

Loretto Care

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

Loretto Care

(Registered Company No. SC252526)

(Registered Charity No. SC034584)

TRUSTEES' REPORT

STRATEGIC REPORT

Principal activities

Loretto Care ("the Company" or "Care") is a charity incorporated as a company limited by guarantee and is a subsidiary of Loretto Housing Association Limited. Loretto Care is governed by a Memorandum and Articles of Association under the Companies Act.

Loretto Care and Loretto Housing Association Limited, together as The Loretto Group, have been delivering high quality, person centred housing and social care services to individuals and families in need since 1977. Loretto Care is a subsidiary of Loretto Housing Association Limited established to provide care and support services to a variety of service user groups.

Loretto Housing Association Limited and its subsidiary, Loretto Care are members of the Wheatley Housing Group Limited ("Wheatley Group"). The Wheatley Housing Group Limited is a company limited by guarantee and registered in Scotland under the Companies Act (company registration number SC426094), having its registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. It is registered with the Scottish Housing Regulator as a registered social landlord (number 363).

The principle office of the Company is Lipton House, 2nd Floor, 170 Crown Street, Glasgow, G5 9XD.

The Trustees serving during the year and since the year end are detailed on page 7.

It was a strong and steady year for Loretto Care as we further improved our services, achieved excellent results in inspections carried out by the Care Inspectorate and supported the people we work for to achieve positive outcomes in their lives.

We saw growth across all our Self Directed Support Services and became a key partner in Housing First, an approach which sees rough sleepers given a home with all the support they need to stay there in, in Stirling and Glasgow.

We supported over 6,000 people in the year, helping them get the most out of their lives and achieve their own personal outcomes.

We ended the year with a good performance against our business plan targets. This included:

- total income at the end of the year sitting at £13,006,000, exceeding our target
- income from Self Directed Support funding coming in significantly above our projected target
- our surplus also above target.

During the year, we worked ever more closely with Barony, our sister organisation, sharing experience, expertise and resources. In 2019, the two organisations began exploring how they could work together more formally so that we can continue to be resilient and respond to external challenges.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Awards and accreditations

Loretto Care celebrated success at the Investors in People Awards 2018. Loretto was a finalist in the Platinum Employer of the Year Award narrowly missing out on taking the award home. We were however successful in winning the Excellence in Leadership and Management Awards.

Loretto was involved in the Wheatley Group Customer Service Excellence ("CSE") Assessment in February 2019. The assessor commented all parts of the group demonstrated a passionate commitment to the delivery of customer focused services and that the Group was to be particularly congratulated for achieving full compliance in all aspects of the standard with 23 elements rated as Compliance Plus. This is considered an outstanding performance.

Supporting people achieve their outcomes

Throughout the year Loretto Care supported 6,197 people across our services.

One of the ways we measure the success of our care and support is through measuring outcomes for the people we work for. We do this by using an assessment tool called Outcome Star which focuses on specific outcomes individuals want to achieve in their lives.

In 2018/19 we tailored the way we track outcomes for individuals to ensure they were specific to each service, replacing the generic measures across all service types. This has seen an improvement in personal outcomes across our services. For example, in our Falkirk and Grangemouth Flexible Housing Support Service a high percentage of people we work for reported a positive or maintained distance travelled across all areas including:

Housing and tenancy – 95%
Money and rent – 97%
Looking after your home – 95%
Health and wellbeing – 95%

A similar pattern was seen across our other services which use the Outcome Star tool.

We used 32 external volunteers and 82 peer volunteers in 2018/19 over a wide range of activities in our services. This equates to 8833 volunteer hours.

Managing complaints

We listen carefully to complaints and use the feedback to further improve our services. There were only 10 complaints received throughout the year compared with 20 the previous year. Four of the complaints were upheld.

Care inspections

Of our 14 services registered with the Care Inspectorate, 12 have received grades of very good (5) and excellent (6) in all areas inspected which equates to 86%. If this was further broken down in quality themes this would show 27 out of 31 quality themes inspected received grades of five or better, equating to 87%. Of all quality themes graded, there were four excellent grades, 22 very good grades and two good.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Care inspections

Looking at Care Inspectorate grades for similar services, the national picture shows 47% of services receiving grades of five or six. We are therefore performing significantly better than the sector average.

