

Loretto Housing

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2023

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 financial statements for the year ended 31 March 2023.

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”).

OPERATING REVIEW

This year, the second year of our ‘Your Home, Your Community, Your Future’ strategy, saw us consolidate our new operating model and rise to the challenge of supporting our customers through the cost-of-living crisis.

Many of our customers were still coping with the aftermath of the pandemic, and the associated financial hardship that created. We continued to support them in every way we could through the challenges caused by the growing economic crisis over the year, from the rising price of food to energy costs. Our customer-focused way of working, and the range of ways we engage, help us understand the needs of our customers and respond to them effectively.

The year saw the launch of our ‘Here for You’ campaign to help alleviate the hardship experienced by so many of our customers delivered on behalf by the Wheatley Foundation, our charitable trust. The campaign brought together our extensive wraparound services under one recognisable banner and also involved signposting customers to help from partner organisations across our communities.

More than 200 referrals were made to Loretto Housing Association, to ‘Here for You’ over the year, with customers receiving lifeline help with food, fuel and rent financial support. Overall Wheatley Foundation, supported more than 500 Loretto customers over the year.

This was the first full year of our Customer First Centre, providing 24/7 expert support for customers allowing housing officers to spend more time helping people in our communities. We launched our *MyRepairs* specialist team, towards the end of the year, which helped us further improve our repairs service.

We continued to improve tenant engagement through the introduction of our Customer Voices programme, introducing more ways than ever for customers to help shape our services in ways that suited them best including both in person and online groups. By the end of the year, 1,000 tenants were registered with the programme.

We built 205 new homes over the year and invested £1.8 million in planned improvements in existing homes. We also launched our new sustainability framework to set out our approach in the journey towards net zero homes.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Our enduring commitment to doing all we can for our communities was brought into sharp focus this year as the people we work for faced ever-increasing challenges. There is no doubt teams across Wheatley Group will continue 'Thinking Yes Together' to support our customers whenever they need us.

Here are the highlights of the year.

Building new homes

Loretto built 205 new homes over year, all of them for social rent. Our completed homes included:

- 80 at Queens Quay, Clydebank;
- 49 at Dargavel Village, Bishopton;
- 36 at Sawmill Field, Helensburgh;
- 32 at Hallrule Drive, Cardonald; and
- 8 at Vellore Road, Falkirk

Work is also underway on 24 new Loretto homes in Maddiston, Falkirk.

Investing in our homes

Loretto delivered £1.8m of planned improvements to homes and communities over the year. This included:

- £179k on gas central heating for 89 homes in Glasgow;
- £256k on new kitchens for 45 homes in Thornliebank, Glasgow, and Rose Street, Lesmahagow;
- £427k on new windows for 85 homes in Glasgow Road and Poplar Place, Blantyre, and Craigievar in Airdrie.

We also spent £132k on what customers told us were their priorities through Stronger Voices, including installing new fencing and lighting in homes in Coatbridge, new doors in homes in Paisley, and painting closes in Barmulloch and other parts of Glasgow.

Our repairs service

We launched a new specialist team in January 2023 to help us continue to improve the repairs service. The *MyRepairs* team brings specialist repairs staff together with colleagues in our Customer First Centre to deal with complex repairs cases responding to feedback from customers. This allows housing officers to spend more time in communities visiting customers.

We also renewed our focus on dealing with damp and mould in our homes, shortening our responsive times and ensuring that reports about damp or mould are investigated within 48 hours with an aim to complete any repairs needed within 15 working days.

Improving our neighbourhoods

We continued our work to create clean and safe neighbourhoods people are proud to live in. Our ongoing partnership with environmental charity Keep Scotland Beautiful saw our communities inspected and graded to help us drive up standards. All Loretto neighbourhoods have achieved the highest five-star rating.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Improving our neighbourhoods (continued)

An environmental week of action in March 2023 saw us tackle bulk uplift, and fly tipping, upgrade community spaces and join community groups, schools, and other partner organisations in litter picks, helping us improve neighbourhoods and engage with our customers.

Wheatley's Community Improvement Partnership ("CIP") – a specialist team of seconded police and our own frontline staff – continued to work with communities to tackle anti-social behaviour and crime. At the end of 2022/23, more than two-thirds of Wheatley Group communities were classified as 'peaceful'.

The CIP worked with 150 Wheatley Group customers over the year to create our 'Neighbourliness Charter' to help create thriving, peaceful communities. The 'Keep the Peace' campaign, which promoted community engagement activities and highlighted support around anti-social behaviour, reached almost 118,000 social media accounts over the year.

