

Loretto Care

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2016

Loretto Care

(Registered Company No. SC252526)
(Registered Charity No. SC034584)

TRUSTEES' ANNUAL REPORT

The Trustees present their annual report and the audited financial statement of the charity for the year ended 31 March 2016.

OBJECTIVES AND ACTIVITIES

Principal activities

Loretto Care is a charitable company 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.

The Loretto Group has been delivering high quality, person centred housing and social care services to individuals and families in need since 1977. Loretto Care was established on 8 July 2003 as a subsidiary of Loretto Housing Association to provide care and support services to a variety of service user groups.

On 6 January 2014, Loretto Housing Association Limited and its subsidiary, Loretto Care, became members of the Wheatley Housing Group Limited. 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).

Trustees

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

The Trustees serving during the year and since the year end are detailed on page 8.

ACHIEVEMENTS AND PERFORMANCE

Our year at Loretto Care - Personalised service, positive outcomes

It has been a successful and rewarding year in which we have worked - as part of Wheatley Group - to grow and improve our services at Loretto Care.

Now, on any given week, our dedicated and trained staff support over 2000 people to get the most out of life by helping them design a highly personalised care and support plan. The package of services we offer is flexible and tailored to each individual's needs. But our focus is always on the outcomes that each individual wants to achieve in their life.

That emphasis on positive outcomes for every individual has over the past year seen us increase the ways in which we engage with the people we work for, giving them more and better opportunities to lead a fulfilled life and to have a voice. Right across our locations, people are not only involved in the design of their own care and support, but also in shaping the future of our wider services and the organisation itself.

Engaging with people and staff was key this year as we developed our innovative new approach to care - W.E. Care - part of Wheatley Group's five year-strategy Investing in Our Futures. At its core is our focus on enabling people to lead on the delivery of their care and support, ensuring they have as fulfilling a life as possible.

We are committed to providing flexible, tailored support to more vulnerable people across Wheatley's communities by working with others in the Group. Our new Tenancy Support Service is now fully rolled out and, in a short space of time, is providing a new level of support to over 1140 tenants.

TRUSTEES' ANNUAL REPORT (continued)

Competing effectively in the external care market is important to us as it helps us generate additional income for improvements and further innovation. In 2015-16, one of our existing services was retendered and we successfully retained it. We were also successful in securing places on framework agreements with Glasgow City, North Lanarkshire and Falkirk Councils, which has seen our service provision grow in these authorities.

We are now providing 17 different services across 38 bases in 10 different local authority areas. The people we work for include those with:

- learning disabilities
- addictions
- mental health issues
- alcohol-related brain damage.

We also work with young people, older people and individuals and families experiencing or at risk of homelessness.

Here are some of the highlights of 2015-16 at Loretto Care.

A modern and fresh new look

We worked with Wheatley's Communications and Marketing team to develop a modern look for Loretto Care. The new brand builds on our earlier image but better reflects our innovative, person-centred approach to services. It uses fresh, bold and positive colours and a suite of new photography featuring people leading active fulfilled lives is being developed. We also adopted a new strapline to reflect our key messages ... 'personalised services, positive outcomes'. The new look is being rolled out across Loretto Care.

Outstanding performance

Two of our services which help vulnerable homeless people maintain tenancies and lead independent lives were awarded the highest grades by care inspectors.

The Young Persons Intensive Outreach and the Carlisle Road Outreach Housing Support services in Hamilton, South Lanarkshire, received a six-star excellent rating from the Care Inspectorate in each of the three areas inspected.

The percentage of our services which are graded very good (5) or above by the Care Inspectorate is one of the key ways we measure the quality of our services. Over the year, a total of 13 inspections were finalised and saw us achieving an average grade of 5, or very good, across services.

