

West of Scotland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023

Registered Housing Association No. HEP201

Scottish Charity Number: SC018486

Co- operative and Community Benefit Societies Registered Number 1828R(S)

CT:

**WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

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Registration Information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registration Number 1828R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP201
Scottish Charity Number	SC018486

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Members of the Board

Kelly Adams	Chair
Irene MacFarlane	Vice Chair
Elaine Davidson	
Nick Farrell	
George Kpodo	
Christine Musasa	resigned 28/09/22
Paul McCandlish	appointed 30/11/22
Derek McGowan	resigned 30/11/22
Paul MacNeil	
Anne Reid	
Alison Calder	appointed 29/06/22
Ruth Simpson	
Marc Sloan	resigned 28/09/22
Michael Sozansky	
Kenneth Fee	
Ian Whiteman	resigned 22/02/23

Executive Officers

Brian Gannon	Chief Executive Officer
Jennifer Cairns	Director of Corporate Services
Robert Campbell	Director of Housing and Community Services
Andrew Kubski	Director of Development and Asset Management
Donna Paton	Director of Finance and IT

Registered Office

Camlachie House
40 Barrowfield Drive
Glasgow
G40 3QH

External Auditor

Chiene + Tait LLP (trading as CT)
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditor

BDO LLP
70 York Street
Glasgow
G2 8JX

Banker

Barclays Bank PLC
1st Floor
Auror House
120 Bothwell Street
Glasgow
G2 7JT

Solicitor

Harper McLeod
The Ca' d'Oro
45 Gordon Street
Glasgow
G1 3PE

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management

The Board of Management (Board) presents its report and the audited financial statements for the year ending 31 March 2023.

Legal Status

West of Scotland Housing Association is a registered non-profit making organisation under the Co-operative and Community Benefits Societies Act 2014 No 1828R(S). The Association is a registered Scottish charity, No SC018486.

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefits Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Principal Activities

The principal activity of West of Scotland Housing Association is to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care.

Strategic Aims and Objectives

The Association's Vision, Values and Strategic Aims reflect West of Scotland Housing Association's priorities operating as an independent organisation delivering services across several local authority areas.

Our mission is to put customers at the heart of everything we do and this continues to be the focus of our activity; it has never been more important than now. This is supported by our strategic aims to:

- Deliver outstanding service to all our customers
- Maintain and improve our homes and communities and develop new homes to meet local needs
- Be the best we can for our customers, staff and volunteers
- Work with others to improve tenant's lives and deliver sustainable communities
- Be well managed and financially strong.

Overview

After a period where all organisations have gone through some unprecedented challenges we have continued to progress our Key Business Objectives. Despite the impact of the pandemic, Brexit and the war in Ukraine on the economy we are pleased to have been able to deliver the majority of our Key Business Objectives in our Corporate Plan 2022-2027 as noted below:

Key Business Objectives:

- To deliver a successful Transfer of Engagements from Charing Cross HA to WSHA
- Implement new Willowacre Trust Business Plan Business Objectives
- Prepare for the Management of Mid Market Rent
- Review Digital/IT Strategy
- Review partnership approach to homelessness and tenancy sustainment/support
- Implement new regulatory requirements and low carbon technologies for new build housing
- Review our Factoring Services

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Overview (cont'd)

Our customers are at the heart of everything we do and remain the focus when considering our business planning priorities. We effectively consult with our stakeholders to ensure they reflect the wishes, in particular, of our communities and staff and we will continue to engage with all our stakeholders in the implementation of our future plans.

Over the last year we achieved two significant successes with the Transfer of Engagements of Charing Cross HA to West of Scotland HA and the completion of our first Passivhaus development at Springfield Cross in Glasgow.

The transfer of over 500 tenanted and 700 factored properties from Charing Cross went ahead as planned on 1st August 2022 and we have already made significant progress in the Transfer Promises we made to tenants, which include investment in new kitchens, boilers and bathrooms, and the first phase of our window installation programme began late spring 2023.

We remain committed to working closely with our Tenants Advisory Group and Scrutiny Panel to improve our services. These groups are vital in ensuring that our decision making reflects the needs and preferences of our service users and our communities. We have also created a new Woodlands and Garnethill Residents Association to assist in the monitoring of our Transfer commitments for Charing Cross HA.

Our first Passivhaus development of 36 units for social housing received its Passivhaus Certification in November 2022 and tenants in these ultra-low energy buildings are already benefiting from extremely low fuel bills. Our second Passivhaus development is on site in Dundashill, Glasgow. This 90-unit development for Mid-Market Rent will be the largest Passivhaus development in Scotland.

In 2022/23, our Board assessed compliance with all Regulatory Requirements in preparation for our annual Assurance Statement that was submitted to the SHR in October 2022. The Board signed off on this statement after receiving the assurance it required that the Association was complying with the Regulatory Requirements detailed in Chapter 3 of the SHR's Regulatory Framework. At the end of 2022/23, the SHR published our annual Engagement Plan which confirmed we are Compliant with the Regulatory Framework. It also noted that we are considered a "Systemically Important" RSL on account of our size, turnover and level of borrowings. In addition, the SHR will monitor the progress of our commitments made to Charing Cross HA as part of the Transfer of Engagement.

Development remains a key driver in meeting our growth aspirations and we work closely with our partners in Scottish Government, local authorities and Glasgow City Council, who continue to provide ongoing support.

In 2022/23, we took handover of our first Passivhaus development at Springfield Cross which is Glasgow's largest at 36 units. We also completed 31 units at Greenan Phase 3, Ayr and 12 units at former St Andrew's Church in Hamilton, bringing our total completion for the year to 79 units. There has been further delays at Dalmarnock Station due to contractor issues and this means we will not be receiving handovers until August 2023 at the earliest for our Social Rented handovers and October 2023 for our Mid Market Rent properties which is one year behind the contract completion date.

Work is progressing well at Dundashill, Glasgow and we are on target to take phased handover of our next Passivhaus development, consisting of 90 units for Mid Market rent from August 2023. We purchased land at Alness Street and are due to start works at the end of August 2023 to construct 12 units. A planning application was submitted for 110 units at Dalsholm Road, Kelvinside, of which 44 will be for Maryhill Housing Association and 66 Mid Market rent flats for WSHA. This is expected to start on site in December 2023.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Overview (cont'd)

We are at an advanced stage of agreeing a purchase price for 6 units at Greenan Phase 4 which are expected to complete in the autumn 2023 and have been successful in securing £450k of Town Centre Regeneration funding from South Lanarkshire Council to fund the abnormal ground remediation costs at Raploch Street. This secures project viability and enables us to progress with the acquisition and lodge a planning application to construct 18 flats for social rent with a view to starting on site later in the year.

Sustainability

West of Scotland HA is seen as one of the leaders on sustainability in the Scottish Social Housing Sector. Our first Green Strategy in October 2020 set out the objectives and actions we wanted to take to become a more green and sustainable organisation. One of those actions was to create our first Environmental, Social & Governance statement based on the Good Economy's Sustainable Reporting Standards for Social Housing (SRS). Our ESG was approved by our Board in June 2021.

