial year, around 50% of Loretto customers had registered for an online account with us. This year, 1,776 people used the Loretto Housing website every month.

Working with Wheatley Foundation and Wheatley 360, we:

- supported 100 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 218 homes through our *EatWell* service;
- delivered Christmas vouchers to 172 households;
- provided essential household items to 193 customers through our *Emergency Response Fund*;
- gave 15 tenants up-cycled furniture through our *Home Comforts* service;
- awarded one young person from our homes a bursary to go to university or college; and
- provided free books every month to 32 children under five in our homes through the Dolly Parton Imagination Library initiative.

Independent Auditor
A resolution for the reappointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW

Income
The Association's turnover for the year ended 31 March 2021 totalled £8.0m (2020: £13.7m). The main source of income is derived from the social rental of housing property, with net rental income of £6.5m (2020: £6.3m). Grant income of £0.5m (2020: £5.2m), has been recognised in relation to completed new build properties, medical adaptations and claims made under the UK Government Job Retention Scheme. The amount of grant income reported varies from year to year depending on the profile of the Association's new build development programme.

Expenditure
Operating costs of the Association in the year totalled £6.9m (2020: £8.2m), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £0.5m (2020: £0.5m).
- £0.5m of reactive maintenance costs to our social letting properties (2020: £0.7m).
- £0.9m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2020: £0.7m)
- Depreciation expenditure for social housing and other assets of £3.4m (2020: £3.4m)
- Wider role costs of £0.3m reducing from £1.4m in the prior year due to the transfer of the tenancy support service activities to Loretto Care.

The Association generated an operating surplus of £1.1m or 14% (2020: £5.7m or 42%) following a reduction of £4.7m in grant income. Operating surplus includes a £19k loss on investment properties (2020: £149k gain), relating to the valuation of mid-market rent units.

Other expenditure in the year includes £2.8m of interest (2020: £1.7m) which includes Loretto's share of a one-off fee of £1.0m for the refinancing of fixed rate loan arrangements which will reduce future interest costs and improve the strength of the Association's business plan going forward.

Total comprehensive income for the year of £0.6m (2020: £3.2m) includes an increase in valuation of social housing properties of £4.4m (2020: decrease of £1.5m), an increase in valuation of office properties of £37k (2020: £27k) and a loss of £2.1m (2020: gain of £0.8m) in respect of the annual actuarial valuation of the SHAPS pension scheme. Valuation movements in social housing properties can vary due to the profile and number of new build completions in any one year linked to the requirement under FRS 102 to recognise grant income in the Statement of Comprehensive Income using the performance method. In the year of completion this leads to an initial EUV-SH valuation being compared against the gross development cost of the newly completed properties.

Cashflows
The cash flow statement of the Association is shown on page 18. The Association generated £4.0m from operating activities (2020: £1.3m). Cash and cash equivalents in the year increased by £0.7m (2020: decrease £0.2m), primarily due to the timing of intra-group loan drawdowns, settlement of intra-group balances and the timing of grant claims.

Rental debtors
At the statement of financial position date, the Association had rent arrears of £0.3m offset by bad debt provisions of £0.2m (2020: £0.5m and £0.3m respectively).

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

Liquidity
The Association's net current liabilities at 31 March 2021 totalled £1.4m, an increase of £1.4m in the year from a net current liability in 2020 of £49k, which is the result of the classification of deferred grant receipts between balances due for release to the statement of comprehensive income within one year and more than one year, the timing of receipt on grants claimed and the settlement of intra-group debtor balances. Borrowings due after more than one year have decreased from £37.3m to £32.8m while the Association invested £0.7m in existing properties and £3.6m in new build development. Cash balances are managed at an appropriate level through the Group funding subsidiary Wheatley Funding No. 1Limited ("WFL1") to match the needs of the business and the cost of borrowing. The Association has access to funding through a Group facility with WFL1 which ensures the Association does not default on liabilities as they fall due and enables the Association to further invest in its existing stock and on its new build programme.