Our Loretto Accommodation and Alcohol Support Service was inspected in September 2018 and received grades of 6 for both Quality of Care and Support and Quality of Management and Leadership demonstrating the excellent service provided. In its report the Care Inspectorate said: "People experienced high quality care and support that was right for them. We found the service was delivering care to people resulting in excellent outcomes."

Loretto Care did not receive any requirements from the Care Inspectorate throughout 2018/19.

All our staff who require to be are compliant with Scottish Social Services Council (SSSC) registration requirements.

Community engagement

Our Community and Engagement Team continued to support people to get the most out of living in their community. The Community Engagement and Activities Coordinators facilitated a huge range of activities, projects and opportunities to improve the physical health, mental wellbeing, reduce social isolation and increase access to employment, volunteering and education. Activities ranged from creative art, music, exercise, gardening, engaging with technology and much more. This included an intergenerational event bringing the community together, local school children and young people together with older adults.

One example is the Knightswood Connects project, run in partnership with the Health and Social Care Partnership. It has had a hugely positive impact on the lives of older people living within the Knightswood Community of Glasgow by tackling loneliness. Over 200 older adults have been connected to their community, services, and other opportunities to improve their health, wellbeing and reduce social isolation.

Tenancy support service

The Tenancy Support Service ("TSS") continued to help vulnerable tenants of Wheatley's Registered Social Landlords. The teams provide specialised support ranging from money and budgeting advice through to help with addictions and health and wellbeing. The aim is to support people to maintain their tenancy.

Over 2018/19 a total of 1,775 tenants were supported with the vast majority who moved on from the service saying they had achieved positive outcomes as a result. This included:

- 84% reported a positive or maintained distance travelled in relation to housing and tenancy
- 71% reported a positive or maintained distance travelled in relation to money and rent
- 65% reported a positive distance travelled in relation to looking after their home
- 68% reported a positive or maintained distance travelled in relation to health and wellbeing.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Livingwell services for older people

Livingwell, Wheatley's new service for older tenants, launched in April 2018. It helps customers live independently within a lively community, helping them explore their interests and enjoy a thriving social life.

A total of 909 tenants were supported at 29 complexes across Wheatley's three social landlords in Glasgow. They have access seven days a week to a team of housing staff and our care staff. Together the team helps older customers live their best life.

Since *Livingwell* started, we have held more than 2,500 different events, all tailored to the needs and interests of customers. These have included language classes in Spanish, German and French – held in different sites so people can make friends, gardening, line dancing and discos, and Meet the Neighbours parties for people moving in to new build homes. We have enjoyed the visits of therapy Shetland Ponies, Wilson and Eduardo, as well as bingo, quizzes, trips to the seaside and art classes.

Livingwell also work in partnership with health professionals to deliver activities that ensure customers' health and wellbeing needs are met. These include breast screening awareness and an oral hygiene programme.

The service won Best for working with others (internally) at Wheatley Group's annual *W.E. Excel* awards night in November 2018.

Engaging Online

Our online channels continue to prove popular with people interested in our services, social and healthcare professionals and service users.

The average number of monthly visitors to our website increased to 1,459 – up from 1,371 in the previous financial year.

The number of online enquiries through www.lorettocare.co.uk almost increased to 100 last year.

Our social media numbers continued to grow steadily, with around 990 people following Loretto Care on Twitter.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Financial Performance

The Statement of Financial Activities shows net income for the year of £255k (2018: £165k) before actuarial losses of £369k (2018: actuarial losses of £91k) in respect of defined benefit pension schemes. This is a significant achievement in a climate of reducing margins on care services and our commitment to fairly reward our employees for their contribution through the Real Living Wage and Wheatley benefits package.

A total of £1,383k was retained in accumulated funds at the year-end (2018: £1,497k).

Income

Total income for the year ended 31 March 2019 was £13,006k (2018: £12,877k). This is £129k, or 1%, higher than the previous year. In a sector with on-going downward pressures on funding, achieving a small increase in income is a positive result.

Expenditure

Total expenditure for the year of £12,751k is £39k higher than in 2017/18 (2018: £12,712k) and includes the cost of the commitment to pay employees the Real Living Wage and the increase in the hourly rate year on year.