The actions in our Green Strategy were largely achieved by 2023 and to take our approach a stage further we employed consultants, Carbon Change/Marberg to help us establish our carbon footprint for scope 1 and 2 greenhouse gas emissions (the ones we had direct control of).

In June 2023 we took our new Sustainability Strategy to our Board for approval (replacing our Green Strategy). This will set out our targets for 2023-24 to reduce our scope 1 & 2 emissions by half by 2030, establish our carbon footprint boundary of scope 3 emissions and register and adopt the Sustainability Reporting Standards for Social Housing.

Financial Review

In the year to 31 March 2023, total revenue increased to £24.4m (2022: £21.3m). Of this, rents and service charges contributed £18.9m (2022: £16.8m). The revenue for the year also reflects the release to income of £4.1m (2022: £3.9m) of Housing Association Grant received in prior years to assist with the acquisition and construction of housing stock.

Operating costs on housing activities increased to £18.6m (2022: £15.9m) which was an increase of £2.7m on the comparative period. Of this, £0.6m is due to an increase in depreciation of housing properties as a result of our ongoing development programme and increased investment in component replacements. We also saw increases in management and maintenance administration and service costs.

In total, the Association spent £6.4m (2022: £4.9m) maintaining and improving its housing stock. Of the £6.4m, £3.7m (2022: £3.1m) was spent on reactive and planned maintenance activities to maintain the fabric of our buildings with £2.7m (2022: £1.8m) spent on new components to replace existing components (bathrooms, boilers, kitchens, and windows) which had come to the end of their useful lives.

The interest paid on the Association's loans rose to £1.9m (2022: £1.6m). This reflects additional borrowing during the year to fund the development programme.

The overall out-turn for the year has resulted in a surplus for the year of £2.3m (2022: £2.8m). In addition, the Transfer of Engagements with Charing Cross during the year has also resulted in a Business Combination gain of £20.1m which is reflected in the Statement of Comprehensive Income.

The Association accounts for the Scottish Housing Associations' Defined Pension Scheme as a Defined Benefit scheme. In 2022/23, the Association's share of the deficit in the pension scheme at 31 March 2023 increased by £0.100m to £0.980m. A non-cash related adjustment of (£1.167m) to reflect the movement in the liability has been recognised in the Statement of Comprehensive Income on page 17 of the financial statements. Further detail is contained in Note 28.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Financial Review (cont'd)

The Statement of Financial Position reflects the results of the year, with reserves rising to £42.2m from £20.9m. The substantial increase is due to the gain on business combination following the transfer of Charing Cross Housing Association, and resulting fair value adjustment. In addition this also incorporates the effect of the change in the pension scheme liability.

There has been an increased movement of £0.5m in the net current liabilities position predominantly relating to a substantial increase in accruals following delays in the receipt of invoices from one of our main contractors, which will be paid in 2023/24. This is coupled with an overall increase in general accruals due to the incorporation of Charing Cross HA and final development work fee accruals. The Association has cash balances of £3.9m at the year-end with access to considerable undrawn borrowing facilities which will be used to fund our continuing development programme.

We remain in a period of great uncertainty and coupled with the adverse impact of the ongoing cost of living crisis and interest rate risk in the current economic climate, we have considered what measures can be put in place to help mitigate these risks in future financial planning. The Association continues its new build development programme but has the ability to reduce the scale of this should the economic situation deteriorate. Similarly we maintain a high level of investment in our financial planning and this can be re-profiled should there be a requirement to reduce costs due to unforeseen pressures from external factors such as further interest and inflation rate hikes. As part of our Going Concern review, we have considered the impact of all of these challenges and our ability to continue to deliver services to our communities.

Future Prospects

Our Key Business Objectives for the forthcoming financial year (2023/24) are noted below. They reflect the environmental analyses we have carried out taking account of our strengths, weaknesses, opportunities and external threats to the business. They were developed by our Board and Leadership Team after consultation with staff and tenants to ensure all our stakeholders understood what our priorities are for the year ahead:

- To support our communities through a Cost of Living Crisis and mitigate the impact on our organisation
- To work in partnership with our reactive repairs contractor to improve service delivery and optimise business efficiencies
- To deliver our Charing Cross HA Transfer Promises for 2023/24
- To Implement a plan to robustly address issues of dampness and mould in our homes
- To Implement our new Allocation Policy and improve our processing of housing applications
- To deliver effective IT solutions to achieve long-term efficiencies and support business objectives
- To deliver our Sustainability Strategy
- To Implement our People and Culture Strategy to be a good employer and embed our values

Our new Corporate Business Plan 2023-2028, which was approved by our Board, reflects our chosen strategic direction.

Our Strategic Options are noted below:

- Option 1: Continued new build development beyond our current projects

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Future Prospects (cont'd)

- Option 2: Respond to future growth opportunities through acquisition (e.g. RSL where we can create combined efficiencies to the benefit of all of our tenants) .
- Option 3: Growth through new business/service development opportunities

Asset Management

A strategic approach to integrated asset management is fundamental to our future viability to ensure that our assets - tenants' homes – are sustainable and remain fit for purpose in the short, medium and long term. In this way we aim to protect the interests of current and future tenants and develop an integrated approach to asset management. We will take a holistic view in delivering an integrated asset management approach ensuring that our Board and staff delivering front line services will be involved in how we do this.

Tenant's safety remains our number one priority. In addition, we will help reduce energy demand through continuing to improve the energy efficiency of homes, whilst we await the Scottish Government's guidance on a likely replacement/update for EESSH 2 in late summer 2023. Interim updates on this suggests a new energy efficiency and zero direct emissions heat standard will be introduced confirming the minimum level of energy efficiency to be achieved and the sensible alignment of fuel poverty, energy efficiency and net zero objectives.

Our systems will help inform and steer our approach to asset management and will help us maximise the value of the value of our assets, protect future income streams, achieve best outcomes from our investment plan, and protect the interests of current and future tenants.

Investment in our stock covers a number of budget lines including planned maintenance works, and separate budgets for cyclical maintenance, reactive repairs, and void repairs Overall these budgets within our 30-year investment plan, amounts to circa £266m

Community Development & Stakeholder Involvement

As a social landlord we understand the importance of providing our tenants and communities with access to support which assists them to sustain their tenancy, improves their wellbeing and regenerates their communities. For five decades, we have worked in partnership with our charitable subsidiary Willowacre Trust to deliver tenancy sustainment services and provided enhanced opportunities to our tenants and communities.

Willowacre Trust is a fundamental part of our history and the Trust acts as a conduit to deliver specialist support and wider community services. It is important that WSHA and Willowacre Trust engages with, and listens to, the communities which we operate in. Our new Willowacre Trust Business Plan, sets out the Trust's Key Business Objectives for 2023/24. This plan together with our new Funding Strategy for the Trust will help to ensure WSHA continues to be more than just a landlord by supporting our communities and address social and economic exclusion.