Capital structure and treasury
The Association's activities are funded on the basis of a Business Plan which is updated annually. Long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited, as detailed in note 18. The Association has access to an intra-group facility of £90.4m. Interest rate risk is managed at a group level by WFL1.

Investment in tenants' homes
During the year we invested £0.7m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £65.5m (2020: £60.2m).

New Build
No new build developments were completed during the year, however, the Association continued to work on several developments. Our new build programme invested £3.5m in the year. The Business Plan includes a further projected spend of £56.4m on the new build programme in Loretto Housing Association over the next five years.

Reserves policy
Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve
Revenue reserve includes historic grant received in respect of the following:

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

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

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

The residual amount of revenue reserves, not represented by grant, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

Revaluation reserve

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Association's property. This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

Principal risks facing the Association

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

By order of the Board

Douglas Robin, Chair
26 August 2021

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

DIRECTORS' REPORT (Continued)

LORETTO HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Directors and Directors' interests
The Directors of the Association who held office during the year and up to the signing of the financial statements were:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Douglas Robin (chair)	31 October 2012	19 September 2016	-	Wheatley Solutions Wheatley Group Development Committee
Alex McKay*	15 June 2015	21 September 2015	-	-
Alex Robertson	15 June 2015	21 September 2015	-	-
Allan McGinness*	10 August 2015	21 September 2015	-	-
Jean Fyfe	18 September 2017	-	-	The Wheatley Foundation Limited
Nesta Gilliland	18 September 2017	-	-	-
Jacqui Mallin	18 September 2017	-	-	Wheatley Solutions
Pauline Gilmore*	18 September 2017	-	-	-
Archie Morrison	10 December 2019	-	-	-

* tenant of the Association

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

The Directors are also trustees of the charity and are appointed by the members of the Association at its Annual General Meeting.

Creditor payment policy
Loretto Housing Association agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

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

DIRECTORS' REPORT (Continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

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

The key procedures which have been established are as follows:

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

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

DIRECTORS' REPORT (Continued)

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Douglas Robin, Chair
26 August 2021

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Loretto Housing Association ("the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2021 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the association's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and

- Reading Board minutes.

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the association wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to nom-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discuss with the board and other management (as required by auditing standards), and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, charities legislation and registered social landlord legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures n the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of charities, health and safety, employment law, and social housing legislation recognising the association's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence of any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The association's Board is responsible for the other information, which comprises directors' report and the Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 9 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 10, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Wilkie

Michael Wilkie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006
KPMG
319 St Vincent Street
Glasgow, G2 5AS

23 September 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	**Total 2021 £'000**	**Total 2020 £'000**
Turnover	3	8,015	13,700
Operating expenditure	3	(6,904)	(8,153)
Other gains and losses	15	(19)	149
Operating surplus		1,092	5,696
Finance income	9	1	1
Finance charges	10	(2,764)	(1,734)
Increase/(decrease) in valuation of housing properties		4,361	(1,524)
Increase in valuation of office properties		37	27
Surplus for the year		2,727	2,466
Actuarial (loss)/gain in respect of pension schemes		(2,091)	779
Total comprehensive income for the year		636	3,245

All amounts relate to continuing operations.

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021

	Total Reserves £'000
Balance at 1 April 2019	20,081
Total comprehensive income	3,245
Balance at 1 April 2020	23,326
Total comprehensive income	636
Balance at 31 March 2021	23,962

All amounts relate to continuing operations.

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	**2021 £'000**	**2020 £'000**
Fixed assets			
Social housing properties	13	65,498	60,193
Other tangible fixed assets	14	1,105	1,179
Investment properties	15	1,280	1,299
		67,883	62,671
Current assets			
Trade and other debtors	16	674	2,218
Cash and cash equivalents		1,322	614
		1,996	2,832
Creditors: amounts falling due within one year	17	(3,407)	(2,881)
Net current liabilities		(1,411)	(49)
Total assets less current liabilities		66,472	62,622
Creditors: amounts falling due after more than one year	18	(40,355)	(38,718)
Provisions for liabilities			
Pension liability	20	(2,155)	(578)
Total net assets		23,962	23,326
Reserves			
Share capital	19	-	-
Revenue reserve including pension reserve		23,962	23,326
Total reserves		23,962	23,326