Principal funding sources

The charity's principle funding sources are the Glasgow City Council's Homelessness Services, Learning Disability and Mental Health. In addition the charity received funding from Falkirk, North Lanarkshire, Renfrewshire, South Lanarkshire and Stirling local authorities.

Reserves policy

The Trustees have set a target of a minimum of one month's operating costs with a target of working towards three months of operating costs as a desired level of a general revenue reserve, recognising the support available from the Group structure. At the Statement of Financial Position date the Company had 1.3 months' worth of reserves, of which all related to Unrestricted Funds.

Trustees

The Directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees.

TRUSTEES' REPORT (continued)

The Trustees present their annual report and the audited financial statement of the charity for the year ended 31 March 2019.

Result for the year

The result for the year and an analysis of performance has been included within the Strategic Report.

Structure

We said farewell to Marc Fairclough and George Fraser, both of whom stepped down in the year. Both Marc and George had been trustees with Loretto Care for 2 years.

The Trustees serving on the Board and up to the date of signing the financial statements were:

Trustees	First Appointed	Left Board
James Muir	22 August 2011	
Lindsey Cartwright	25 October 2016	
Marc Fairclough	25 October 2016	13 August 2018
Allison Forrest	25 July 2016	
George Fraser	26 October 2016	13 August 2018
Onyekachi Okafor	25 October 2016	
Stephen Owens	25 October 2016	
Elizabeth Reid	25 October 2016	
Kenneth Simpson	25 October 2016	

Governance

The governing body of the charity is known as the Board and has spaces for up to fifteen trustees. It meets six to eight times a year.

Methods to appoint & recruit new charity trustees

The Wheatley Group has sole responsibility for appointing and recruiting new charity trustees. The proposal to appoint new trustees requires two board members to provide signed approval as outlined in the Articles of Association.

Induction and training of trustees

Trustees undertake the Wheatley Group induction programme when first appointed and attend regular training and development thereafter as part of the Wheatley Group governance arrangements for Board members induction and training.

Setting pay and remuneration of key management personnel

Pay and remuneration of key management personnel is set with reference to the Loretto Care remuneration policy. Remuneration of key management is delegated to the Group Chief Executive.

Management

The Trustees have delegated day to day management of Loretto Care to Cathy Fallon, Director of Loretto, and Martin Glackin, Head of Care.

TRUSTEES REPORT (continued)

Principal risks facing the Company

The Loretto Care Board has overall responsibility for monitoring risk and the Loretto Care risk register is reviewed regularly by the Board. The most significant risks facing the Company are as follows:

Care and Support Services

Risk: Impact of the political environment on care and support service standards

Comments and mitigation: the implementation of new legislation and budget cuts, in particular the introduction of self-directed support, can have a significant financial and service impact on the standard of care.

Self-Directed Support legislation, together with the policy direction of supporting people in their own home, offers increased choice and control to people in how they receive their services, as individuals manage their own budgets. This impact has been managed through robust risk assessment, review and improvement of existing care services and working with people to produce a range of innovative support solutions, for example the introduction of telecare for our overnight support services.

Our aim is to ensure that Loretto Care, as part of the Wheatley Group, drives the provision of care services across Scotland to raise the standards in care. As a result of our approach, the Company, for example, was successfully appointed during the year to care and support frameworks with major local authorities such as Glasgow City Council and Falkirk Council.

Business Continuity and Disaster Recovery

Risk: Impact on service delivery due to serious loss of IT services

Comments and risk mitigation: The Wheatley Group provide IT services to the Company. The Group has invested in IT and is driven towards transforming services through the use of IT and communications technology. We recognise the significant impact the downtime could have on our Company. Wheatley Group have back-up arrangements in place and IT disaster recovery arrangements. We regularly review our business continuity arrangement and we have a business continuity group which is our mechanism to identify and drive improvements through scrutinising and testing existing business continuity plans.

Independent auditor

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

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

TRUSTEES' REPORT (CONTINUED)

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the trustees are 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the charitable company'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 they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.