Main risks and uncertainties

The Association has a "Cautious but Open" appetite to risk. It is willing to consider all potential options and will select the one most likely to result in success. The risk exposure must provide an acceptable level of reward and value for money. In managing risk, we will ensure a high level of assurance is in place, it will not compromise the safety of our tenants, nor the reputation, legal or financial position of the Association. The organisation has an open appetite to seeking out opportunities which successfully grow and develop the business and benefit of our customers.

We have a robust approach to demonstrating our commitment to strong financial management and effective governance arrangements and we continue to seek to minimise risk in these areas. We have

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Main risks and uncertainties (cont'd)

in place arrangements to allow us to meet and ensure we continue to comply with the Regulatory requirements, and we remain flexible and adaptable in meeting changes to government regulations.

Following a review of our risk assessment there have been no gaps identified in respect of our operational risks, however we have identified that achievement of our Key Business Objectives in the next year rely significantly on third parties to improve our ICT Infrastructure and our repairs service. As such Contract Management and Project Management will be a key focus for us to manage these relationships and achieve the outcomes we require.

We have risk assessed our Business Priorities for 2023/24 and significant new causes which have been added to the risk register are:

- Cost of Living Crisis – the cost-of-living crisis will impact our customers significantly and therefore we need to put measures in place to mitigate the impact of this e.g., support, advice and assist to reduce costs.
- Increasing Costs – as an organisation we face increasing costs but are in a position that we have been unable to implement a rent increase due to government legislation which mitigates our increased costs in order to ensure that our rents are affordable.
- Staff Resilience and Resource – following the pandemic, we are seeing an increase in mental health issues in society which is impacting our tenants and our staff. This coupled with a cost of living crisis, we need to ensure our staff continue to be resilient in these challenging times and that we have the right resources in place to deliver our strategic objectives.
- Failure to Perform by Third Parties – as detailed above there is significant reliance on third parties to deliver a number of our Key Business Objectives. We need to ensure we have robust contract and project management in place to mitigate the risk of third parties failing to perform as required.

These issues have been assessed to determine what the potential impact is in relation to risks, and appropriate controls put in place to mitigate the likelihood/impact of a risk occurring.

Staff Teams and Hybrid working

Our teams operate a blended approach to service delivery and have done so since the initial lockdown in 2020. Although this has brought its own challenges, it created greater opportunities and has resulted in less reliance on the office environment for service provision. This means that further opportunities are available to enhance our service offering for customers, increase efficiencies and increase the flexibility available to staff.

The impact of adding over 500 tenants properties from Charing Cross Housing Association in 2022, and the development of around 400 new homes to be managed over the next five years is recognised, and the business case for additional staffing resources will be considered, balanced by this new way of working and ensuring the continued provision of excellent customer services.

The key priority for the HR Team for 2023/24 will be to deliver our People and Culture Strategy with the first year focusing on how we retain and recruit the right people, fully embedding our values in all processes and supporting staff in respect of their health and wellbeing.

Over the past year, we have developed a Carer's Policy and a Menopause Policy and have set up support groups for staff. We will continue to facilitate these over the next year and get advice and input from external agencies.

In addition to the above we have an HR Equalities plan in place with the aim to create a more diverse workforce and will continue to deliver on this over the next year.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Community Development and Support Services

As a social landlord we understand the importance of providing our tenants and communities with access to support which assists them sustain their tenancy and improve their wellbeing. For five decades we have worked in partnership with our charitable subsidiary Willowacre Trust to deliver tenancy sustainment services and provided enhanced opportunities to our tenants.

These services include Older People's Services, Handy Person's Services, Tenancy Sustainment Services, the Barrowfield Community Hub and the new Ashley Street Hub inherited from the Charing Cross transfer.

Supporting our tenants and communities is important to our ongoing success. We understand and support the social principles of community development including human rights, social inclusion, equality, respect for diversity and increasing capacity.

In terms of areas of multiple deprivation, 55% of our communities are represented in the bottom 15% most deprived areas within the Scottish Index of Multiple Deprivation. We recognise that rising energy costs, increasing inflation and the impact on the cost of basic items such as food, have had a significant negative impact on these communities. As a result of these challenges, we have experienced a period of change which has increased the demands on services particularly for tenants who are struggling to pay their rent and other household costs.

We are well equipped to support our tenants in the face of these challenges, but it will remain our priority to assist those most at risk. The Willowacre Trust Business Plan for 2022-24 will focus on tackling issues related to poverty and tenancy sustainment and both Housing Services and Community & Support Services will work closely to mitigate the worst impact of the current economic factors for our tenants. We will continue to explore funding opportunities which can support and enhance our current work, particularly in relation to assessing tenants support needs and areas such as money and energy advice.

Committee and Officers' Insurance

The Association maintains insurance cover for its Board and officers against liabilities in relation to their duties on behalf of the Association, as authorised by the Association's rules. In addition, the Association has a professional indemnity insurance policy covering community work it undertakes for other organisations.

Creditor Payment Policy

The payment policy, which the Association follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Report of the Board of Management (cont'd)

Members of the Board

Kelly Adams – Chair – 1
Irene McFarlane – Vice Chair -2
Elaine Davidson – 1, 2
Nick Farrell – 3
George Kpodo – 1
Christine Musasa – resigned 28/09/22
Paul McCandlish – 1; appointed 30/11/22
Derek McGowan – resigned 30/11/22
Paul McNeil
Anne Reid – 3
Alison Calder – 3; appointed 29/06/22
Ruth Simpson – 2, 3
Marc Sloan – resigned 28/09/22
Michael Sozansky – 1, 3
Kenneth Fee – 2
Ian Whiteman – resigned 22/02/23

Sub Committees:

1. Audit Committee
2. Staffing Sub Committe
3. Development & Investment

Alistair Campbell has been a co-opted member of the Audit Committee since 23 May 2018.
Jim Hayton has been a co-opted member of the DISC since 29 March 2017.

Executives

The Executive Officers of West of Scotland Housing Association at 31 March 2023 were as follows:

Brian Gannon	Chief Executive Officer
Jennifer Cairns	Director of Corporate Services
Robert Campbell	Director of Housing and Community Services
Andrew Kubski	Director of Development and Asset Management
Donna Paton	Director of Finance and IT

Disclosure of Information to Auditor

Each member of the Board and executive officers has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

Pursuant to Section 487 of the Companies Act 2006, a resolution to appoint the auditor will be presented at the Annual General Meeting.