These financial statements were approved by the Board on 16 August 2021 and were signed on its behalf on 26 August 2021 by:

Douglas Robin Chair	Jean Fyfe Board Member	Anthony Allison Secretary

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	22	4,011	1,348
Cash flow from investing activities			
Improvement of properties – housing stock		(713)	(1,607)
New build		(3,618)	(3,382)
Purchase of other fixed assets	14	(77)	-
Grants received		7,494	1,695
Finance income		1	1
		3,087	(3,293)
Cash flow from financing activities			
Finance charges		(1,890)	(1,805)
Financing draw down		-	3,502
Financing repaid		(4,500)	-
		(6,390)	1,697
Net change in cash and cash equivalents		708	(248)
Cash and cash equivalents at 1 April		614	862
Cash and cash equivalents at 31 March		1,322	614

The notes on pages 19 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Legal status

Loretto Housing Association Limited ("Loretto" or "the Association") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1920RS and is a registered Scottish Charity No.SC07241. Loretto is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of the Association is the provision of social housing and associated housing management services. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL. The Association is a public benefit entity.

2. Accounting policies

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

Basis of preparation
The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2019, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Group and Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of the ongoing Covid-19 pandemic which include severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Association budgets for 2021/22 and the Association's financial position as forecast in the 30-year business plan and being satisfied that the Group Board has undertaken a similar review, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios have been updated to take account of potential future changes in rent increases;
- The property market – budget and business plan scenarios have taken account of delays and reprofiled new build handovers;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

- Maintenance costs – budget and business plan scenarios have been modelled to take account a revised profiles of repairs and maintenance expenditure, with major works being phased into future years;

- Development activity – forecast development expenditure has been modelled to take account of revised investment profiles;

- Liquidity – current available cash of £1.3m and access to total undrawn loan facilities arranged through WFL1 of £279.1m, which are available to Loretto and certain other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;

- The Group and Association's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and Association have sufficient funding in place and are satisfied the Group and Association will be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

Accounting judgements and estimations
Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Judgements have been made in:
- Determining the appropriate discount rates used in the valuation of housing properties,
- Component accounting and the assessment of useful lives.
- The assessment of the fair value of financial instruments;
- Determining the value of the Group's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

Related party disclosures
The Association is a wholly owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association and Group have taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. Turnover is recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliability. Income received in advance is treated as deferred income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grants are held as deferred income on the statement of financial position. The Association has received grant income under the UK Government's Coronavirus Job Retention Scheme and this is accounted for as revenue grant in line with the performance model and disclosed in note 4 to the financial statements.

Bad and doubtful debts

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

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

Financial Instruments

Loans provided by Wheatley Funding Number 1 Limited ("WFL1"), are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

Pensions
Loretto Housing Association previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. The scheme is now closed. Members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been separately identified and are included in the Association's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

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

- **Valuation of housing of properties**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

- **Depreciation and Impairment**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

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

	Economic life
Bathrooms	25
External environment	20
External wall finishes	35
Heating system boiler	12
Internal works and common areas	20
Kitchens	20
Mechanical, electrical and plumbing	25
Structure and roofs	50
Windows and doors	30

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

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

- **New Build**

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

The Group's policy is to capitalise the following:

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

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

- **Non-social housing properties**

Housing for mid market rent is valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

New Build Grant and other capital grants
New build Grant is received from central government and local authorities and contributes to the costs of housing properties.

New Build Grant received is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work is carried out. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant is removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

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

	Economic Life
Furniture, fittings and office equipment (cost)	5 years
Computer equipment (cost)	3 years
Office Improvements (cost)	10 years
Community infrastructure (cost)	20 years

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at each reporting date.