We helped protect customers from the risk of fire by carrying out more than 59 person-centred fire risk assessments – formerly known as home fire safety visits – in Loretto homes last year.

In the past year, we delivered fire safety products to 33 Loretto customers, including 17 stove guard devices. We also carried out 23 fire safety improvements and upgraded fire alarms in 70 homes.

The number of accidental fires in Wheatley Group homes fell for the third consecutive year, amounting to a 32% reduction over that same period.

Letting homes

We have a key strategic objective around the alleviation of homelessness and we allocated 166 homes to homeless people over the year and provided one home to local authorities to house Ukrainian refugees.

Engaging with customers

We helped more of our customers get online this year and encouraged them to engage with us through our digital channels and online self-service accounts. More than 1,680 Loretto customers – more than 58% of our customer base – were registered for an online account in 2022/23.

More than 38,000 people used the Loretto Housing website over the year. The number of followers on our social media channels this year was 2,254, an increase of 254 from the year before.

A total of 67 Loretto customers were involved in our Customer Voices programme this year, joining focus groups and surveys to shape Group policies on homelessness and sustainability, as well as equality, diversity and inclusion, and strategies on sustainability, among others. Customers also took part in a range of activities including neighbourhood walkabouts, panel discussions and local events.

Supporting our customers

A total of 30% of Loretto customers are now on Universal Credit, an increase of 5% from last year.

Our welfare benefits advisors supported over 200 Loretto customers this year and helped them claim more than £460k in benefits and tax credits they were entitled to. Across Wheatley Group, we helped over 7,000 customers this year and helped them claim back over £13m.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Supporting our customers (Continued)

Our fuel advisors helped 100 Loretto customers save more than £5k on their bills this year and issued 202 fuel vouchers to Loretto customers to help alleviate fuel poverty. Across Wheatley Group, we helped customers access almost 10,000 fuel vouchers worth more than £480k.

A total of 100 Loretto households also received support with their rent payments this year.

Over the year, we:

- helped 120 households put food on the table by distributing 149 supermarket vouchers through our EatWell service;
- provided free books every month to 24 children under five in our homes through the Dolly Parton Imagination Library initiative;
- helped 103 new tenants with household budgeting, running a home and settling into their community through 'My Great Start';
- gave 23 households upcycled furniture through our Home Comforts service;
- provided starter packs for 13 tenants who needed support moving into their home; and
- helped 1 of our customers get into work or training.

Independent Auditor

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

FINANCIAL REVIEW

Loretto Housing Association generated an operating surplus of £21.0m (2022: £23.0m) for the year. The prior year included a one off £17.1m non-cash accounting gain on business combination reported in other gains and losses which related to the transfer of engagements from Cube Housing Association. In the current year, operating surplus benefits from the first full twelve months of operations of the larger business following the transfer of the Cube properties as well as a higher level of grant income recognised on new build completions.

Before taking account of other gains and losses and excluding grant income on new build completions, an operating surplus was generated from core operations of £1.2m (2022: £3.3m). This was £2.1m lower than the prior year which included a one off receipt of funds which was re-invested back into existing properties.

Income

The Association's turnover for the year ended 31 March 2023 totalled £36.2m (2022: £20.5m). The main source of income is derived from the social rental of housing property, with net rental income of £13.1m (2022: £10.3m). Other significant items include:

- Total grant income of £19.9m (2022: £2.5m), has been recognised in relation to completed new build properties and medical adaptations. The amount of grant income reported varies from year to year depending on the profile of the Association's new build development programme.
- £1.9m (2022: £6.4m) of development income, which relates to the Queens Quay project and units developed on behalf of our partners during the year.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW

Expenditure

Operating costs of the Association in the year totalled £15.1m (2022: £14.6m). Costs largely comprised of the following:

- Management and administration costs associated with affordable letting activities totalling £0.8m (2022: £0.7m).
- £1.9m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2022: £1.4m).
- £1.7m of reactive maintenance costs to our social letting properties (2022: £1.3m).
- Depreciation expenditure for social housing and other assets of £6.3m (2022: £5.0m)
- Development costs of £2.2m (2022: £4.1m), which relates to the Queens Quay project.
- Wider role costs of £0.7m (2022: £0.4m), the increase being additional donations to Wheatley Foundation to provide support for our tenants through this financially challenging period.

Other expenditure in the year includes £2.8m of interest (2022: £2.0m), which is mainly interest on intra group loans.

Total comprehensive income for the year of £11.6m (2022: £21.2m) includes a decrease in valuation of social housing properties of £5.6m (2022: decrease of £2.4m) and a loss of £1.2m (2022: gain of £2.5m) 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. A downward valuation movement is reported on newly completed units on first valuation following completion. FRS 102 requires the associated grant income on these new completions to be recognised through profit or loss under the performance model and when the valuation is compared against gross development cost, and as reported this year, this can result in a non-cash accounting loss.