On behalf of the Board of Management

Jennifer Cairns

Jennifer Cairns
Company Secretary:

Dated: 06 September 2023

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Board of Management's Responsibilities in respect of Internal Financial Control

The Board of Management ("Board") acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the on-going documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Audit Committee/Board received reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2023. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board of Management

Jennifer Cairns

Jennifer Cairns
Company Secretary

Dated: 06 September 2023

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Board of Management's responsibilities in respect of the Board of Management's report and the financial statements

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

The Co-operative and Community Benefit Societies Act 2014 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 the surplus or deficit 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on internal financial control.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019. The Board of Management 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

**WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

CT:

**Report by the auditors to the members of West of Scotland housing Association Limited
on Corporate Governance matters.**

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 11 concerning the Association's compliance with the information required by the Regulatory Standards for systematically important Registered Social Landlords (RSLs) in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 11 has provided the disclosures required by the relevant Regulatory Standards for systematically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes, issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



CT
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

15 September 2023

**WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023****CT:****Independent auditor's report to the members of West of Scotland Housing Association Limited.****Opinion**

We have audited the financial statements of West of Scotland Housing Association ("the Association") for the year ended 31st March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other Information

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

**WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023****CT:****Independent auditor's report to the members of West of Scotland Housing Association Limited (cont'd).****Other information (cont'd)**

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on Page 12, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

**WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023****CT:****Independent auditor's report to the members of West of Scotland Housing Association Limited (cont'd).**

We gained an understanding of the legal and regulatory framework applicable to the Association and the industry in which it operates and considered the risk of acts by the Association which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Housing SORP 2018, the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010.

We focused on laws and regulations that could give rise to a material misstatement in the Association's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the members;
- review of minutes of board meetings throughout the period;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

Use of Our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



CT
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

15 September 2023

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Comprehensive Income
For the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Turnover	3	24,411	21,323
Operating Expenditure		(20,154)	(16,996)
Operating Surplus	3	4,257	4,327
Business combination – Excess of fair value of assets over the fair value of liabilities acquired	33	20,140	-
Interest Receivable and similar income	7	48	2
Interest Payable and similar charges	8	(1,951)	(1,553)
Surplus for the year		<u>22,494</u>	<u>2,776</u>
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension scheme		(1,167)	1,756
Total Comprehensive Income for the year		<u>21,327</u>	<u>4,532</u>

The results for the year relate wholly to continuing activities.

The financial statements were approved and authorised for issue by the Board on 30 August 2023 and signed by:

Board Member – Kelly Adams:

Board Member – Paul McCandlish:

Company Secretary – Jennifer Cairns:

The notes on pages 21 to 46 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Financial Position
As At 31 March 2023

	Notes	2023 £000	2022 £000
Fixed Assets			
Intangible Assets	9	-	264
Tangible Assets – housing properties	10	278,310	240,489
Tangible Assets – other	11	2,312	2,188
Investment Properties	12	570	225
		<u>281,192</u>	<u>243,166</u>
Current Assets			
Receivables	14	2,370	2,717
Cash & Cash Equivalents		<u>3,869</u>	<u>1,678</u>
		6,239	4,395
Less: Payables due within one year	15	<u>(8,322)</u>	<u>(5,934)</u>
Net Current Liabilities		(2,083)	(1,539)
Total Assets Less Current Liabilities		279,109	241,627
Payables: Amounts falling due after more than one year	16	(75,998)	(68,415)
Provisions for liabilities and charges	17	(151)	(140)
Liability for defined benefit obligation	28	(980)	-
Deferred Capital Grants	18	(159,718)	(152,137)
Net Assets		<u>42,262</u>	<u>20,935</u>
Reserves			
Share Capital	19	-	-
Revenue Reserves	20	42,262	20,935
		<u>42,262</u>	<u>20,935</u>

The financial statements were approved and authorised for issue by the Board on 30 August 2023 and signed by:

Board Member – Kelly Adams: *Kelly Adams*

Board Member – Paul McCandlish: *Paul McCandlish*

Company Secretary – Jennifer Cairns: *Jennifer Cairns*

The notes on pages 21 to 46 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of changes in reserves
For the year ended 31 March 2023

	Unrestricted reserve £000
Current year	
Balance at 1 April 2022	20,935
Surplus from statement of total comprehensive income	21,327
Balance at 31 March 2023	<u>42,262</u>
Prior year	
Balance at 1 April 2021	16,403
Surplus from statement of other comprehensive income	4,532
Balance at 31 March 2022	<u>20,935</u>

The notes on pages 21 to 46 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Cash Flows
For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Net Cash Inflow from Operating Activities	21	10,391	6,501
Investing Activities			
Purchase of tangible fixed assets		(23,936)	(20,380)
Purchase of intangible fixed assets		-	(136)
Proceeds from sale of tangible fixed assets		245	492
Grants received		11,719	9,001
Grants repaid		-	(24)
Net cashflow from investing activities		(11,972)	(11,047)
Financing activities			
Interest paid		(1,951)	(1,355)
Interest received		48	2
New secured loans advanced		6,260	7,800
Cash received from Charing Cross HA transfer		1,768	-
Repayments of borrowings		(2,353)	(1,823)
Net cashflow from financing activities		3,772	4,624
Increase/(Decrease) in cash		2,191	78
Opening cash and cash equivalents		1,678	1,600
Closing cash and cash equivalents		3,869	1,678
Cash and cash equivalents at 31 March 2023		3,869	1,678

The notes on pages 21 to 46 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Notes to the financial Statements

For the year ended 31 March 2023

1. Accounting Policies

(a) Introduction and accounting basis

These financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2018.

The financial statements have been prepared on the historical cost basis as modified by the valuation of certain heritable properties. The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Association. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. The use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

West of Scotland Housing Association Limited meets the definition of a public benefit entity (PBE).

(b) Going concern

The Board of Management has compiled projections that indicate the Association will generate surpluses throughout the five and thirty year planning periods. The Association has a healthy cash position and has access to undrawn borrowing facilities. Whilst the financial projections highlight a net current liability position over the period, this is driven by the Association's policy of maintaining minimum cash reserves and the desire for the repayment of borrowings at the earliest opportunity. This is monitored effectively with robust cashflow and treasury management controls. The Board is therefore satisfied that there are sufficient resources available to continue operating for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Revenue comprises rental and service charge income receivable in the period, other services provided, revenue grants receivable and government grants released to income in the period. The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met. Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

(d) Social Housing Grant

Social Housing Grant ("SHG"), at amounts approved by The Scottish Government, is paid directly to the Association during the development process.

SHG is repayable under certain circumstances primarily following the sale of property but will normally be restricted to the net proceeds of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

SHG received as a contribution towards the capital cost of a housing development is recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structures.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Notes to the financial Statements For the year ended 31 March 2023

1. Accounting policies (cont'd)

(e) Intangible assets

All intangible assets shall be considered to have a finite useful life of five years on a straight-line basis. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights but may be shorter depending on the period over which the entity expects to use the asset. Amortisation of intangible assets is shown within operating costs.

(f) Fixed assets - Housing properties

Housing properties are stated at cost less accumulated depreciation. The development cost of housing properties includes: -

1. Cost of acquiring land and buildings; and
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value are included in the financial statements for the year, provided that the dates of issue or valuation are prior to the year-end.

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

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

All costs relating to the share of property sold are removed from the financial statements at the date of sale.