Provisions
The Association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Value Added Tax

Loretto Housing Association is registered for VAT and are members of the Wheatley VAT group. The majority of its income, including rental receipts, is exempt for VAT purposes, giving rise to no VAT liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

3. Particulars of turnover, operating costs and operating surplus

	Turnover	Operating Costs	Gain/(loss) on Investment properties	2021 Operating surplus/ (deficit)	2020 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	6,909	(5,729)	-	1,180	5,888
Other activities (note 5)	1,106	(1,175)	-	(69)	(341)
(Loss)/gain on investment properties (note 15)	-	-	(19)	(19)	149
Total	**8,015**	**(6,904)**	**(19)**	**1,092**	**5,696**
Total for previous reporting period	13,700	(8,153)	149	5,696	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

	General Needs £'000	Supported Housing £'000	Shared Ownership £'000	2021 Total £'000	2020 Total £'000
Rent receivable net of service charges	4,196	1,765	9	5,970	5,714
Service charges	496	273	-	769	750
Gross income from rents and service charges	**4,692**	**2,038**	**9**	**6,739**	**6,464**
Less rent losses from voids	(133)	(155)	-	(288)	(116)
Net income from rents and service charges	**4,559**	**1,883**	**9**	**6,451**	**6,348**
Grants released from deferred income	178	-	-	178	5,232
Other revenue grants	249	31	-	280	-
Total turnover from affordable letting activities	**4,986**	**1,914**	**9**	**6,909**	**11,580**
Management and maintenance administration costs	(356)	(133)	(1)	(490)	(543)
Service costs	(378)	(208)	-	(586)	(530)
Planned and cyclical maintenance including major repairs costs	(632)	(234)	-	(866)	(658)
Reactive maintenance costs	(336)	(124)	-	(460)	(651)
Bad debts – rents and service charges	(48)	(18)	-	(66)	(130)
Depreciation of affordable let properties	(2,376)	(882)	(3)	(3,261)	(3,180)
Operating costs from social letting activities	**(4,126)**	**(1,599)**	**(4)**	**(5,729)**	**(5,692)**
Operating surplus from social lettings	**860**	**315**	**5**	**1,180**	**5,888**
Operating surplus from social lettings for the previous reporting period	**5,534**	**352**	**2**	**5,888**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2021 Operating Surplus / (Deficit) £'000	2020 Operating Surplus / (Deficit) £'000
Corporate services	-	-	203	203	(208)	(5)	(301)
Depreciation – non social housing	-	-	-	-	(189)	(189)	(191)
Development and construction of property activities	-	-	133	133	(183)	(50)	(1)
Investment property activities			83	83	-	83	82
Organisation restructuring	-	-	-	-	(13)	(13)	(39)
Other income	-	-	31	31	(3)	28	(3)
Support activities	-	-	656	656	(331)	325	273
Wider role activities to support the community	-	-	-	-	(248)	(248)	(161)
Total from other activities	-	-	**1,106**	**1,106**	**(1,175)**	**(69)**	**(341)**
Total from other activities for the previous reporting period	-	-	**2,120**	**2,120**	**(2,461)**	**(341)**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6. Board members' emoluments

No Board members received remuneration with £nil (2020: £465) paid for reimbursed expenses.

7. Key management personnel

Key management personnel are employed by the Association and perform an executive management role across all subsidiaries in the Group. The total emoluments payable to Group key management personnel are disclosed in the Wheatley Housing Group consolidated financial statements. The Association pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind.

The allocation of key management emoluments is based on property numbers under management after allocating a share of costs to non RSL subsidiaries. In 2019/20 the allocation was based on the proportion of group services costs borne by the Association, with the change in the basis of allocation of costs in 2020/21 considered to be more representative of the executive management costs of the Association.