Cashflows

The cash flow statement of the Association is shown on page 19. The Association generated £6.1m from operating activities (2022: £8.3m) with the prior year including the one of receipt of funds for re-investment into existing properties. Cash and cash equivalents in the year increased by £2.5m (2022: decrease £1.8m), primarily due to the timing of investment and new build spend and related intra-group loan drawdowns and grant claims.

Rental debtors

At 31 March 2023, the Association had rent arrears of £0.6m offset by bad debt provisions of £0.4m (2022: £0.5m and £0.4m respectively).

Liquidity

The Association's net current liabilities at 31 March 2023 totalled £5.2m, an decrease of £18.3m in the year from a net current liability in 2022 of £23.5m. This is mainly linked to deferred grant receipts with £16.5m reported as due for release within one year in 2022 compared to £2.2m in 2023. 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 which can vary year to year dependant on the size of the new build programme and the anticipated date of completion of each development at the respective year end.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (Continued)

Liquidity (continued)

Borrowings due after more than one year have increased from £74.2m to £82.4m due to the Association's investment of £13.7m in new build development. Cash balances are managed at an appropriate level through the Group funding subsidiary Wheatley Funding No.1 Limited ("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 19. The Association has access to an intra-group facility of £82.5m. Interest rate risk is managed at a group level by WFL1.

Investment in tenants' homes

During the year we invested £1.8m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £145.0m (2022: £141.1m).

New Build

A total of 205 new social rents units were completed during the year, and the Association continued to work on several other developments. Our new build programme invested £13.7m in the year. The Business Plan includes a further projected spend of £114.4m 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)****Reserves policy (continued)**Revenue reserve (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



Eric Gibson, Chair
21 September 2023

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	Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Eric Gibson (chair)	20 September 2021	-	-	-Lowther Homes Limited (chair) -Wheatley Funding Ltd 1 -Wheatley Funding Ltd 2 -Wheatley Capital PLC -Wheatley Housing Group Limited
Alex McKay*	15 June 2015	21 September 2015	-	-
Allan McGinness* (deceased)	10 August 2015	21 September 2015	28 October 2022	-
Jean Fyfe	18 September 2017	-	3 May 2022	The Wheatley Foundation Limited
Nesta Gilliland	18 September 2017	-	6 May 2022	-
Jacqui Mallin	18 September 2017	-	29 September 2022	Wheatley Solutions
Pauline Gilmore*	18 September 2017	-	-	-
Archie Morrison	10 December 2019	-	-	-
Jennifer Williamson *	20 September 2021	-	29 March 2023	-
Suzanne Lavelle*	20 September 2021	-	-	-
Gregor Dunlay	28 November 2022	-	-	-West Lothian Housing Partnership Limited
Dr Lesley Anne Bloomer	29 September 2022	-	-	-West Lothian Housing Partnership Limited -Wheatley Developments Scotland -Wheatley Solutions Board
Jackie Brock	22 February 2023			

* 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.

DIRECTORS' REPORT (Continued)

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' 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, and 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



Eric Gibson, Chair
21 September 2023

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

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

Opinion

We have audited the financial statements of Loretto Housing Association Limited ("the Association") for the year ended 31 March 2023 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Reserves, and the Cash Flow Statement 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 2023 and of the income and expenditure of the Association 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 requirements of the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements Order 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 have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the regulations made under that Act. 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.

INDEPENDENT AUDITOR'S REPORT TO LORETTO HOUSING ASSOCIATION LIMITED AND THE TRUSTEES OF LORETTO HOUSING ASSOCIATION LIMITED (CONTINUED)

Opinion (continued)

Fraud and breaches of laws and regulations – ability to detect

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

We communicated identified fraud risks throughout the audit team and remained alert to indications of fraud throughout the audit.

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 the 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.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including assessing the assumptions used in pension and property valuations.

Identifying and responding to risks of material misstatement due to non-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 discussions 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 regulation 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.

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

Whilst the Association is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance allow could have a material effect on amounts or disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO LORETTO HOUSING ASSOCIATION LIMITED AND THE TRUSTEES OF LORETTO HOUSING ASSOCIATION LIMITED (CONTINUED)

Opinion (continued)

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 are responsible for the other information, which comprises the 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, except as explicitly stated below, 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.

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 10 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.
- in our opinion the information given in the Directors Report is inconsistent in any material respect with the financial statements.