(g) Capitalisation of Development Overheads

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

(h) Development Interest

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

(i) Investment properties

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Notes to the financial Statements
For the year ended 31 March 2023

1. Accounting policies (cont'd)

(j) Depreciation

(i). Social housing units

Each housing unit has been separated into its major component parts. Each major component is depreciated on a straight-line basis over its expected economic useful life. The following major components and useful lives have been adopted by the Association:

Land	–	not depreciated
Structure	–	over 50 years
Windows	–	over 25 years
Bathrooms	–	over 30 years
Kitchens	–	over 15 years
Central Heating	–	over 15 years

(ii). Property, plant and equipment

Depreciation is charged on a straight-line basis on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used: -

Heritable Property	–	2% per annum
Commercial Property	–	4% per annum
Office Equipment	–	10% per annum,
Computer and Other Equipment	–	33.33% per annum
Motor Vehicles	–	25% per annum

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal. Expenditure is capitalised if the asset purchased has a useful life of more than one year and costs £1000 (including VAT) or more.

(k) Impairment

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

(l) Investments

Investments in subsidiary undertakings are stated at cost.

(m) Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Notes to the financial Statements For the year ended 31 March 2023

1. Accounting policies (cont'd)

(n) Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss are recognised immediately in income and expenditure.

Financial liabilities

Trade and Other Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Notes to the financial Statements For the year ended 31 March 2023

1. Accounting policies (cont'd)

Derecognition of financial assets and liabilities (cont'd)

significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(o) Stocks

Stocks of maintenance materials are valued at the lower of cost and net realisable value. Cost is defined as the value on the supplier's invoice.

(p) VAT

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result, most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

(q) Provisions

In accordance with Financial Reporting Standard 102 provision is made for furniture replacements.

(r) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of the cost of staff directly attributable to the operations disclosed within the Statement of Comprehensive Income.

(s) Pensions (note 28)

The Association contributes to the two Scottish Housing Association Pension Schemes (SHAPS).

Defined contribution plan

For the defined contribution scheme, the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plan

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. From 1 April 2018, the Association has accounted for this scheme as a defined benefit pension scheme in accordance with FRS 102.

On the 30 April 2021, the Association transferred all employees who were members of the Defined benefit plan to the Defined contribution plan. Accordingly, the Association will no longer accrue pension liabilities for future service under the Defined benefit plan but will retain a liability for past service received for those employees who were members of the Defined benefit plan up to the date of transfer on 30 April 2021.

(t) Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided under the Co-operative and Community Benefit Societies Act 2014. The financial statements for West of Scotland Housing Association Limited present information about it as an individual undertaking and not about the group.

(u) Operating leases

Rentals under operating leases are recognised in the Statement of Comprehensive Income on an accruals basis.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Notes to the financial Statements For the year ended 31 March 2023

1. Accounting policies (cont'd)

(v) Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

(w) Business combination

Assets and liabilities acquired through a business combination are recognised at fair value. Combinations which are for £nil consideration are treated as a public benefit entity combination that is in substance a gift with any excess of fair value of the assets received over the fair value of the liabilities acquired being recognised as income within the Statement of Comprehensive Income.

2. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The Board does not consider it necessary to restate the value of the investment property - see note 12.

The use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The principal areas where management has exercised judgement are: -

a. Financial instrument break clauses

The Association has considered the break clauses attached to its financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

b. Financial instruments - basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

c. Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. In 2018 the Pension Trust developed a method of calculating each member's share of the assets and liabilities of the scheme. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 28). The net defined benefit pension liability at 31 March 2023 was £980,000 (2022: asset £13,000).

Areas where estimates are used are: -

- In estimating the useful lives of housing properties and capitalised components.
- In estimating depreciation rates to be applied to housing properties, capitalised components and other fixed assets.
- In estimating the recoverable amounts of rental and other trade receivables.
- In estimating grant amortisation.
- In determining the value of the Association'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.

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

3. Particulars of Turnover, Operating Costs and Operating Surplus

		2023				2022			
		Turnover	Operating Costs	Disposal of Assets	Operating Surplus	Turnover	Operating Costs	Disposal of Assets	Operating Surplus
		£000	£000	£000	£000	£000	£000	£000	£000
Income and Expenditure from Lettings									
Social Lettings	(Note 4)	22,980	(18,596)	-	4,384	20,700	(15,896)	-	4,804
Other Activities	(Note 5)	1,431	(1,590)	-	(159)	623	(1,105)	-	(482)
Disposal of Assets	(Note 6)	-	-	32	32	-	-	5	5
		<u>24,411</u>	<u>(20,186)</u>	<u>32</u>	<u>4,257</u>	<u>21,323</u>	<u>(17,001)</u>	<u>5</u>	<u>4,327</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements
For the year ended 31 March 2023

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

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Accommodation £000	2023 Total £000	2022 Total £000
Income from rent and service charges					
Rent receivable net of service charges	16,926	1,094	83	18,103	16,133
Service charges	581	354	5	940	853
Gross income from rent and service charges	17,507	1,448	88	19,043	16,986
Less voids	(127)	(29)	-	(156)	(173)
Net income from rent and service charges	17,380	1,419	88	18,887	16,813
Grants from Scottish Ministers	-	-	-	-	-
Release of Deferred Income Grant	4,078	-	15	4,093	3,887
Other Revenue Grants	-	-	-	-	-
Total Turnover from affordable letting activities	21,458	1,419	103	22,980	20,700
Expenditure					
Management and maintenance administration costs	5,737	320	70	6,127	5,214
Service costs	858	439	5	1,302	884
Planned cyclical maintenance including major repairs	1,177	66	-	1,243	1,008
Reactive maintenance costs	2,365	132	-	2,497	2,068
Bad debts – rents and service charges	81	5	-	86	28
Depreciation of social housing	7,048	293	-	7,341	6,694
Operating costs for affordable letting activities	17,266	1,255	75	18,596	15,896
Operating surplus for affordable letting activities	4,192	164	28	4,384	4,804
2022	4,740	60	4		

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

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

	Grants from Scottish Ministers £000	Other Revenue Grants £000	Other Income £000	Total Turnover £000	Other Operating Costs £000	Operating Surplus/(Deficit) 2023 £000	Operating Surplus/(Deficit) 2022 £000
Stage 3 adaptations	230	-	-	230	(218)	12	1
Factoring	-	-	421	421	(593)	(172)	(32)
Development and construction of property	-	-	-	-	(383)	(383)	(361)
Other activities	-	280	500	780	(396)	384	(90)
Total for other activities	230	280	921	1,431	(1,590)	(159)	
2022	193	134	296	623	(1,105)		(482)

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements
For the year ended 31 March 2023

6. Surplus on Sale of Housing Assets

	2023	2022
	£000	£000
Sales Proceeds	172	233
Cost of Sales	(140)	(288)
Gain/(loss) on Sale of Housing Stock	<u>32</u>	<u>(55)</u>

The cost of sales includes a Housing Association Grant adjustment.

7. Interest receivable and similar income

	2023	2022
	£000	£000
Interest receivable on deposits	<u>48</u>	<u>2</u>

8. Interest payable and similar charges

	2023	2022
	£000	£000
Interest on loans	2,236	1,538
Interest on pension liability	2	44
	<u>2,238</u>	<u>1,581</u>
Less: Development interest capitalised	(287)	(29)
	<u>1,951</u>	<u>1,553</u>

Interest capitalised was incurred at varying rates of interest.