James Muir
Trustee
12 August 2019

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF LORETTO CARE

Opinion

We have audited the financial statements of Loretto Care ("the charitable company") for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Cash Flow Statement and related notes, including accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, 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 under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 charitable company 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 directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company'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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the charitable company's business model, including the impact of Brexit, and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the Trustees' Report and the Strategic Report Directors Report. 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. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF LORETTO CARE (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they 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 charitable company'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 charitable company 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity'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 charitable company's members and the charity's 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 charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

319 St Vincent Street

Glasgow

G2 5AS

17 September 2019

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	Unrestricted funds £'000	Restricted funds £'000	2019 Total funds £'000	2018 Total funds £'000
Income from:					
Charitable activities	6	12,924	82	13,006	12,877
Total		12,924	82	13,006	12,877
Expenditure on:					
Charitable activities	7	(12,669)	(82)	(12,751)	(12,712)
Total		(12,669)	(82)	(12,751)	(12,712)
Net income		255	-	255	165
Transfers between funds	14	-	-	-	-
Other recognised losses:					
Actuarial losses on defined benefit pension schemes		(369)	-	(369)	(91)
Net movement in funds		(114)	-	(114)	74
Reconciliation of funds:					
Total funds brought forward	14	1,497	-	1,497	1,423
Total funds carried forward	14	1,383	-	1,383	1,497

The Statement of Financial Activities includes all gains and losses in the year and there is no material difference between the incoming resources for the financial year stated above and their historical cost equivalents. All incoming resources and resources expended derive from continuing activities.

The notes on pages 15 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	<i>Notes</i>	2019	2018
		£'000	£'000
Current assets			
Debtors	9	947	1,196
Cash at bank and in hand		2,150	1,822
Total current assets		<u>3,097</u>	<u>3,018</u>
Creditors: amounts falling due within one year			
	10	(978)	(1,061)
Net current assets		<u>2,119</u>	<u>1,957</u>
Total assets less current liabilities			
		2,119	1,957
Defined benefit pension scheme liability	11	(736)	(460)
Net assets		<u>1,383</u>	<u>1,497</u>
The funds of the charity			
Unrestricted income funds	13	1,383	1,497
Total charity funds		<u>1,383</u>	<u>1,497</u>

The financial statements were approved and authorised for issue by the Trustees on 12 August 2019 and signed on their behalf on 12 August 2019 by:



James Muir
Trustee

The notes on pages 15 to 25 form part of these financial statements.

Company Registration Number SC252526.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018	
	£'000	£'000	
Reconciliation of operating surplus to net cash inflow from operating activities			
Net incoming resources	255	165	
Decrease/(increase) in debtors	371	(242)	
Increase in creditors	102	201	
(Increase)/decrease in amount due from Group Companies	(307)	585	
Difference between cash contributions and pension charge	(93)	(92)	
Net cash inflow from operating activities	<u>328</u>	<u>617</u>	
Increase in cash in the year	<u>328</u>	<u>617</u>	
Reconciliation of net cashflow to movement in net funds			
Net funds at 1 April	<u>1,822</u>	<u>1,205</u>	
Net funds at 31 March	<u>2,150</u>	<u>1,822</u>	
Analysis of changes in net funds			
	Opening balance	Cashflows	Closing balance
	£'000	£'000	£'000
Cash at bank and in hand	<u>1,822</u>	<u>328</u>	<u>2,150</u>
Net funds	<u>1,822</u>	<u>328</u>	<u>2,150</u>

The notes on pages 15 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Legal status

Loretto Care (the "Company") is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC252526 and the registered address is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements to all period presented in these financial statements.

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention, in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2015), the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Companies Act 2006, Financial Reporting Standard 102 (FRS 102) and applicable accounting standards in United Kingdom. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Wheatley Housing Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Wheatley Housing Group are available to the public and may be obtained from Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

As the consolidated financial statements of the ultimate parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has taken the exemptions available in respect of the following disclosures:

Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

Operational cash generation provides sufficient funds to allow the Company to meet its current liabilities and fund the on-going provision of care services. Each year the Company updates its long-term business plan which sets out its long term financial forecasts including growth opportunities. This business plan demonstrates that sufficient funds are available to meet the Company's liabilities as they fall due. There are therefore no material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

2. Accounting policies (continued)

Related party disclosures

The company is a wholly-owned subsidiary of Loretto Housing Association Limited (itself 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 Company has 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.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- 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.