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

- the association has not kept proper books of account; 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; or
- in our opinion the information given in the Annual Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects

In addition, under the Co-operative and Community benefit Societies Act 2014 we are required to report if, in our opinion, the Association has not maintained a satisfactory system of control over its transactions. We have nothing to report in this respect.

INDEPENDENT AUDITOR'S REPORT TO LORETTO HOUSING ASSOCIATION LIMITED AND THE TRUSTEES OF LORETTO HOUSING ASSOCIATION LIMITED (CONTINUED)

Opinion (continued)

Board's responsibilities

As explained more fully in their statement set out on page 14, the Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine 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 they either intend to liquidate the Association or to cease operations, or have 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 section 69 of the Housing (Scotland) Act 2010, and to the Association's Trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Association and its Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Wilkie

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 LLP

319 St Vincent Street Glasgow

G2 5AS

26 September 2023

Loretto Housing Association Limited
 Directors' Report and Financial Statements
 Year ended 31 March 2023

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
 MARCH 2023**

	<i>Note</i>	Total 2023 £'000	Total 2022 £'000
Turnover	3	36,174	20,474
Operating expenditure	3	(15,086)	(14,612)
Other (losses)/ gains	3	(40)	17,156
Operating surplus		<u>21,048</u>	<u>23,018</u>
Finance income	10	3	-
Finance charges	11	(2,767)	(1,965)
Decrease in valuation of housing properties		(5,555)	(2,442)
Increase in valuation of other fixed assets		<u>17</u>	<u>92</u>
Surplus for the year		12,746	18,703
Actuarial (loss)/gain in respect of pension schemes		<u>(1,186)</u>	<u>2,458</u>
Total comprehensive income for the year		<u><u>11,560</u></u>	<u><u>21,161</u></u>

All amounts relate to continuing operations.

The notes on pages 20 to 43 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2023

	Total Reserves £'000
Balance at 31 March 2021	23,962
Surplus for the financial year	18,703
Actuarial gain in respect of pension scheme	2,458
Balance at 31 March 2022	45,123
Surplus for the financial year	12,746
Actuarial loss in respect of pension scheme	(1,186)
Balance at 31 March 2023	56,683

All amounts relate to continuing operations.

The notes on pages 20 to 43 form part of these financial statements.

Loretto Housing Association Limited
Directors' Report and Financial Statements
Year ended 31 March 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	<i>Notes</i>	2023 £'000	2022 £'000
Fixed assets			
Social housing properties	14	144,956	141,082
Other tangible fixed assets	15	1,299	1,072
Investment properties	16	1,260	1,300
		<u>147,515</u>	<u>143,454</u>
Current assets			
Trade and other debtors	17	2,256	2,196
Cash and cash equivalents		2,062	-
		<u>4,318</u>	<u>2,196</u>
Creditors: amounts falling due within one year	18	(9,565)	(25,666)
Net current liabilities		<u>(5,247)</u>	<u>(23,470)</u>
Total assets less current liabilities		142,268	119,984
Creditors: amounts falling due after more than one year	19	(83,827)	(74,478)
Provisions for liabilities			
Pension liability	21	(1,758)	(383)
Total net assets		<u>56,683</u>	<u>45,123</u>
Reserves			
Called up Share capital	20	-	-
Total reserves		56,683	45,123
Total reserves		<u>56,683</u>	<u>45,123</u>

These financial statements were approved by the Board on 21 August 2023 and were signed on its behalf on 21 September 2023 by:



Eric Gibson
Chair



Lesley Bloomer
Board Member



Anthony Allison
Secretary

The notes on pages 20 to 43 form part of these financial statements.

Charity registration number SC07241

Loretto Housing Association Limited
 Directors' Report and Financial Statements
 Year ended 31 March 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 £'000	2022 £'000
Net cash generated from operating activities	23	<u>6,125</u>	<u>8,349</u>
Cash flow from investing activities			
Improvement of properties – housing stock		(1,830)	(2,496)
New build		(12,869)	(13,595)
Purchase of other fixed assets		(380)	(56)
Grants received		6,802	2,763
Finance income		<u>3</u>	<u>-</u>
		(8,274)	(13,384)
Cash flow from financing activities			
Finance charges		(3,603)	(3,554)
Cash acquired on business combination		-	2,487
Financing draw down		<u>8,244</u>	<u>4,350</u>
		4,641	3,283
Net change in cash and cash equivalents		2,492	(1,752)
Cash and cash equivalents at 1 April		(430)	1,322
Cash and cash equivalents at 31 March		<u>2,062</u>	<u>(430)</u>

The notes on pages 20 to 43 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023 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. 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 2023/24 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, 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, rising costs, productivity and labour shortages, and reprofiled new build handovers;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**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 potential revised investment profiles;
- Liquidity –access to total undrawn loan facilities arranged through WFL1 of £270.3m, which are available to Loretto and 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 2023****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 reliably. 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.