9. Intangible assets

	2023	2022
	£000	£000
Cost		
At start of year	264	356
Additions during the year	-	136
At end of year	<u>264</u>	<u>492</u>
Less amortisation	(264)	(228)
Net book value	<u>-</u>	<u>264</u>

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

9. Intangible assets (cont'd)

The £nil balance (2022: £264,000) reflects the full write down of the intangible asset during 2022/23.

10. Tangible Fixed Assets – Housing properties

	Housing Properties	Housing Properties	Shared Ownership	
	Held for Letting	In Course of Construction	Held for Letting	TOTAL
	£000	£000	£000	£000
Cost				
At 1 April 2022	303,451	26,564	1,986	332,001
Additions during year	2,850	21,073	-	23,923
Acquired through Business Combination (Note 33)	21,425	-	-	21,425
Transfers in year	14,829	(14,829)	-	-
Disposals	(751)	-	(276)	(1,027)
At 31 March 2023	341,804	32,808	1,710	376,322
Depreciation				
At 1 April 2023	90,653	-	859	91,512
Provided in the year	7,248	-	40	7,288
Eliminated on disposal	(697)	-	(91)	(788)
At 31 March 2023	97,204	-	808	98,012
Net Book Value at 31 March 2023	244,600	32,808	902	278,310
Net Book Value at 31 March 2022	212,798	26,564	1,127	240,489

Additions to housing properties include capitalised development administration costs of £176,260 (2022: £143,633) and capitalised interest of £286,825 (2022: £28,637). The average interest capitalisation rate was 4.33% (2022: 1.93%).

The total expenditure on existing properties during the year was £3,272,894 (2022: £2,191,897). Of this, £2,701,930 (2022: £1,815,965) was attributable to component replacements which have been capitalised and £nil on other structural improvements (2022: £nil). The remaining £570,964 (2022: £375,932) was charged to the statement of comprehensive income as a revenue expense.

Components with a cost of £750,687 (2022: £758,501), grant of £nil (2022: £nil) and accumulated depreciation of £697,227 (2022: £662,514) were written off during the year. The net book value of the components of £53,460 (2022: £99,986) is included in the depreciation charge for the year.

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

10. Tangible Fixed Assets – Housing properties (cont'd)

During the year 529 housing properties were acquired through the transfer of Charing Cross Housing Association on 1 August 2022 with a net book value of £13,047,302. These properties were professionally valued by Jones Lang LaSalle on an existing use basis as at 21 October 2022 in the amount of £21,425,000. This valuation has been taken as the deemed cost at the time of transfer.

The carrying value of land included within housing properties is £27.9 million (2022: £21.5 million). All land and housing properties are freehold. Within housing properties held for letting are properties with a net book value of £125 million (2022: £124 million) that have been pledged as security to the Association's lenders in respect of outstanding loans. All land and buildings are heritable properties.

11. Tangible Fixed Assets – Other

	Land	Community Centre	Offices	Other Equipment	TOTAL
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	152	100	2,524	889	3,665
Additions during year	-	-	-	13	13
Acquired through Business Combination (Note 33)	-	-	187	25	212
Disposals	-	-	-	(656)	(656)
At 31 March 2023	152	100	2,711	271	3,234
Depreciation					
At 1 April 2023	-	44	598	835	1,477
Provided in the year	-	4	54	43	101
Disposals	-	-	-	(656)	(656)
At 31 March 2023	-	48	652	222	922
Net Book Value at 31 March 2023	152	52	2,059	49	2,312
Net Book Value at 31 March 2022	152	56	1,926	54	2,188

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

12. Investment Property

	2023 £000	2022 £000
As at 1 April 2022	225	225
Acquired through Business Combination (Note 33)	345	-
As at 31 March 2023	<u>570</u>	<u>225</u>

Investment property consists of 3 commercial properties that are let to unconnected third parties at an arm's length rent. The directors consider the current valuations to be an accurate reflection of the value of the properties as at 31 March 2023.

13. Subsidiary Undertakings

West of Scotland Housing Association controls Willowacre Trust, a Scottish charity and company limited by guarantee. The registered office of Willowacre Trust is Camlachie House, 40 Barrowfield Drive, Glasgow, G40 3QH. The principal activities of Willowacre Trust are the provision of support and services. The aggregate amount of capital and reserves and results of Willowacre Trust for the year ended 31 March 2023 were as follows:

	2023 £000	2022 £000
Capital and Reserves	<u>459</u>	<u>470</u>
Deficit for the Year	<u>(10)</u>	<u>(22)</u>

During the year the Association provided management services to Willowacre Trust for which a charge of £13,886 (2022: £13,652) was raised of which £nil (2022: £nil) was outstanding at the year-end. An amount of £19,858 (2022: £12,047) was due from the Trust in respect of other goods and services purchased by the Association on behalf of the Trust.

The Association leases premises to Willowacre Trust for a nominal rent of £1 (2022: £1).

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

13. Subsidiary Undertakings (cont'd)

To support the activities undertaken by Willowacre Trust which deliver services and projects associated with the Supporting Communities strategy to West of Scotland Housing Association tenants and communities, the Association makes support funding available on an annual basis. This funding is subject to annual review. In the year ended 31 March 2023 £369,510 (2022: £280,090) was paid to the Trust.

On the 29th September 2020, the Association incorporated Westscot Living Limited (SC675878). Westscot Living Limited will lease the Association's mid market rent properties and offer them for rent to tenants who meet the eligibility criteria. It is expected that the first of these properties will be available for let towards the end of 2023. In addition, from 1st April 2023 Factoring Services will be provided from Westscot Living. At the 31 March 2023, Westscot Living Limited had not commenced trading.

14. Receivables amounts falling due within one year

	2023	2022
	£000	£000
Rental Arrears	1,048	906
Less: provision for bad debts	(502)	(392)
	<u>546</u>	<u>514</u>
Amounts owed by Subsidiary undertaking (due within 1 year)	20	12
Development funding receivable	466	1,673
Other Debtors	762	337
Prepayments and Accrued Income	576	181
	<u><u>2,370</u></u>	<u><u>2,717</u></u>

15. Payables - amounts falling due within one year

	2023	2022
	£000	£000
Bank Loans (Note 16)	1,756	1,797
Trade Creditors	120	635
Contract Retentions	1,271	1,078
Other Creditors	1,530	209
Accruals and Deferred Income	2,753	1,572
Rent in Advance	892	643
	<u><u>8,322</u></u>	<u><u>5,934</u></u>

Included in Other Creditors is £nil (2022: £48,442) in respect of pension contributions due to the Scottish Housing Associations Pension Schemes.

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

16. Payables – amounts falling due after more than one year

	2023 £000	2022 £000
Bank Loans	75,598	67,943
Grant Repayable/Recyclable	400	471
	<u>75,998</u>	<u>68,415</u>

The bank loans are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 1.21% to 6.05% (2022: 01.43% to 6.3%).