Other performance achievements include:

- 93% of the people we work for said they were satisfied with support they receive;
- 80% of carers and families surveyed felt the services achieved positive outcomes for individuals;
- 97% of agencies surveyed agree services achieve positive outcomes for people we work for;
- 93% of agencies surveyed believe staff have correct skills and knowledge to support people we work for;
- 80% of our staff would recommend the workplace as a good place to work;
- Our staff retention rate was 85.5% compared to an industry average of 78%.

TRUSTEES' ANNUAL REPORT (continued)

Employability and health outcomes

We also measure our performance through a number of other indicators including the percentage of people we work for who report having experienced a positive journey in relation to their health and their employability. In 2015-16, 905 people we work for saw a positive distance travelled with their physical or mental health while 402 saw a positive distance travelled in relation to employability, training or volunteering.

Examples of a positive journey in health could include requiring less support or medication, while a positive journey in employability includes people securing a job or apprenticeship, attending education or building confidence to volunteer.

Getting financially stronger

We continued to improve our financial performance, building on our strong performance in 2014-15 when we were able to bring more services back to a break-even position.

The efficiencies generated by sharing resources with our partners in Wheatley Group, allows us to keep improving our care services while reducing our overall costs.

This strengthening financial performance has allowed us to pay all our staff the Living Wage, and again pay a consolidated pay increase. This year our staff also gained access to the Wheatley benefits package, which was warmly received.

Awards and recognition

Our Fullarton Service - which provides life-changing support for people with alcohol-related brain damage - picked up a top Scottish Care award.

It was named Scottish Care's 'Specialist Service of the Year' at the industry awards. Our staff at the Glasgow-based service, including nurses and social care specialists, were commended for their commitment to the people they work for and their innovative services.

One of the people we work for at the Fullarton Service, Stanley Muir, also picked up a prestigious 'Service User Achievement' award for his commitment to charity and volunteer work in his local community."

Value of working with housing

A total of 1142 vulnerable tenants have now benefited from our new Tenancy Support Service.

The Tenancy Support Service was set up to provide support to vulnerable tenants in Wheatley's registered social landlords who may be struggling with their tenancy. It was fully rolled out in September 2015 with Loretto Care staff now working closely with housing officers in Wheatley's communities to support people to stay in their home.

When an individual or family is referred to the service, the team works with them over eight weeks, providing personalised support. They can help with everything from booking a doctor's appointment to getting help with mental health issues or addiction. It could be help with budgeting or benefit claims, filling in forms or job applications. For some it is about supporting them to reduce isolation by increasing their opportunities for social contact.

TRUSTEES' ANNUAL REPORT (continued)

Engaging in new ways

Our staff have created more innovative new ways to reach out to the people we work for - and help them engage with their community and our services. We have created a Community Engagement and Activity team, which works with individuals to support their engagement and involvement with their local and wider community.

The work of this team has received fantastic reviews from the people we work for, our staff and the Care Inspectorate.

An art project at the Fullarton Service culminated in an exhibition showcasing the paintings, drawings, poetry and photography by the people we work for.

The 'Show Me Something Too' exhibition was opened by former Scotland and Partick Thistle goalkeeper Alan Rough who supports the service. Through the art project, the people we work for had more opportunity for social interaction and increased their confidence.

Meanwhile people at our Maryhill Personalisation and Self Directed Support Service (Learning Disabilities Glasgow) transformed the area around their homes into a community garden.

By growing healthy fruit and vegetables they are keeping active, learning about healthy eating, getting out in the open air and mixing with other people.

The garden has become a vital way of promoting health through increased physical activity, reducing isolation and giving people more say in how they live their lives. The Maryhill Service supports 32 people who have learning disabilities, alcohol and drug addiction, mental health issues, head injuries or who have experienced homelessness.

Our Academy opens its doors

Our new Academy has taken shape at our headquarters in Lipton House in Glasgow. The new Academy builds on the success of Wheatley Group's flagship Academy at Wheatley House and has been designed to welcome care staff and people we work for. Its flexible, modular furniture means the space can be adapted to create a variety of learning areas suitable for the needs of different groups and people. A programme of workshops, training, engagement events and conferences began in March with an official launch due later in 2016.