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 2023

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. As part of the transfer of engagements from Cube Housing Association, the assets and liabilities attributable to Cube in SHAPS transferred to Loretto Housing Association on 31 May 2021. The Cube section of the SHAPS Defined Benefit Scheme had been closed to members on 1 September 2014.

Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, 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 2023

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 2023 (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 2023 (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.

3. Particulars of turnover, operating costs and operating surplus

	2023			2022	
	Turnover £'000	Operating Costs £'000	Other gains/ (losses) £'000	Operating surplus/ (deficit) £'000	Operating surplus/ (deficit) £'000
Affordable letting activities (note 4)	33,055	(11,244)	-	21,811	3,794
Other activities (note 5)	3,119	(3,842)	-	(723)	2,068
(Loss)/ gain on investment properties (note 16)	-	-	(40)	(40)	20
Gain on business combination (note 9)	-	-	-	-	17,136
Total	36,174	(15,086)	(40)	21,048	23,018
Total for previous reporting period	20,474	(14,612)	17,156	23,018	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

	General Needs £'000	Supported Housing £'000	Shared Ownership £'000	2023 Total £'000	2022 Total £'000
Rent receivable net of service charges	9,396	2,615	46	12,057	9,381
Service charges	852	409	-	1,261	1,140
Gross income from rents and service charges	10,248	3,024	46	13,318	10,521
Less rent losses from voids	(79)	(139)	-	(218)	(239)
Net income from rents and service charges	10,169	2,885	46	13,100	10,282
Grants released from deferred income	19,880	-	-	19,880	2,540
Other revenue grants	75	-	-	75	88
Total turnover from affordable letting activities	30,124	2,885	46	33,055	12,910
Management and maintenance administration costs	(662)	(125)	(5)	(792)	(723)
Service costs	(411)	(198)	-	(609)	(749)
Planned and cyclical maintenance including major repairs costs	(1,588)	(301)	(12)	(1,901)	(1,373)
Reactive maintenance costs	(1,386)	(263)	(10)	(1,659)	(1,348)
Bad debts – rents and service charges	(134)	(25)	(1)	(160)	(107)
Depreciation of affordable let properties	(5,139)	(971)	(13)	(6,123)	(4,816)
Operating costs from social letting activities	(9,320)	(1,883)	(41)	(11,244)	(9,116)
Operating surplus from social lettings	20,804	1,002	5	21,811	3,794
Operating surplus from social lettings for the previous reporting period	2,977	825	(8)	3,794	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

	Grants from Scottish Ministers £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2023 Operating Surplus / (Deficit) £'000	2022 Operating Surplus / (Deficit) £'000
Corporate services	-	207	207	(205)	2	1
Depreciation – non-social housing	-	-	-	(170)	(170)	(181)
Development and construction of property activities	-	1,928	1,928	(2,152)	(224)	2,236
Investment property activities	-	87	87	-	87	84
Organisation restructuring	-	-	-	(61)	(61)	(26)
Other income	-	39	39	-	39	-
Support activities	-	858	858	(560)	298	312
Wider role activities to support the community	-	-	-	(694)	(694)	(358)
Total from other activities	-	3,119	3,119	(3,842)	(723)	2,068
Total from other activities for the previous reporting period	-	7,564	7,564	(5,496)	2,068	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6. Board members' emoluments

No Board members received remuneration with £198 (2022: £71) 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.

	2023	2022
	£ 000	£ 000
Aggregate emoluments payable to key management (excluding pension contributions)	95	114

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
More than £10,000 but not more than £20,000	7	4
More than £30,000 but not more than £40,000	-	1

The key management are defined for this purpose as the Chief Executive and the Group Executive team in post at 31 March 2023. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff. Pension contributions of £106k (2022: £115k) were paid for the Chief Executive and the Group Executive team in post at 31 March 2023.

There were seven senior officers in post at 31 March 2023.

Steven Henderson	Group Chief Executive
Hazel Young	Group Director of Housing and Property Management
Laura Pluck	Group Director of Communities
Pauline Turnock	Group Director of Finance
Anthony Allison	Group Director of Governance and Business Solutions
Graham Isdale	Group Director of Corporate Affairs
Frank McCafferty	Group Director of Assets and Repairs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

8. Employees

	2023	2022
	No.	No.
The average monthly number of full-time equivalent persons employed during the year was	75	69
The average total number of employees employed during the year was	76	70
	2023	2022
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	2,750	2,370
Social security costs	293	235
Pension costs	95	945
Pension service debit/(credit)	144	(740)
	3,282	2,810

9. Other Gains

Gain on business combination

Following the successful tenant ballot in 2020-21, the homes of Cube Housing Association in the Glasgow City local authority boundary transferred to Wheatley Homes Glasgow, along with all related asset and liabilities, on 28 April 2021. All Cube staff and Cube's SHAPS pension liability transferred to Loretto on 31 May 2021. The remaining assets and liabilities of Cube were subject to a transfer of engagements to Loretto Housing Association Limited on 28 July 2021, resulting in a gain on business combination of £17,136k in 2021-22.