The bank loans are repayable as follows:

	2023 £000	2022 £000
Between one and two years	1,800	1,808
Between two and five years	5,458	5,678
In five years or more	68,340	60,457
	<u>75,598</u>	<u>67,943</u>
Amounts included due within one year	1,756	1,797
	<u>77,354</u>	<u>69,470</u>

17. Provision for Liabilities and Charges

	2023 £000	2022 £000
Furniture Replacement for Supported Accommodation		
At start of year	140	119
Added during year	22	21
Released during year	11	-
At 31 March 2023	<u>151</u>	<u>140</u>

WEST OF SCOTLAND HOUSING ASSOCIATION REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements For the year ended 31 March 2023

18. Deferred Capital Grants

	Housing Properties	Housing Properties	Shared Ownership	
	Held for	In Course of	Held for	
	Letting	Construction	Letting	TOTAL
	£000	£000	£000	£000
At start of year	132,218	19,919	-	152,137
Additions during year	-	11,719	-	11,719
Transfers in year	8,632	(8,632)	-	-
Eliminated on Disposal	-	-	(45)	(45)
Amortised in year	(4,079)	-	(14)	(4,093)
At end of year	136,771	23,006	(59)	159,718

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

	2023	2022
	£000	£000
Amounts due within one year	4,150	4,265
Added due in one year or more	155,568	147,872
	<u>159,718</u>	<u>152,137</u>

19. Share Capital

Shares of £1 each issued and fully paid	2023	2022
At beginning of year	112	134
Issued during the year	185	4
Shares forfeited in year	(10)	(26)
At end of year	<u>287</u>	<u>112</u>

Each member of the Association holds one share of £1 in the Association. The shares carry no rights to dividends or distributions in the event of a wind up. When a shareholder ceases to be a member, that member's share is cancelled, and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

20. Reserves

Reserves include all current and prior year retained surpluses or deficits and are held to meet future requirements of the Association.

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements
For the year ended 31 March 2023

21. Statement of Cash Flows

Reconciliation of surplus to net cash inflow from operating activities	2023 £000	2022 £000
Surplus	22,494	2,776
Actuarial (charge)/credit	(1,167)	1,756
Depreciation of tangible fixed assets	7,389	6,815
Amortisation of intangible asset	264	98
Business combination	(20,140)	-
Decrease in Stock	-	1
Decrease/(Increase) in trade and other debtors	347	(1,479)
Increase in trade and other creditors	2,429	1,184
Increase in Provisions	17	21
Increase/(Decrease) in provisions and employee benefits	980	(2,330)
Release of deferred government grant	(4,093)	(3,887)
Gain on disposal of fixed assets	(32)	(5)
Interest payable and similar charges	1,951	1,553
Interest receivable and similar income	(48)	(2)
Net cashflow from operating activities	10,391	6,501

22. Movement in Net Debt

	2022	Movements	Loans	Loans	2023
	£000	in cashflow	Drawn	Repaid	£000
	£000	£000	£000	£000	£000
Cash and cash equivalents	1,678	2,191	-	-	3,869
Loans outstanding	(69,542)	-	(10,165)	2,353	(77,354)
	<u>(67,864)</u>	<u>2,191</u>	<u>(10,165)</u>	<u>2,353</u>	<u>(73,485)</u>

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

23. Key Management Personnel

The key management personnel are defined as the members of the Board, the executive officers and any other person reporting directly to the Chief Executive or the Board. No emoluments were paid to any members of the Board during the year.

	2023 £000	2022 £000
Emoluments (excluding pension contributions of: Chief Executive	<u>97,509</u>	<u>85,845</u>

The number of employees whose emoluments exceeded £60,000 during the year was as follows (including pension contributions): -

	2023 Number	2022 Number
£60,001 - £70,000	-	3
£70,001 - £80,000	4	-
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
	2023 £	2022 £
Pension Contributions payable for the above:-	<u>57,877</u>	<u>51,822</u>

The total emoluments paid to key management personnel during the 2022/23 year were as shown in the 2023 column below:

	2023 £	2022 £
Emoluments (excluding pension contributions)	<u>397,286</u>	<u>360,295</u>
Total expenses reimbursed in so far as not chargeable to UK Income Tax	<u>-</u>	<u>-</u>

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 28. The Association's contribution for the chief executive in the year amounted to £17,064 (2022: £15,022).

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements
For the year ended 31 March 2023

24. Employee Information

	2023	2022
The average total number of persons employed during the Year was	<u>83</u>	<u>78</u>

	2023	2022
The average monthly number of full time equivalent persons employed during the year was	<u>77</u>	<u>75</u>

	2023 £000	2022 £000
Staff costs (including directors emoluments):	3,274	2,750
Social security costs	314	254
Pension costs	<u>425</u>	<u>348</u>
	<u><u>4,013</u></u>	<u><u>3,352</u></u>

25. Operating Surplus

	2023 £000	2022 £000
Operating surplus is stated after charging/(crediting):		
Depreciation	7,443	6,360
Amortised capital grants	(4,093)	(3,755)
Operating lease payments	11	5
Repairs: cyclical, major, day to day	3,740	2,617
Auditors remuneration	<u>22</u>	<u>17</u>

26. Taxation

The Association is a registered charity and is exempt from corporation tax on its charitable activities. No corporation tax was due on its non-charitable activities.

**WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023**

**Notes to the financial Statements
For the year ended 31 March 2023**

27. Capital Commitments

	2023	2022
	£000	£000
Capital expenditure which has been contracted for but has not been provided for in the financial statements	11,581	29,424
Capital expenditure which has been authorised by the Board of Management but is not contracted	40,513	13,941
	<u>52,094</u>	<u>43,365</u>

The above commitments will be financed by a mixture of public grant and the Association's own resources.

	2023	2022
	£000	£000
Funding from the Scottish Government	17,641	13,255
Private Finance	34,454	30,110
	<u>52,094</u>	<u>43,365</u>

28. Pensions

The Association participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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 has been put in place to eliminate the deficit which will run to 30 September.

The Scheme is classified as a 'last man standing arrangement'. Therefore the Association 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 Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association 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 Association 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.

WEST OF SCOTLAND HOUSING ASSOCIATION REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements For the year ended 31 March 2023

28. Pensions (cont'd)

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 28 February 2024 inclusive.

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

Principal Actuarial Assumptions

KEY ASSUMPTIONS

	31 March 2023	31 March 2022
	% per annum	% per annum
Discount Rate	4.86%	2.79%
Inflation (RPI)	3.19%	3.54%
Inflation (CPI)	2.77%	3.17%
Salary Growth	3.77%	4.17%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

During the year the transfer of engagement with Charing Cross HA took place resulting in the Associations pensions assets and liabilities transferring to West of Scotland HA from 1st August 2022. As such where the pension disclosures are specific to individual schemes, these are show separately for both schemes in this note.