	2021	2020
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	92	24

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

More than £nil but not more than £10,000	1	6
More than £10,000 but not more than £20,000	4	-
More than £20,000 but not more than £30,000	1	-

There were six senior officers in post during the year ended 31 March 2021. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Tom Barclay	Group Director of Property and Development
Olga Clayton	Group Director of Housing and Care
Steven Henderson	Group Director of Finance
Graham Isdale	Group Director of Corporate Affairs
Elaine Melrose – to 30 September 2020	Group Director of Resources

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

8. Employees

	2021 No.	2020 No.
The average monthly number of full time equivalent persons employed during the year was	20	73
The average total number of employees employed during the year was	21	79

	2021 £'000	2020 £'000
Staff costs (for the above persons)		
Wages and salaries	729	1,912
Social security costs	76	164
Pension costs	567	1,472
Pension service credit	(537)	(924)
	835	2,624

9. Finance income

	2021 £'000	2020 £'000
Bank interest receivable on deposits in the year	1	1

10. Finance charges

	2021 £'000	2020 £'000
Interest on intra group loans	1,790	1,688
Loan breakage fees	966	-
Net interest charges on pension liability	8	46
	2,764	1,734

11. Auditor's remuneration

The remuneration of the auditor (excluding VAT) is as follows:

	2021 £'000	2020 £'000
Audit of these financial statements	16	16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

12. Financial commitments

Capital commitments

All capital commitments were as follows:

	2021 £'000	2020 £'000
Expenditure contracted for, but not provided in the financial statements	11,078	7,164
Expenditure authorised by the Board but not contracted	-	5,129
	11,078	12,293

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the Association, and private funding.

Operating leases

At 31 March 2021 Loretto Housing Association had no annual commitments under non-cancellable operating leases (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

13. Social Housing Properties

	Social Housing Properties £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
Valuation				
At 1 April 2020	58,270	169	1,754	60,193
Additions	691	-	3,514	4,205
Disposals	(3)	-	-	(3)
Transfer	344	(44)	(300)	-
Revaluation	1,122	(19)	-	1,103
At 31 March 2021	60,424	106	4,968	65,498
Accumulated Depreciation				
As at 1 April 2020	-	-	-	-
Charge for year	3,255	3	-	3,258
Disposals	-	-	-	-
Revaluation	(3,255)	(3)	-	(3,258)
At 31 March 2021	-	-	-	-
Net Book Value - Valuation				
At 31 March 2021	60,424	106	4,968	65,498
At 31 March 2020	58,270	169	1,754	60,193
Net Book Value – Cost				
At 31 March 2021	115,825	127	4,968	120,920
At 31 March 2020	117,909	169	1,754	119,832

Total expenditure on repairs and capital improvements in the year on existing properties was £2,017k (2020: £2,955k). Of this, repair costs of £1,326k (2020: £1,309k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £691k (2020: £1,646k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £691k (2020: £1,646k) in the year include:

- £141k for component additions including:
  - £19k on bathrooms;
  - £32k on internal works and common areas;
  - £7k on kitchens;
  - £50k on mechanical, electrical and plumbing;
  - £6k on structure and roofs; and
  - £27k on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

13. Social Housing Properties (continued)

- The remaining balance of £550k of additions to existing properties not associated with a specific component includes £207k on void improvements £99k of medical adaptations.

Additions to housing under construction include capitalised interest costs of £98k (2020: £117k). Interest has been capitalised at the weighted average interest cost for the Association of 4.60% (2020: 4.89%).

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2021 on an Existing Use Valuation for Social Housing ("EUV-SH").

Discount rates between 5.75-6.50% have been used depending on the property archetype (2020: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.5% in 2021/22 for retained stock, in line with the Association's 30-year Business Plan (2021/22). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2020/21 the Association did not dispose of any properties (2019/20: nil).

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March 2021 is shown below:

	2021 – number				2020 – number			
	Owned and managed	Owned and managed by others	Managed only	Total	Owned and managed	Owned and managed by others	Managed only	Total
General Needs	1,086	-	-	1,086	1,083	-	-	1,083
Supported Housing	187	170	47	404	188	171	50	409
Shared Ownership	3	-	-	3	4	-	-	4
Total Social Housing	1,276	170	47	1,493	1,275	171	50	1,496

The Association leases a number of properties to other providers (local authorities, RSLs or charitable bodies) who manage the properties on their behalf. No funding is payable by the Association to the other providers in respect of these units.