Benefits of Wheatley Pledge

Residents at a Loretto Care facility in Grangemouth were delighted when a new sensory garden was installed.

The garden at Inchyra Place, which features a sensory area, fruit trees and a scented garden, was built in just seven days.

The work was completed by Mackenzie Construction as part of their commitment to the Wheatley Pledge – a scheme which encourages Wheatley's contractors to do more to help people in disadvantaged communities. Access to the Wheatley Pledge is just one of the benefits Loretto Care enjoys since joining Wheatley Group in 2013.

Loretto Care's Falkirk and Grangemouth services provide support for adults with mental ill health and learning disabilities and care for young people who have experienced homelessness.

TRUSTEES' ANNUAL REPORT (continued)

Social enterprise creates a buzz

Loretto Care North Lanarkshire, which provides care for adults with mental health difficulties, launched plans to grow a bee business.

Service Manager Kate Keltie worked with Plan Bee, a beehive management business, which provides a beehive, helps care for the bees and collects the honey, while Loretto staff and people we work for sell the honey to the community.

Loretto Care's hive at Wishaw produces around 24 jars of honey a year and Plan Bee also provides beeswax candles and other honey-based products from the honeycomb at cost-price to sell on. Staff and the people we work for are now looking to grow their social enterprise.

Staff reached service milestone

Senior staff at Loretto Care were recognised for their lifetime commitment to community nursing.

Cathy Fallon, Martin Glackin, Glenn Harrold and Sue Johnston received Community Nursing Awards for Long Service from the Queen's Nursing Institute in Scotland.

Between them, the three senior Loretto Care staff have devoted 90 years to community nursing – 62 of them within a social care setting for Loretto Care.

FINANCIAL REVIEW

The Statement of Financial Activities shows net incoming resources for the year of £117k (2015: £337k) before actuarial gains of £218k (2015: actuarial gains of £461k) in respect of defined benefit pension schemes. A total of £1,477k was retained in accumulated funds at the year end (2015: £1,142k).

Income

Total income for the year ended 31 March 2016 was £13,827k (2015: £11,802k). This is £2,025k, or 17.2%, higher than the previous year. This increase has arisen from a higher volume of Tenancy Support Service income and the management of Glasgow Housing Association Limited's sheltered housing facilities on their behalf.

Expenditure

Total expenditure for the year of £13,710k is £2,245k higher than in 2014/15 (2015: £11,465k). Direct costs have increased with the higher income levels from the Tenancy Support Service and the GHA sheltered service. In addition to this, Loretto Care implemented the Living Wage for all employees.

Operating Surplus

Loretto Care made an operating surplus in the year of £117k (2015: £337k). This is a significant achievement in a climate of reducing margins on care services and our commitment to fairly reward our employees for their contribution through the Living Wage and Wheatley benefits package.

Principal funding sources

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

Reserves policy

The Trustees have set a target of a minimum of one month's operating costs as a desired level of general reserves, with an objective of achieving three months' by 2018. This takes into account the organisation's commitment to being a Living Wage employer, including meeting national minimum wage legislation.

STRUCTURE, GOVERNANCE AND MANAGEMENT

We said farewell to chair Pauline Hamilton as she stepped down after 8 years.

Pauline was a great champion of our work. Her professional experience across a range of health care settings ensured the people we work for, and excellent, quality services, were at the forefront of our thinking. Pauline guided us through a number of significant reconfigurations in response to the changing care environment and saw us safely settled in to the Wheatley Group.

We were delighted to welcome James Muir as our Chair after he was elected in September 2015. James is a business leader with over 20 years' experience in financial, operational and strategic roles across a range of sectors including utilities, health, financial and marine services. He is currently the Group Business Development Director at V.Group. James has been a Board member at Loretto Care since 2011 and is also co-opted to the Wheatley Board.

