

Loretto Care

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2020

Loretto Care

(Registered Company No. SC252526)

(Registered Charity No. SC034584)

TRUSTEES' REPORT

STRATEGIC REPORT

Principal activities

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

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

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

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

During 2019/20 Loretto Care entered into an agreement with Barony Housing Association Limited ("Barony"), a fellow subsidiary of Wheatley Housing Group, for the transfer of all care activities of Barony. The transfer took place shortly after the end of the 2019/20 financial year on 1 April 2020. This transfer brings together all care activities of Wheatley Group into Loretto Care and in recognition of this, the company has traded under the name of Wheatley Care since 1 April 2020.

The Trustees serving during the year and since the year end are detailed on page 6.

Review of the year

The unprecedented events in March 2020 challenged Loretto Care's staff and the people we work for as never before. While the coronavirus crisis overshadowed the year, and will continue to do so for a long time to come, we will always be proud of the way our staff responded.

Together with the other partner organisations in Wheatley, Loretto Care moved quickly to support its customers, many of whom are particularly vulnerable and for whom these circumstances became exceptionally difficult.

A new service mode was designed and launched within the first two weeks of the crisis. The head office was closed in line with Government guidelines, but staff continued to work across all services to provide essential support to the people we work for, all while adhering strictly to safe-working practices and social distancing measures.

The Wheatley Group procurement team stepped up, sourcing and acquiring adequate levels of Personal Protective Equipment, ensuring neither colleagues nor customer were put at risk.

Many support staff were equipped to work from home, supported by Wheatley Group's I.T. team working around the clock.

We finished the financial year having completed our ambition to join forces more formally with Barony's care services and create a single care organisation for the Group – Wheatley Care.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Bringing services and staff together gives us a stronger future and means we are better able to share expertise and experience to deal with the external challenges facing our sector.

The aftermath of the Covid-19 outbreak will continue to test us as an organisation in the months and years ahead. Our strong position as part of Wheatley Group, together with our track record in adapting to even the most difficult of circumstances, mean that we can face the future confident in our ability to respond to whatever challenges it brings.

Here are the highlights at Loretto Care for 2019/20:

Supporting people achieve their outcomes

In 2019/20, Loretto Care supported 5,974 people across our services, helping them get the most out of their lives and achieve their own positive outcomes.

Tenancy Support Service

Our Tenancy Support Service ("TSS") continued to help vulnerable tenants of Wheatley's social landlords maintain their tenancies through specialised support ranging from money and budgeting advice through to help with addictions and health and wellbeing.

The TSS service supported 1,497 tenants over the year, with the vast majority saying they had achieved positive outcomes as a result.

Livingwell services

Wheatley's *Livingwell* services helps older tenants live independently in their own homes for longer, supported by housing staff as well as our care staff.

A total of 941 tenants were supported over the year at 29 Livingwell complexes in Glasgow. They enjoyed a range of activities such as language classes, line dancing, quizzes and art sessions, to help them get the most out of life and reduce isolation.

There were 405 peer volunteers over the year.

All our Self Directed Support ("SDS") services continued to grow and we worked closely with Glasgow City Council on its Alliance programme, as we as Housing First in Stirling and Glasgow, to tackle homelessness and rough-sleeping.

Managing complaints

We listen carefully to complaints and use the feedback to further improve our services. There were 12 complaints received this year, up from 10 the previous year, and four of those complaints were upheld.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Care inspections

A total of 13 of our services were inspected by the Care Inspectorate in 2019/20, with 10 achieving grades of 'five' or above. This figure of 77% of services achieving a grade of 'five' or above is significantly higher than the sector average of 47%.

Community engagement

We continued to support the people we work for to get the most out their community through a wide range of activities to improve physical health, mental wellbeing, reduce social isolation and increase access to employment, volunteering and education.

The Ensemble

Our music project The Ensemble went from strength to strength this year.

The Ensemble is a unique engagement opportunity involving professional musicians collaborating with people we work for to write songs and work towards performance to help people engage, build their confidence and improve their mental health and resilience.

With funding guaranteed for another year, the Ensemble team are working towards publishing a CD with songs written by the people we work for.

Knightswood Connects

Our Knightswood Connects project this year saw 200 older people in a Glasgow neighbourhood develop closer connections to their community as well as enjoy opportunities to improve their health and wellbeing. Activities ranging from art and music to exercise and gardening have had a very positive impact on their lives.

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT (continued)

Financial Performance

The Statement of Financial Activities shows net income for the year of £208k (2019: £255k) before actuarial gains of £552k (2019: actuarial losses of £369k) in respect of defined benefit pension schemes. This is a significant achievement during a year where there was continued pressure on margins in care services. We remain committed to fairly reward our employees for their contribution through the Real Living Wage and Wheatley benefits package.