Income

Basis for recognition of income

Income from charitable activities and other income are 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 from charitable activities

The charity receives income from service contracts and grant funding, which are included in income from charitable activities. These types of income are subject to specific performance conditions and entitlement is earned as the related services are provided. Income is deferred where performance conditions have not been met. Income from charitable activities also includes contributions received from service users for staff to accompany them on holidays and contributions from Loretto Housing Association Limited ("LHA") towards property related costs where Loretto Care provides support from premises owned by LHA.

Expenditure

Resources are expended in the period to which they relate and when a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Activity based reporting

The Trustees are of the opinion that the charity has a single activity and there is no requirement to provide further analysis within the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

2. Accounting policies (continued)

Financial instruments

All financial assets and liabilities are held initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

Loretto Care previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Pension Scheme. 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 bodies taken as a whole.

In accordance with FRS 102, the Company's share of the scheme assets and liabilities have been separately identified and are included in the 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 Company's share of the deficit is recognised in full in the Statement of Financial Position and the movement is split between operating costs, finance items and actuarial gain or loss on pension schemes in the Statement of Financial Activities.

The scheme closed on 1 July 2013, with members transferring to the SHAPS Defined Contribution Scheme

Pensions Trust Scottish Housing Association Pension Scheme – Defined Contribution

Employer contributions are recognised in the Statement of Financial Activities in the period to which they relate and when a liability is incurred. They are allocated between restricted and unrestricted funds where the expenditure is directly attributable.

Taxation

The company 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 charity 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.

Value Added Tax

The Company is registered for VAT and is a member of the Wheatley VAT group. The majority of its income is exempt for VAT purposes, giving rise to no VAT liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

3. Employees

Number of employees	2019 Number	2018 Number
The average number of employees during the year were:		
Headcount	508	518
Full time equivalent	448	414

All staff are employed by the charity with costs being recharged to other group entities where appropriate.

Employment costs	2019 £000	2018 £000
Staff costs (for the above persons)	9,439	9,292
Social security costs	731	715
Employer's pension costs	257	243
Pensions past service deficit	107	104
Agency staff costs	368	920
	10,902	11,274

The number of employees and highest paid key management personnel who received emoluments (excluding employer pension contributions) over £60,000 split into the following ranges were:-

	2019	2018
£60,000 to £70,000	1	1
	£000	£000
Pension contributions made on behalf of employees with emoluments > £60,000 were:	3	3

The salary of Loretto Group's Director is split equally between Loretto Housing Association Limited and Loretto Care.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

4. Trustees' emoluments

None of the trustees received any remuneration for their services or reimbursement of expenses directly from Loretto Care (2018 – nil).

5. Net incoming resources for the year

	2019	2018
	£'000	£'000
Net incoming resources is stated after charging:		
Auditors' remuneration – audit services	12	12

6. Incoming resources from charitable activities

	2019	2018
	£'000	£'000
<i>Unrestricted income:</i>		
Local authority contract income	10,325	10,583
Care service contribution from Loretto Housing Association Limited	795	723
Contribution from service users	198	188
Services provided to Registered Social Landlords	1,496	1,177
Other income	110	119
	12,924	12,790
<i>Restricted income:</i>		
Grant income	82	87
	13,006	12,877

7. Charitable activities

	2019	2018
	£'000	£'000
<i>Unrestricted expenditure:</i>		
Management charges payable	376	264
Staff costs	10,356	10,735
Premises costs	994	563
Running costs	929	1,051
Pension finance costs	14	12
	12,669	12,625
<i>Restricted expenditure:</i>		
Management charges	2	-
Staff costs	28	19
Premises costs	-	-
Running costs	52	68
	82	87
	12,751	12,712

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2019 (CONTINUED)**

8. Auditor's remuneration

	2019	2018
	£'000	£'000
External audit fees	12	12
	12	12

9. Debtors

	2019	2018
	£'000	£'000
Amounts owed by group undertakings	363	241
Other debtors	584	955
	947	1,196

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

10. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	115	74
Taxation and social security costs	219	221
Other creditors	61	61
Accruals and deferred income	528	465
Amounts due to group undertakings	55	240
	978	1,061

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 2019 (CONTINUED)

11. Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

Loretto Care participated in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”), and all active employee members transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013. SHAPS is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension 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 Group’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 2019.