The defined benefit obligation is estimated to comprise of the following:

West of Scotland HA	Number 2023	Number 2022
Active Members	39	34
Deferred Members	45	38
Pensioners	55	42
Total	139	114

Charing Cross HA	Number 2023	Number 2022
Active Members	8	8
Deferred Members	7	7
Pensioners	10	10
Total	25	25

WEST OF SCOTLAND HOUSING ASSOCIATION
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Notes to the financial Statements
For the year ended 31 March 2023

28. Pensions (cont'd)

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (years)	Females (years)
Current Pensioners	20.5	23.0
Future Pensioners	21.7	24.4

	West of Scotland HA		Charing Cross HA	
	2023	2022	2023	2022
Net Liability	£000s	£000s	£000s	£000s
Fair Value of plan assets	14,598	22,959	3,918	5,923
Present value of defined benefit obligation	15,366	22,946	4,130	6,036
Defined benefit gain/(liability) recognised in Statement of Financial Position	(768)	13	(212)	(113)

	West of Scotland HA		Charing Cross HA	
	2023	2022	2023	2022
Fair value of scheme assets by category	£000s	£000s	£000s	£000s
Growth Assets	6,810	13,854	1,828	3,576
Matching Plus	1,546	3,550	414	915
Liability Driven Investment	6,209	5,481	1,667	1,413
Net Current Assets	33	74	9	19
Total assets	14,598	22,959	3,918	5,923

	West of Scotland HA		Charing Cross HA	
	2023	2022	2023	2022
Reconciliation of the opening and closing balances of the fair value of plan assets	£000s	£000s	£000s	£000s
Fair value of assets at start of the year	22,959	22,297	5,923	5,686
Interest income	637	487	165	124
Experience on plan assets (excl amounts included in the interest income)	(8,772)	79	(2,132)	43
Contributions by the employer	414	669	70	164
Contributions by plan participants	-	27	-	-
Benefits paid and expenses	(640)	(600)	(108)	(94)
Fair value of plan assets at the end of the year	14,598	22,959	3,918	5,923

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements
For the year ended 31 March 2023

28. Pensions (cont'd)

	West of Scotland HA		Charing Cross HA	
	2023	2022	2023	2022
Reconciliation of the opening and closing balances of the defined benefit obligation	£000s	£000s	£000s	£000s
Defined benefit obligation at the start of the year	22,946	24,626	6,036	6,349
Current service cost	-	32	-	-
Expenses	23	20	2	5
Interest Expense	631	531	167	137
Contributions by plan participants	-	27	-	-
Actuarial losses/(gains) due to scheme experience	(797)	245	(242)	122
Actuarial losses/(gains) due to changes in demographic assumptions	(346)	73	(92)	19
Actuarial (gains)/losses due to changes in financial assumptions	(6,451)	(2,008)	(1,633)	(502)
Benefits paid and expenses	(640)	(600)	(108)	(94)
Defined benefit obligation at the end of the year	15,366	22,946	4,130	6,036

	West of Scotland HA		Charing Cross HA	
	2023	2022	2023	2022
Defined Benefit costs recognised in the Statement of Comprehensive Income	£000s	£000s	£000s	£000s
Current service cost	-	32	-	-
Expenses	23	20	2	5
Net interest expense	-	44	2	13
Defined benefit costs charged to SOCI	23	96	4	18

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements
For the year ended 31 March 2023

28. Pensions (cont'd)

Defined Benefit costs recognised in the Statement of Other Comprehensive Income	West of Scotland HA		Charing Cross HA	
	2023	2022	2023	2022
	£000s	£000s	£000s	£000s
Experience on plan assets (excl amounts included in the interest cost)	(8,772)	79	(2,132)	43
Experience gains and (losses) arising on the plan liabilities	797	(245)	242	(122)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	346	(73)	92	(19)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	6,451	2,008	1,633	502
Total actuarial gains and losses recognised in OCI (before restriction due to some of the surplus not being recognisable) gain (loss)	(1,178)	1,769	(165)	404
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	19	(13)	-	-
Total actuarial gains and losses recognised in OCI	(1,159)	1,756	(165)	404

Reconciliation of the impact of the Asset Ceiling	West of Scotland HA	Charing Cross HA
	Period from 31st March 2022 to 31st March 2023	
	£000s	£000s
Impact of asset ceiling at start of period	13	-
Effect of the asset ceiling included in net interest cost	6	-
Actuarial losses (gains) on asset ceiling	(19)	-
Impact of asset ceiling at end of period	-	-

WEST OF SCOTLAND HOUSING ASSOCIATION REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements For the year ended 31 March 2023

28. Pensions (cont'd)

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

29. Property Stock

The number of units of accommodation owned by the Association was as follows;

	Units in Management		Units under Development	
	2023	2022	2023	2022
General Needs Housing	3,920	3,326	427	283
Shared Ownership Accommodation	48	40	-	-
Supported Housing Accommodation	221	221	-	-
Total Housing Stock	4,189	3,587	427	283
<u>Other Property</u>				
Commercial	9	7	-	-
Heritable - Association's Offices	2	1	-	-
Total Other Property	11	8	-	-

30. Other Financial Commitments

Non-cancellable operating lease rentals are payable as follows:

	2023	2022
	£000	£000
Within one year	10	10
Within two to five years	17	22
	<u>27</u>	<u>32</u>

31. Lessor

At the reporting end date, the Association had contracted with tenants for the following minimum lease payments £102,297 (2022: £56,832).

WEST OF SCOTLAND HOUSING ASSOCIATION REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2023

Notes to the financial Statements For the year ended 31 March 2023

32. Related Party Transactions

The Association has one wholly owned subsidiary, Willowacre Trust, a charitable Association limited by guarantee. Details of transactions with the Trust are included in Note 13.

The terms applicable to tenant members of the Association are the same terms applicable to all tenants.

Rental income and associated services charges of £23,206 (2022: £39,509) were received from members of the Board who were also tenants of the Association. The aggregate balance outstanding at 31 March 2023 was £199 (2022: £661).

During the year expenses of £30 (2022: £nil) were reimbursed to members of the Board of Management in respect of training, travelling and subsistence costs.

33. Business Combination

On 1 August 2022, West of Scotland Housing Association acquired the assets and liabilities of Charing Cross Housing Association for £nil consideration.

At 1 August 2022 (the 'acquisition date'), the assets and liabilities of Charing Cross Housing Association were consolidated at their fair values, as set out below. The properties were valued at £21,425,000 on the basis of Existing Use Value for Social Housing (EUV-SH) by Jones Lang LaSalle on 21st October 2022. The excess of the fair value of the assets acquired over the fair value of the liabilities acquired of £20,141,704 has been recognised in the Statement of Comprehensive Income.

	Initial book value	Fair value adjustment	Fair value at date of acquisition
	£	£	£
Housing Properties	13,047,302	8,377,698	21,425,000
Investment Properties	345,000	-	345,000
Other Fixed Assets	211,701	-	211,701
Arrears of rent	16,208	-	16,208
Other debtors	502,497	-	502,497
Cash	1,776,693	-	1,776,693
Total assets	15,899,401	8,377,698	24,277,099
Housing loans	1,490,060	-	1,490,060
Deferred grant income	652,456	-	652,456
Rent received in advance	255,186	-	255,186
Other taxation and social security	12,503	-	12,503
Other creditors	1,523,190	-	1,523,190
Pension provision	202,000	-	202,000
Total liabilities	4,135,395	-	4,135,395
Net assets	11,764,006	8,377,698	20,141,704