A total of £2,143k was retained in accumulated funds at the year-end (2019: £1,383k).

Income

Total income for the year ended 31 March 2020 was £12,778k (2019: £13,006k). This is a reduction of £228k, or 1.75%, compared to the previous year. The reduction is due to the loss of a service at the end of the previous financial year.

Expenditure

Total expenditure for the year of £12,570k is £181k lower than in 2018/19 (2019: £12,751k) and includes the cost of the commitment to pay employees the Real Living Wage and the 2.86% increase in the hourly rate year on year.

Principal funding sources

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

Reserves policy

The Trustees have set a target of a minimum of one month's operating costs with a target of working towards two months of operating costs as a desired level of a general revenue reserve, recognising the support available from the Group structure. At the Statement of Financial Position date the Company had 1.9 months' worth of reserves, of which all related to Unrestricted Funds.

Trustees

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

TRUSTEES' REPORT (continued)

DIRECTORS REPORT

The Trustees present their annual report and the audited financial statement of the charity for the year ended 31 March 2020.

Result for the year

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

Structure

We said farewell to Kenneth Simpson who stepped down in the year. Kenneth had been a trustee with Loretto Care for 3 years. The Board welcomed two new members in the year, Deborah Neild and Daniel Harley, who joined on 10 October 2019 and 4 February 2020 respectively.

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

Trustees	First Appointed	Left Board
James Muir	22 August 2011	
Lindsey Cartwright	25 October 2016	
Allison Forrest	25 July 2016	
Deborah Neild	10 October 2019	
Onyekachi Okafor	25 October 2016	
Stephen Owens	25 October 2016	
Elizabeth Reid	25 October 2016	
Daniel Harley	4 February 2020	
Kenneth Simpson	25 October 2016	28 October 2019

Governance

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

Methods to appoint & recruit new charity trustees

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

Induction and training of trustees

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

Setting pay and remuneration of key management personnel

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

Management

The Trustees have delegated day to day management of Loretto Care to Laura Pluck, Managing Director of Loretto Care.

TRUSTEES REPORT (continued)

DIRECTORS REPORT (continued)

Principal risks facing the Company

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

Care and Support Services

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

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

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

Our aim is to ensure that Loretto Care, as part of the Wheatley Group, drives the provision of care services across Scotland to raise the standards in care. The Group has an established stakeholder management framework in place and is focussed on responding to changes in policy and administration as they arise.

Business Continuity and Disaster Recovery

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

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

In light of the changes to the business brought about by the Covid-19 pandemic, the business has continued to operate effectively using mobile and digital technology tools to maintain the high level of service delivery to the people we work for.

Independent auditor

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

Disclosure of information to auditor

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

TRUSTEES' REPORT (CONTINUED)

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

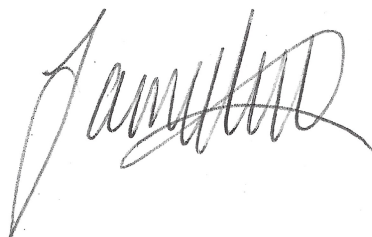
The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the trustees are required to:

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

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



James Muir
Trustee
11 September 2020

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

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

Opinion

We have audited the financial statements of Loretto Care (“the charitable company”) for the year ended 31 March 2020 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Cash Flow Statement, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company’s affairs as at 31 March 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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

Going concern

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

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the charitable company will continue in operation.

Other information

The trustees’ are responsible for the other information, which comprises the Trustees’ Annual Report, the Strategic Report and the Directors’ Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.



Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

319 St Vincent Street

Glasgow G2 5AS

21 September 2020

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	Unrestricted funds £'000	Restricted funds £'000	2020 Total funds £'000	2019 Total funds £'000
Income from:					
Charitable activities	6	12,733	45	12,778	13,006
Total		12,733	45	12,778	13,006
Expenditure on:					
Charitable activities	7	(12,525)	(45)	(12,570)	(12,751)
Total		(12,525)	(45)	(12,570)	(12,751)
Net income		208	-	208	255
Transfers between funds	13	-	-	-	-
Other recognised gains/ (losses):					
Actuarial gains/(losses) on defined benefit pension schemes		552	-	552	(369)
Net movement in funds		760	-	760	(114)
Reconciliation of funds:					
Total funds brought forward	13	1,383	-	1,383	1,497
Total funds carried forward	13	2,143	-	2,143	1,383

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

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

		2020	2019
	<i>Notes</i>	£'000	£'000
Current assets			
Debtors	9	1,586	947
Cash at bank and in hand		1,720	2,150
Total current assets		3,306	3,097
Creditors: amounts falling due within one year			
	10	(1,068)	(978)
Net current assets		2,238	2,119
Total assets less current liabilities			
		2,238	2,119
Defined benefit pension scheme liability	11	(95)	(736)
Net assets		2,143	1,383
The funds of the charity			
Unrestricted income funds	13	2,143	1,383
Total charity funds		2,143	1,383

The financial statements were approved and authorised for issue by the Trustees on 10 August 2020 and signed on their behalf on 11 September 2020 by:



James Muir
Trustee

The notes on pages 14 to 25 form part of these financial statements.