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 2019 (CONTINUED)

11. Pensions (continued)

The assumptions that have the most significant effect on the results of the valuation of the organisation's 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 2019	31 March 2018
Discount rate	2.6%	2.7%
Future salary increases	*2.0%	**2.0%
Inflation	2.35%	2.2%

* Salary increases are assumed to be 2.2% for 2019/20 and 2.0% p.a. thereafter.

** Salary increases are assumed to be 2.1% for 2018/19 and 2.0% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the date of the Statement of Financial Position are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.7 years (male) (2018: 22.1 years), 23.4 years (female) (2018: 23.6 years).
- Future retiree upon reaching 65: 23.1 years (male) (2018: 24.8 years), 24.7 years (female) (2018: 26.2 years).

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 the Group 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 2019 (CONTINUED)

11. Pensions (continued)

Movements in present value of defined benefit obligation:

	2019	2018
	£ 000	£ 000
Opening defined benefit obligation	3,697	3,191
Interest cost	99	88
Actuarial losses	498	524
Estimated benefits paid	(40)	(106)
	4,254	3,697

Movements in fair value of plan assets:

	2019	2018
	£ 000	£ 000
Opening fair value of plan assets	3,237	2,730
Expected return on plan assets	88	76
Actuarial gains	129	433
Contributions by the employer	107	107
Estimated benefits paid	(40)	(106)
Administration costs	(3)	(3)
	3,518	3,237

Net liability	(736)	(460)
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Expense recognised in the statement of financial activities:

	2019	2018
	£ 000	£ 000
Interest on net defined benefit obligation	11	12
Administration costs	3	3
	14	15

The total amount recognised in the statement of comprehensive income in respect of actuarial losses is £369k (2018: £91k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

11. Pensions (continued)

The total amount recognised on the Statement of Financial Position is £736k liability (2018: £460k liability).

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

	2019 £ 000	2018 £ 000
Equities	566	583
Corporate bonds	247	1,457
Property	113	129
Alternatives	2,550	1,036
Cash	45	32
	3,521	3,237
Actual return on plan assets	217	509

12. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balance at 31 March 2018	1,497	-	1,497
as represented by:			
Current assets	3,097	-	3,097
Current liabilities	(978)	-	(978)
Provision – pension liability	(736)	-	(736)
	1,383	-	1,383
At 31 March 2019	1,383	-	1,383

13. Unrestricted income funds

	1 April 2018 £'000	Incoming £'000	Outgoing £'000	Other losses £'000	31 March 2019 £'000
General funds	1,767	12,924	(12,762)	-	1,929
<i>Designated funds</i>					
Pension reserve	(460)	-	93	(369)	(736)
Living wage	190	-	-	-	190
	1,497	12,924	(12,669)	(369)	1,383
At 31 March 2019	1,497	12,924	(12,669)	(369)	1,383

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

13. Unrestricted Funds (continued)

Purposes of designated funds

Pension Reserve

The charity has set aside a separate pension reserve. This reserve represents the latest actuarial valuation of the defined benefit pension scheme at the reporting date. The valuation is carried out annually and the reserve updated. The charity has elected to produce full FRS 102 disclosures.

Living Wage

The charity is committed to paying the Living Wage and has designated £190,000 within Unrestricted Funds to support its implementation.

14. Company limited by guarantee

The charity has no share capital and is a company limited by guarantee. The sole member is Loretto Housing Association Limited, which has undertaken to contribute such amount not exceeding £1 as may be required in the event of the charity winding up.

15. Ultimate parent organisation

The charity is a subsidiary undertaking of Loretto Housing Association Limited, a Co-operative & Community Benefit Society (Registered Housing Association number L2620) and registered Scottish charity (SC07241).

Loretto Housing Association Limited is a subsidiary undertaking of the Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland. The Wheatley Housing Group Limited is the ultimate parent organisation of Loretto Care.

The results of the charity are consolidated into the group financial statements of Loretto Housing Association Limited and the Wheatley Housing Group Limited. The consolidated financial statements of the Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION
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