	2023	2022
	£'000	£'000
Gain on business combination	-	17,136
	-	17,136

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

9. Other Gains (continued)

The following amounts were transferred from Cube Housing Association

	2023	2022
	£000	£000
Fixed assets – Social Housing Properties	-	64,490
Other fixed assets	-	-
Investment properties	-	-
Current assets	-	4,278
Current liabilities	-	(4,403)
Net current liabilities	-	(125)
Creditors: amounts due falling due in over one year	-	(45,882)
Pension liability	-	(1,347)
	-	17,136

10. Finance income

	2023	2022
	£'000	£'000
Bank interest receivable on deposits	3	-

11. Finance charges

	2023	2022
	£'000	£'000
Interest on intra group loans	2,750	1,914
Other financing costs	5	2
Net interest charges on pension liability	12	49
	2,767	1,965

12. Auditor's remuneration

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

	2023	2022
	£'000	£'000
Audit of these financial statements	60	30

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

13. Financial commitments

Capital commitments

All capital commitments were as follows:

	2023 £'000	2022 £'000
Expenditure contracted for, but not provided in the financial statements	8,411	10,659
Expenditure authorised by the Board but not contracted	-	-
	<u>8,411</u>	<u>10,659</u>

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 the Association had annual commitments under non-cancellable operating leases as follows:

	2023 £'000	2023 £'000	2022 £'000	2022 £'000
	Land and Buildings	Other	Land and Buildings	Other
Operating leases that fall due:				
Within one year	13	50	-	50
In the second to fifth years inclusive	51	87	-	137
	<u>64</u>	<u>137</u>	<u>-</u>	<u>187</u>

Lease commitments under FRS 102 include the timing of the full payment due under contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14. Social Housing Properties

	Social Housing Properties £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
Valuation				
At 1 April 2022	114,457	871	25,754	141,082
Additions	1,830	-	13,722	15,552
Disposals	(94)	-	-	(94)
Transfers	34,699	(15)	(34,684)	-
Revaluation	(11,577)	(7)	-	(11,584)
At 31 March 2023	<u>139,315</u>	<u>849</u>	<u>4,792</u>	<u>144,956</u>
Accumulated Depreciation				
As at 1 April 2022	-	-	-	-
Charge for year	6,021	13	-	6,034
Disposals	(5)	-	-	(5)
Revaluation	(6,016)	(13)	-	(6,029)
At 31 March 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value - Valuation				
At 31 March 2023	<u>139,315</u>	<u>849</u>	<u>4,792</u>	<u>144,956</u>
At 31 March 2022	<u>114,457</u>	<u>871</u>	<u>25,754</u>	<u>141,082</u>
Net Book Value - Cost				
At 31 March 2023	<u>210,019</u>	<u>538</u>	<u>4,792</u>	<u>215,349</u>
At 31 March 2022	<u>179,570</u>	<u>600</u>	<u>25,754</u>	<u>205,924</u>

Total expenditure on repairs and capital improvements in the year on existing properties was £5,390k (2022: £5,579k). Of this, repair costs of £3,560k (2022: £2,721k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £1,830k (2022: £2,858k) shown as additions to core stock on the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14. Social Housing Properties (continued)

Additions to core stock in the year of £1,830k (2022: £2,858k) in the year include:

- £1,087k for component additions including:
 - £32k on bathrooms;
 - £179k on central heating boiler, including smoke and heat detectors;
 - £119k on internal works and common areas;
 - £256k on kitchens;
 - £10k on mechanical, electrical and plumbing;
 - £65k on structure and roofs; and
 - £426k on windows and doors.
- The remaining balance of £743k of additions to existing properties not associated with a specific component includes £233k on void improvements, £173k of medical adaptations, £337k of capitalised repairs.

Additions to housing under construction include capitalised interest costs of £853k (2022: £674k). Interest has been capitalised at the weighted average interest cost for the Association of 3.90% (2022: 4.08%).