Company Registration Number SC252526.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019	
	£'000	£'000	
Reconciliation of operating surplus to net cash inflow from operating activities			
Net incoming resources	208	255	
(Increase)/decrease in debtors	(97)	371	
(Decrease)/ increase in creditors	(59)	102	
Increase in amount due from Group Companies	(393)	(307)	
Difference between cash contributions and pension charge	(89)	(93)	
Net cash (outflow)/inflow from operating activities	(430)	328	
(Decrease)/increase in cash in the year	(430)	328	
Reconciliation of net cashflow to movement in net funds			
Net funds at 1 April	2,150	1,822	
Net funds at 31 March	1,720	2,150	
Analysis of changes in net funds			
	Opening balance	Cashflows	Closing balance
	£'000	£'000	£'000
Cash at bank and in hand	2,150	(430)	1,720
Net funds	2,150	(430)	1,720

The notes on pages 14 to 25 form part of these financial statements.

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

1. Legal status

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

2. Accounting policies

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

Basis of accounting

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

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

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

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

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

Going concern

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

The Company prepares a 5-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against available cash levels with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Company has revised forecasts based on updated scenarios, including severe but plausible downsides.

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

2. Accounting policies (continued)

The Board, after reviewing the Company budgets for 2020/21 and the Company's financial position as forecast in the 5-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Company has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Service charges receivable – arrears and bad debt assumptions have been increased to allow for difficulties in collecting payments due;
- Activity levels – scenarios in relation to a reduction in the number and size of care services provided have been undertaken to assess the impact of the reduction in turnover and the costs of reconfiguring care services;
- Liquidity – current available cash of £1.7m and access to a revolving credit facility of £1.0m gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- Service charge increases - Scottish Government has committed to secure uplifts in funding for social care in the coming financial year.

The Board believe the Company has sufficient funding in place and expect the Company to remain financially viable even in severe but plausible downside scenarios.

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

Related party disclosures

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

Accounting judgements and estimations

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

Judgements have been made in:

- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

2. Accounting policies (continued)

Income

Basis for recognition of income

Income from charitable activities and other income are recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliably.

Income from charitable activities

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

Expenditure

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

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

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

Activity based reporting

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

Financial instruments

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

Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

2. Accounting policies (continued)

liability. The Company's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

Pensions Trust Scottish Housing Association Pension Scheme – Defined Contribution

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

Taxation

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

Value Added Tax

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. Employees

Number of employees	2020 Number	2019 Number
The average number of employees during the year were:		
Headcount	472	508
Full time equivalent	388	448

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

Employment costs	2020 £000	2019 £000
Staff costs (for the above persons)	9,236	9,439
Social security costs	708	731
Employer's pension costs	265	257
Pensions past service deficit	(110)	107
Agency staff costs	267	368
	10,366	10,902

Key management emoluments

Key management personnel are employed by another Wheatley Group subsidiary and perform an executive management role across all subsidiaries in the Group. The emoluments payable to Group key management personnel are disclosed in the Wheatley Group financial statements. Loretto Care pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind. For the year ended 31 March 2020 the share of costs attributable to the Loretto Care amounted to £6k (2019: £6k).

Key management personnel in the year were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

4. Trustees' emoluments

None of the trustees received any remuneration for their services or reimbursement of expenses directly from Loretto Care (2019 – nil).

5. Net incoming resources for the year

	2020	2019
	£'000	£'000
Net incoming resources is stated after charging:		
Auditors' remuneration – audit services	12	12

6. Incoming resources from charitable activities

	2020	2019
	£'000	£'000
<i>Unrestricted income:</i>		
Local authority contract income	10,323	10,325
Care service contribution from Loretto Housing Association Limited	649	795
Contribution from service users	189	198
Services provided to Registered Social Landlords	1,515	1,496
Other income	57	110
	12,733	12,924
<i>Restricted income:</i>		
Grant income	45	82
	12,778	13,006