The housing valuation excludes properties that the Association manages on behalf of others but does not own. The Association owns and manages 30 office properties within supported housing developments and these are included in the valuation and reported in supported housing units above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Other Tangible Fixed Assets

	Community Infra-structure £'000	Office Premises £'000	Office Improvements £'000	Furniture, fittings & Equipment £'000	Computer Equipment £'000	Total £'000
Cost or valuation						
At 1 April 2020	96	575	1,092	128	501	2,392
Additions	77	-	-	-	-	77
Revaluation	-	(5)	-	-	-	(5)
At 31 March 2021	173	570	1,092	128	501	2,464
Accumulated Depreciation						
At 1 April 2020	10	-	630	80	493	1,213
Charge for year	5	42	109	24	8	188
Revaluation	-	(42)	-	-	-	(42)
At 31 March 2021	15	-	739	104	501	1,359
Net Book Value						
At 31 March 2021	158	570	353	24	-	1,105
At 31 March 2020	86	575	462	48	8	1,179

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021 in accordance with the appraisal and valuation manual of the RICS.

15. Investment Properties

	Properties held for mid market rent £'000
Valuation	
At 1 April 2020	1,299
Revaluation taken to operating surplus	(19)
At 31 March 2021	1,280
Net Book Value	
At 31 March 2021	1,280
At 31 March 2020	1,299

Mid market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Investment Properties – (continued)

The number of properties held for market rent by the Association at 31 March was:

	2021	2020
Mid Market Rent Properties		
Total Units	17	17

16. Debtors

	2021	2020
	£'000	£'000
Arrears of rent & service charges	281	471
Adjustment to discount arrears balances with payments plans to NPV	(1)	(1)
Less: Provision for bad and doubtful debts	(187)	(263)
	93	207
Prepayments and accrued income	-	-
Other Debtors	543	1,808
Due from other group companies	38	203
	674	2,218

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

17. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	484	100
Accruals	956	1,508
Deferred income	-	178
Rent and service charges received in advance	660	507
Tax and social security	19	37
Other creditors	9	234
Due to other group companies	1,279	317
	3,407	2,881

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

	2021 £'000	2020 £'000
Deferred Income	7,600	1,465
Amount due to group company	32,755	37,253
	40,355	38,718

Bank lending facility
Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £652.6m from a syndicate of commercial banks, two committed facilities totalling £278.0m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,480.6m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No. 1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Loretto having access to an intra-group facility of £90.4m, secured on its housing stock. Interest in the year has been charged at 4.60% (2020: 4.89%).

Loretto Housing Association Limited has secured a major portion of its housing stock against this facility, however the remainder of its housing stock and any future new build properties will remain unsecured.

Borrowings are repayable as follows

	2021 £'000	2020 £'000
In less than one year	-	-
In more than one year but less than five years	1	1
In more than five years	32,754	37,252
	32,755	37,253

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

18. Creditors: amounts falling due after more than one year (continued)

Deferred income

	New Build grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2020	1,643	-	1,643
Additional income received	6,135	-	6,135
Released to Statement of Comprehensive Income	(178)	-	(178)
Deferred income as at 31 March 2021	7,600	-	7,600

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

Deferred income to be released to the Statement of Comprehensive Income:	**2021 £'000**	**2020 £'000**
In less than one year (note 17)	-	178
In more than one year but not less than five years	7,600	1,465
In more than five years	-	-
	7,600	1,643

19. Share Capital

Shares of £1 each issued and fully paid	£
At 1 April	130
Issued in year	-
Cancellations	(57)
At 31 March	73

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

Loretto Housing Association participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS"), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. With effect from 1 July 2013 Loretto Housing Association ceased to offer membership of the defined benefit scheme, with all active employee members transferred to the SHAPs Defined Contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Loretto Housing Association's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2021.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions (continued)

A recent review of changes made to the scheme's benefit structure has been undertaken by the Trustees in line with their duty to administer the scheme in accordance with the rules. The review involves clarification of the treatment of historic changes made to scheme benefits and from initial findings it has been determined that in some cases it is unclear whether changes made to the scheme benefits have been in accordance with the governing documentation. Direction has been sought from the High Court and the matter is currently under consideration. Any potential requirement to review member benefits is not expected to have a material impact on the liabilities of the scheme based on current calculations and no provision has been made when valuing the scheme liabilities pending the outcome of the process.