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 2023 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-7.00% have been used depending on the property archetype (2022: 5.75-7.00%). The valuation assumes a real rental income growth of 0.5% for the first two years, followed by long-term real rental growth of 1.0% per annum, in line with the Association's 30-year Business Plan (2022/23). Both mid-market and full market rent properties are assumed at a long term real rental income growth of 0.5% throughout. 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 2022/23 the Association did not dispose of any properties (2021/22: nil).

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March 2023 is shown below:

	2023 – number				2022 – 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	2,286	-	-	2,286	2,080	-	-	2,080
Supported Housing	216	170	48	434	216	170	48	434
Shared Ownership	17	-	-	17	18	-	-	18
Total Social Housing	2,519	170	48	2,737	2,314	170	48	2,532

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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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14. Social Housing Properties (continued)

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.

15. 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 2022	229	620	1,092	128	501	2,570
Additions	380	-	-	-	-	380
Revaluation	-	(25)	-	-	-	(25)
At 31 March 2023	609	595	1,092	128	501	2,925
Accumulated Depreciation						
At 1 April 2022	23	-	848	126	501	1,498
Charge for year	31	42	96	1	-	170
Revaluation	-	(42)	-	-	-	(42)
At 31 March 2023	54	-	944	127	501	1,626
Net Book Value						
At 31 March 2023	555	595	148	1	-	1,299
At 31 March 2022	206	620	244	2	-	1,072

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2023 in accordance with the appraisal and valuation manual of the RICS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16. Investment Properties

	Properties held for mid market rent £'000
Valuation	
At 1 April 2022	1,300
Revaluation taken to operating surplus	(40)
At 31 March 2023	1,260
Net Book Value	
At 31 March 2023	1,260
At 31 March 2022	1,300

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 2023.

16. Investment Properties – (continued)

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

	2023	2022
Mid-Market Rent Properties		
Total Units	17	17

17. Debtors

	2023	2022
	£'000	£'000
Arrears of rent & service charges	597	463
Adjustment to discount arrears balances with payments plans to NPV	(5)	(5)
Less: Provision for bad and doubtful debts	(359)	(361)
	233	97
Prepayments and accrued income	6	-
Other Debtors	1,918	2,086
Due from other group companies	99	13
	2,256	2,196

Amounts owed by 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 2023 (continued)

18. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Bank overdraft	-	430
Trade creditors	53	99
Accruals	2,331	3,867
Deferred income (note 19)	2,226	16,479
Rent and service charges received in advance	1,060	1,008
Tax and social security	83	66
Other creditors	452	650
Due to other group companies	3,360	3,067
	<u>9,565</u>	<u>25,666</u>

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

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

	2023	2022
	£'000	£'000
Deferred income (note 19)	1,402	302
Amount due to group company	82,425	74,176
	<u>83,827</u>	<u>74,478</u>

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £685.0m from a syndicate of commercial banks, two committed facilities totalling £270.8m from the European Investment Bank, £300.0m raised through the issue of a public bond, £264.0m private placement loan notes with BlackRock Real Assets and M&G Investment Management, a £50.0m facility with Barclays, a £35.0m facility with RBS, and a £35m charitable bond via Allia Social Impact Investments. This provided total facilities of £1,639.8m 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 £82.5m, secured on its housing stock. Interest in the year has been charged at 4.15% (2022: 4.15%).

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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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

Borrowings are repayable as follows

	2023	2022
	£'000	£'000
In less than one year	-	-
In more than one year but less than five years	1	1
In more than five years	82,424	74,175
	<u>82,425</u>	<u>74,176</u>

Deferred income

	New Build grants	Other grants/income	Total
	£'000	£'000	£'000
Deferred income as at 1 April 2022	16,778	3	16,781
Additional income received	6,727	-	6,727
Released to Statement of Comprehensive Income	(19,880)	-	(19,880)
Deferred income as at 31 March 2023	<u>3,625</u>	<u>3</u>	<u>3,628</u>

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:	2023	2022
	£'000	£'000
In less than one year (note 18)	2,226	16,479
In more than one year but not less than five years	1,402	302
In more than five years	-	-
	<u>3,628</u>	<u>16,781</u>

20. Share Capital

Shares of £1 each issued and fully paid	£
At 1 April 2022	84
Issued in year	3
Written off in year	<u>(17)</u>
At 31 March 2023	<u>70</u>

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 2023 (continued)**21. Pensions****Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit**

Loretto Housing Association participated in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some non-associated employers. The Scheme is a defined benefit scheme in the UK. 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.

In advance of the transfer of Cube's activities to other Wheatley Group subsidiaries, all Cube Housing Association's assets and obligations in the SHAPs Defined Benefit Scheme were transferred to Loretto Housing Association Limited, which was also an employer in the Scheme. The transfer took place on 31 May 2021 and Cube's obligations in the Scheme were settled at that date.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2021. This valuation revealed a deficit of £27m. A Recovery Plan was put in place to eliminate the deficit which ran to 30 September 2022.