Trustees	First Appointed	Left Board
Pauline Hamilton	29 August 2007	21 September 2015
Linda Lane	9 April 2008	
Marco Guidi	5 March 2008	
Alison MacDonald	9 April 2008	
Douglas Robin	5 March 2008	
James Muir	22 August 2011	
Gordon McKay Findlay	22 August 2011	
Ruth Henderson	22 August 2011	21 September 2015

Independent auditors

The Trustees appointed PricewaterhouseCoopers LLP to act as auditors of the financial statements for the year ended 31 March 2016. In accordance with Section 485 of the Companies Act 2006, a resolution for the appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

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.

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the Directors of Loretto Care for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that 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 the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

In so far as the Trustees are aware:

There is no relevant audit information of which the charitable company's auditor is unaware and;

The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Trustees on 8th August 2016 and signed on their behalf on 31st August 2016 by:

James Muir
Trustee

Wheatley House
25 Cochrane Street
Glasgow, G1 1HL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO CARE

Report on the financial statements

Our opinion

In our opinion, Loretto Care's financial statements (the financial statements''):

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure and cash flows 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2016;
- the statement of financial activities (incorporating the income and expenditure account) for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO CARE (continued)

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 9, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, the Companies Act 2006, regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO CARE
(continued)**

Lindsey Paterson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
August 2016

- (a) The maintenance and integrity of the Loretto Care website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2016

	<i>Note</i>	Unrestricted funds £'000	Restricted funds £'000	2016 Total £'000	2015 Total £'000
Incoming resources					
Incoming resources from charitable activities	5	13,804	23	13,827	11,802
Total incoming resources		13,804	23	13,827	11,802
Resources expended					
Charitable activities	6	(13,671)	(23)	(13,694)	(11,449)
Governance costs	7	(16)	-	(16)	(16)
Total resources expended		(13,687)	(23)	(13,710)	(11,465)
Net incoming resources before transfers and net income for the year		117	-	117	337
Gross transfers between funds	13,14	-	-	-	-
Net incoming resources for the year before other recognised gains		117	-	117	337
Actuarial gains on defined benefit pension schemes		218	-	218	461
Net movement in funds		335	-	335	798
Fund balances brought forward at 1 April					
Total funds brought forward	13, 14	1,142	-	1,142	344
Fund balances carried forward at 31 March	13, 14	1,477	-	1,477	1,142

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 16 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

		2016	2015
	<i>Note</i>	£'000	£'000
Current assets			
Debtors	8	2,318	1,896
Cash and cash equivalents	9	297	472
Total current assets		2,615	2,368
Creditors: amounts falling due within one year	10	(760)	(565)
Net current assets		1,855	1,803
Total assets less current liabilities		1,855	1,803
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	11	(378)	(661)
Net assets		1,477	1,142
The funds of the charity			
Unrestricted income funds	13	1,477	1,142
Total charity funds		1,477	1,142

The financial statements were approved and authorised for issue by the trustees on 8th August 2016 and signed on their behalf on 31st August 2016 by:

James Muir
Trustee

The notes on pages 16 to 25 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	£'000	£'000
Reconciliation of operating surplus to net cash inflow from operating activities		
Net incoming resources	117	337
Increase in debtors	(54)	(31)
Increase/(Decrease) in creditors	173	(63)
Decrease in amount due to/(from) Group Companies	(346)	(989)
Decrease in pension provision	(65)	(35)
Net cash outflow from operating activities	(175)	(781)
Decrease in cash in the year	(175)	(781)
Reconciliation of net cashflow to movement in net funds		
Decrease in cash in the year	(175)	(781)
Net funds at 1 April	472	1,253
Net funds at 31 March	297	472

Analysis of changes in net funds

	Opening balance	Cashflows	Closing balance
	£'000	£'000	£'000
Cash at bank and in hand	472	(175)	297
Net funds	472	(175)	297

The notes on pages 16 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention and 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 the United Kingdom.

Transition to the Charities SORP 2015 and FRS 102 has not resulted in any restatements to the prior year figures.