Defined Benefit assets and obligations

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

	31 March 2021	31 March 2020
Discount rate	2.05%	2.45%
Future salary increases	1.85% *	2.20%
Inflation (CPI)	2.80%	1.90%

* future salary increases assumed at 1.50% for the first three years, 2.00% thereafter

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2021 and 2020 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 21.5 years, female 23.4 years (2020: 20.7 and 22.9 years, respectively)
- Future retiree upon reaching 65: male 22.8 years, female 25.0 years (2020: 22.2 and 24.6 years, respectively)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions (continued)

Movements in present value of defined benefit obligation

	2021 £'000	2020 £'000
Opening defined benefit obligation	**15,455**	**16,281**
Interest cost	374	414
Actuarial losses/(gains)	2,951	(487)
Estimated benefits paid	(356)	(766)
Administration costs	15	13
Closing defined benefit obligation	**18,439**	**15,455**

Movements in fair value of plan assets

	2021 £'000	2020 £'000
Opening fair value of plan assets	**14,877**	**14,059**
Interest income	366	368
Expected return on plan assets	860	292
Contributions by the employer	537	924
Estimated benefits paid	(356)	(766)
Administration costs	-	-
Closing fair value of plan assets	**16,284**	**14,877**
Net Liability	**(2,155)**	**(578)**

Expense recognised in the statement of comprehensive income

	2021 £'000	2020 £'000
Current service cost	-	-
Losses on settlements or curtailments	-	-
Net interest on defined benefit obligation	8	46
Administration costs	15	13
	23	59

The total amount recognised in the statement of comprehensive income in respective of actuarial gains and losses is £2,091k loss (2020: £779k gain).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions (continued)

The major categories of scheme assets were as follows:

Association	**2021 £'000**	**2020 £'000**
Equities	5,340	2,959
Corporate bonds	1,236	5,946
Property	292	277
Alternatives	9,289	5,218
Cash	127	477
	16,284	14,877
Actual return on plan assets	1,226	660

21. Related party transactions

Members of the Management Board are related parties of the Association as defined by FRS 102. The Association retains a register of members' interests. The following interests in related parties are required to be declared:

Tenant Board Members

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

Alex McKay
Allan McGinness
Pauline Gilmore

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2021 are as follows:

	2021 £'000
Rent charged during the year	14
Arrear balances outstanding at 31 March 2021	-

Other related parties -

Related party interests and transactions during the year are as follows:

	Invoiced/paid in the year £'000	**Year end balance £'000**
Pensions Trust – Scottish Housing Association Pension Scheme	537	-

All transactions were on commercial terms and at arm's length.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

22. Cash flow analysis

Cash flow from operating activities

	2021 £'000	2020 £'000
Surplus for the year	2,727	2,466
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,450	3,331
Increase in trade and other debtors	349	(1,156)
Decrease in trade and other creditors	(35)	(506)
Pension costs less contributions payable	(522)	(911)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(342)	(4,959)
Interest payable	2,764	1,734
Interest received	(1)	-
(Increase)/decrease in valuation of properties	(4,379)	1,349
Net cash inflow from operating activities	**4,011**	**1,348**

23. Ultimate parent organisation

The Association is a "wholly owned" subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

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

24. Post balance sheet event

During 2020/21 a majority of the tenants of Cube Housing Association Limited, a fellow Wheatley Group subsidiary, voted in favour of plans to transfer Cube's housing stock within the City of Glasgow to Glasgow Housing Association Limited and the transfer of its remaining activities, assets and liabilities to be transferred through a transfer of engagements to Loretto Housing Association.

The transfer of engagements took take place on 28 July 2021.

SUPPLEMENTARY INFORMATION

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