The Scheme is classified as a "last-man standing arrangement". Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figure from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

21. Pensions (continued)

Defined Benefit assets and obligations (continued)

The TPT benefits Review is ongoing, with legal opinion being sought on whether pre-2003 benefits should have continued to receive pension increases in line with RPI inflation, rather than being switched to CPI inflation from 2011 onwards. The choice of inflation measure can have an impact on members' benefits because RPI is generally expected to be higher than CPI. Guidance from the Court, and therefore whether any increases to members benefits will be needed, is not expected before late 2024.

The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	31 March 2023	31 March 2022
Discount rate	4.75%	2.70%
Future salary increases	2.60%*	2.20%
Inflation (CPI)	2.95%	3.20%

* future salary increases assumed at 7% p.a. for the first year, 3% in year two and 2.00% p.a. thereafter

In valuing the liabilities of the pension fund at 31 March 2023, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2023 and 2022 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 20.5 years, female 23.0 years (2022: 21.6 and 23.9 years, respectively)
- Future retiree upon reaching 65: male 21.7 years, female 24.4 years (2022: 22.9 and 25.4 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.

As at 30 March 2023, Hymans Robertson's CPI assumption methodology has been updated. This adjustment has resulted in the CPI assumption being 0.1% p.a. higher compared to the assumption that would have been derived using the methodology adopted at 31 March 2022. The rationale for this is to include an allowance for high inflation since 30 September 2022.

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 2023 (continued)

21. Pensions (continued)

Defined Benefit assets and obligations (continued)

Movements in present value of defined benefit obligation

	2023 £'000	2022 £'000
Opening defined benefit obligation	36,822	18,439
Transferred from Cube	-	20,199
Interest cost	978	684
Actuarial (gains)	(10,710)	(1,807)
Estimated benefits paid	(1,169)	(723)
Administration costs	33	30
Closing defined benefit obligation	<u>25,954</u>	<u>36,822</u>

Movements in fair value of plan assets

	2023 £'000	2022 £'000
Opening fair value of plan assets	36,439	16,284
Transferred from Cube	-	18,852
Interest income	966	635
Expected return on plan assets	(11,896)	651
Contributions by the employer	(144)	740
Estimated benefits paid	(1,169)	(723)
Closing fair value of plan assets	<u>24,196</u>	<u>36,439</u>
Net Liability	<u>(1,758)</u>	<u>(383)</u>

Expense recognised in the statement of comprehensive income

	2023 £'000	2022 £'000
Current service cost	-	-
Losses on settlements or curtailments	-	-
Net interest on defined benefit obligation	12	49
Administration costs	33	30
	<u>45</u>	<u>79</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £1,186k loss (2022: £2,458k gain).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

21. Pensions (continued)

Defined Benefit assets and obligations (continued)

The major categories of scheme assets were as follows:

Association	2023 £'000	2022 £'000
Equities	639	7,205
Corporate bonds	31	2,303
Property	1,819	1,994
Alternatives (other)	20,525	23,919
Cash	1,182	1,018
	24,196	36,439
 Actual return on plan assets	 (10,930)	 1,286

22. 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 (until October 2022)
 Pauline Gilmore
 Jennifer Williams
 Suzanne Lavelle (until March 2023)

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2023 are as follows:

	2023 £'000
Rent charged during the year	24
Arrear balances outstanding at 31 March 2023	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Related party transactions (continued)

Other related parties -

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

	Credited/ received in the year £'000	Year end balance £'000
2023		
Pensions Trust – Scottish Housing Association Pension Scheme	144	-

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

23. Cash flow analysis

Cash flow from operating activities

	2023 £'000	2022 £'000
Surplus for the year	12,746	18,703
Less gain on business contribution	-	(17,136)
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	6,293	4,997
(Decrease)/ increase in trade and other debtors	(60)	503
(Increase)/ decrease in trade and other creditors	(1,418)	325
Pension costs less contributions payable	177	(710)
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	(19,955)	(2,628)
Interest payable	2,767	1,965
Interest received	(3)	-
Decrease in valuation of properties	5,578	2,330
Net cash inflow from operating activities	6,125	8,349

24. 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.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

Anthony Allison
Loretto Housing Association Limited
Wheatley House
25 Cochrane Street
Glasgow G1 1HL

Independent Auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Banker

Royal Bank of Scotland
Glasgow Corporate Office
4th Floor
110 Queen Street
Glasgow G1 3BX