The principal accounting policies, which have been applied consistently throughout the year and throughout the comparative year, are set out below.

As the company is a wholly owned subsidiary of Loretto Housing Association Limited (itself a wholly owned subsidiary of the Wheatley Housing Group Limited) it has taken advantage of the exemption contained in Financial Reporting Standard 102 and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

Incoming resources

Basis for recognition of income resources

Income from charitable activities and other income are recognised when there is entitlement, certainty or receipt and the amount can be measured with sufficient reliability.

Income for 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.

Other incoming resources

Other incoming resources comprise income which cannot be allocated to income from charitable activities, voluntary income or investment income.

Resources expended

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

1. Accounting policies (continued)

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 at amortised cost.

Leases

Operating lease rentals are charged to the income and expenditure account in the period in which a liability is incurred.

Pensions

Loretto Care previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Pension Scheme. The scheme is now closed with members transferring 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 bodies taken as a whole. In accordance with FRS 102, the Company's share of the scheme assets and liabilities have been separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Company's share of the deficit is recognised in full in the Statement of Financial Position and the movement is split between operating costs, finance items and actuarial gain or loss on pension schemes in the Statement of Financial Activities.

Taxation

As a charity, Loretto Care is exempt from corporation tax on its charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

Value Added Tax

Loretto Care is registered for VAT as part of Wheatley Housing Group's 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 2016 (CONTINUED)

2. Employees

Number of employees	2016 Number	2015 Number
The average number of employees during the year were:		
Headcount	487	464
Full time equivalent	386	422

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

Employment costs	2016 £000	2015 £000
Staff costs (for the above persons)	9,796	8,386
Social security costs	750	657
Employer's pension costs	246	210
Pensions past service deficit	89	86
Agency Staff Costs	731	447
	11,612	9,786

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

	2016	2015
£60,000 to £70,000	-	-
£70,000 to £80,000	1	1
	£000	£000
Pension contributions made on behalf of employees with emoluments > £60,000 were:	3	3

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

3. Trustees' emoluments

None of the trustees received any remuneration for their services or reimbursement of expenses directly from Loretto Care (2015 – nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

4. Net incoming resources for the year

	2016	2015
	£'000	£'000
Net incoming resources is stated after charging:		
Auditors' remuneration – audit services	16	16

5. Incoming resources from charitable activities

	2016	2015
	£'000	£'000
<i>Unrestricted income:</i>		
Local authority contract income	11,009	10,478
Care service contribution from Loretto Housing Association Limited	725	833
Contribution from service users	4	6
Services provided to Registered Social Landlords	2,055	434
Other income	11	2
<i>Restricted income:</i>		
Grant income	23	49
	13,827	11,802

6. Charitable activities

	2016	2015
	£'000	£'000
Management charges payable	367	363
Staff costs	11,612	9,695
Premises costs	824	579
Running costs	870	764
Release of contract provisions	-	-
Pension finance costs	21	48
	13,694	11,449

7. Governance costs

	2016	2015
	£'000	£'000
External audit fees	16	16
Committee expenses	-	-
	16	16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

8. Debtors

	2016	2015
	£'000	£'000
Amounts owed by group undertakings	1,353	985
Other debtors	965	911
	2,318	1,896

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

9. Cash and cash equivalents

	2016	2015
	£'000	£'000
Held by Loretto Care	40	30
Held by Loretto Housing Association Limited on behalf of Loretto Care	257	442
	297	472

10. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	57	15
Taxation and social security costs	156	160
Other creditors	101	115
Accruals and deferred income	378	229
Amounts due to group undertaking	68	46
	760	565

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 2016 (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 2012, with the next full valuation due at 30 September 2015 currently underway.

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 Company’s share of the assets and liabilities of the scheme within the financial statements where this is available. An evaluation of the scheme assets and liabilities has been instructed by Loretto Care and carried out by an independent actuary as at 31 March 2016.