7. Charitable activities

	2020	2019
	£'000	£'000
<i>Unrestricted expenditure:</i>		
Management charges payable	95	376
Staff costs	10,432	10,356
Premises costs	915	994
Running costs	1,062	929
Pension finance costs	21	14
	12,525	12,669
<i>Restricted expenditure:</i>		
Management charges	2	2
Staff costs	19	28
Premises costs	-	-
Running costs	24	52
	45	82
	12,570	12,751

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

8. Auditor's remuneration

	2020	2019
	£'000	£'000
External audit fees	12	12
	<u>12</u>	<u>12</u>

9. Debtors

	2020	2019
	£'000	£'000
Amounts owed by group undertakings	905	363
Other debtors	681	584
	<u>1,586</u>	<u>947</u>

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

10. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	30	115
Taxation and social security costs	243	219
Other creditors	62	61
Accruals and deferred income	529	528
Amounts due to group undertakings	204	55
	<u>1,068</u>	<u>978</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

11. Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

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

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

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2020.

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

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any “orphan” liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

11. Pensions (continued)

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

	31 March 2020	31 March 2019
Discount rate	2.45%	2.60%
Future salary increases	2.20%	*2.20%
Inflation	1.90%	2.35%

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

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

- Current pensioner aged 65: 20.7 years (male) (2019: 21.7 years), 22.9 years (female) (2019: 23.4 years).
- Future retiree upon reaching 65: 22.2 years (male) (2019: 23.1 years), 24.6 years (female) (2019: 24.7 years).

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

11. Pensions (continued)

Movements in present value of defined benefit obligation:

	2020	2019
	£ 000	£ 000
Opening defined benefit obligation	4,257	3,697
Interest cost	110	99
Actuarial losses	(2)	498
Estimated benefits paid	(70)	(40)
Administration costs	3	3
	4,298	4,257

Movements in fair value of plan assets:

	2020	2019
	£ 000	£ 000
Opening fair value of plan assets	3,521	3,237
Expected return on plan assets	92	88
Actuarial gains	550	129
Contributions by the employer	110	107
Estimated benefits paid	(70)	(40)
	4,203	3,521
Net liability	(95)	(736)

Expense recognised in the statement of financial activities:

	2020	2019
	£ 000	£ 000
Interest on net defined benefit obligation	18	11
Administration costs	3	3
	21	14

The total amount recognised in the statement of comprehensive income in respect of actuarial gains of £552k (2019: losses £369k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

11. Pensions (continued)

The total amount recognised on the Statement of Financial Position is £95k liability (2019: £736k liability).

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

	2020	2019
	£ 000	£ 000
Equities	578	566
Corporate bonds	307	247
Property	181	113
Alternatives	3,053	2,550
Cash	83	45
	<u>4,203</u>	<u>3,521</u>
Actual return on plan assets	<u>642</u>	<u>217</u>

12. Analysis of net assets between funds

	Unrestricted funds	Restricted funds	Total
	£'000	£'000	£'000
Fund balance at 31 March 2020	2,143	-	2,143
as represented by:			
Current assets	3,306	-	3,306
Current liabilities	(1,068)	-	(1,068)
Provision – pension liability	(95)	-	(95)
	<u>2,143</u>	<u>-</u>	<u>2,143</u>
At 31 March 2020	<u>2,143</u>	<u>-</u>	<u>2,143</u>

13. Unrestricted income funds

	1 April	Incoming	Outgoing	Other gains	31 March
	2019	£'000	£'000	£'000	2020
	£'000	£'000	£'000	£'000	£'000
General funds	1,929	12,733	(12,424)	-	2,238
<i>Designated funds</i>					
Pension reserve	(736)	89	-	552	(95)
Living wage	190	-	(190)	-	-
	<u>1,383</u>	<u>12,822</u>	<u>(12,614)</u>	<u>552</u>	<u>2,143</u>
At 31 March 2020	<u>1,383</u>	<u>12,822</u>	<u>(12,614)</u>	<u>552</u>	<u>2,143</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

13. Unrestricted Funds (continued)

Purposes of designated funds

Pension Reserve

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

Living Wage

The charity pays all staff the Living Wage and is committed to doing so. A reserve had previously designated £190,000 within Unrestricted Funds to support its implementation.

14. Company limited by guarantee

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

15. Events after the reporting date

During 2019/20 Loretto Care entered into an agreement for transfer the care activities from Barony Housing Association Limited, a fellow subsidiary of the Wheatley Housing Group. The transfer of activities took place on 1 April 2020. The company has traded under the name of Wheatley Care from 1 April 2020.

Wheatley Housing Group became the sole member of Loretto Care on 12 May 2020. Loretto Housing Association resigned as member of Loretto Care as at 12 May 2020. Loretto Care is now a subsidiary of Wheatley Housing Group.

16. Ultimate parent organisation

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

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

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

SUPPLEMENTARY INFORMATION

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