Following consideration of the results of the last valuation at 30 September 2012, it was agreed that the shortfall of £304m would be dealt with by the payment of additional contributions of 5.4% of pensionable salaries per annum with effect from 1st April 2014. Past service deficit contributions will 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 buyout 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 2016 (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 2016	31 March 2015
Discount rate	3.8%	3.4%
Future salary increases	*2.5%	*2.5%
Inflation	2.1%	2.0%

* Salary increases are assumed to be 2% p.a. until 31 March 2019, 2.5% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2016, 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: 22.1 years (male) (2015: 22.1 years), 23.6 years (female) (2015: 23.6 years).
- Future retiree upon reaching 65: 24.8 years (male) (2015: 24.8 years), 26.2 years (female) (2015: 26.2 years).

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

11. Pensions (continued)

Movements in present value of defined benefit obligation:

	2016	2015
	£ 000	£ 000
Opening defined benefit obligation	2,734	2,809
Current service cost	-	-
Interest cost	92	120
Loss on curtailment	-	-
Actuarial gains	(281)	(145)
Contributions by members	-	-
Estimated benefits paid	(74)	(50)
	2,471	2,734

Movements in fair value of plan assets:

	2016	2015
	£ 000	£ 000
Opening fair value of plan assets	2,073	1,652
Expected return on plan assets	71	316
Actuarial (losses) / gains	(63)	72
Contributions by the employer	89	86
Contributions by the members	-	-
Estimated benefits paid	(74)	(50)
Administration costs	(3)	(3)
	2,093	2,073

Net liability

(378) **(661)**

Expense recognised in the statement of financial activities:

	2016	2015
	£ 000	£ 000
Interest on net defined benefit obligation	21	48
Administration costs	3	3
	24	51

The expense is recognised in the following line items in the statement of financial activities:

	2016	2015
	£ 000	£ 000
Resources expended – charitable activities	13,694	11,449

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

11. Pensions (continued)

The total amount recognised on the Statement of Financial Position is £378k liability (2015: £661k liability).

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

	2016	2015
	£ 000	£ 000
Equities	774	746
Corporate bonds	670	746
Property	105	103
Alternatives	502	456
Cash	42	22
	<u>2,093</u>	<u>2,073</u>
Actual return on plan assets	8	388

12. Analysis of net assets between funds

	Unrestricted funds	Restricted funds	Total
	£'000	£'000	£'000
Fund balance at 31 March 2015	1,142	-	1,142
as represented by:			
Current assets	2,615	-	2,615
Current liabilities	(760)	-	(760)
Provision – pension liability	(378)	-	(378)
	<u>1,477</u>	<u>-</u>	<u>1,477</u>
At 31 March 2016	<u>1,477</u>	<u>-</u>	<u>1,477</u>

13. Unrestricted income funds

	1 April	Incoming	Outgoing	Transfers	Other Gains	31 March
	2015	£'000	£'000	£'000	£'000	2016
	£'000					£'000
General funds	1,613	13,804	(13,752)	-	-	1,665
<i>Designated funds</i>						
Pension reserve	(661)	-	65	-	218	(378)
Living wage	190	-	-	-	-	190
	<u>1,142</u>	<u>13,804</u>	<u>(13,687)</u>	<u>-</u>	<u>218</u>	<u>1,477</u>
At 31 March 2016	<u>1,142</u>	<u>13,804</u>	<u>(13,687)</u>	<u>-</u>	<u>218</u>	<u>1,477</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

13. Unrestricted Funds (continued)

Purposes of designated funds

Pension Reserve

The charity has elected to produce full FRS 102 disclosures.

Living Wage

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

14. Restricted funds

	1 April 2015 £'000	Incoming £'000	Outgoing £'000	Transfers £'000	31 March 2016 £'000
Restricted funds	-	23	(23)	-	-
At 31 March 2016	-	23	(23)	-	-

15. Financial commitments

At 31 March 2016, the charity had no annual financial commitments under non-cancellable land and buildings operating leases.

16. 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.

17. 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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Bankers

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