

at home with...



Fife Housing Association Limited
Group Report and Consolidated
Financial Statements
For the year ended 31 March 2017

Registered Office:
7 Pitreavie Court
Pitreavie Business Park
Dunfermline
KY11 8UU

Registered No.2476R(S)
Scottish Charity No.SC025647
Scottish Housing Regulator Registered No. HAL295

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Registration particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number: 2476R(s)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number: HAL295
Scottish Charity	Charities and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC025647

Members, Executive and Advisers

Board Members	
Maureen Garvie	Chair
Patricia Dickson	Vice-Chair
Derek Adam	Audit and Risk Convenor
Katherine Dewar	Chair of PACT Enterprises Limited
Anila Ahmad	
Colin McNeill	
David Watson	(deceased 9 August 2016)
Stephen Clark	
Fiona Hunter	
Sandra Stock	
Helen Boath	
Executive Officers	
Nicola Donaldson	Chief Executive
Fiona Nicholl	Director of Finance and Governance (appointed 1 March 2017)
Kevin Lynch	Director of Property and Commercial Business
Susan Bramley	Director of Housing
Secretary	
Neil Morrison	(resigned 19 September 2016)
Nicki Donaldson	(appointed 19 September 2016, resigned 9 June 2017)
Fiona Nicholl	(appointed 9 June 2017)
Auditor	RSM, First Floor, Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG
Bankers	Bank of Scotland, 38 St Andrew Square, Edinburgh, EH2 2YR
Solicitors	Harper Macleod, The Ca'd'ora, 45 Gordon Street, Glasgow G1 3PE
	Morton Fraser, Quartermile Two, 2 Lister Square, Edinburgh, EH3 9GL

Attendance at Board and Committee meetings

	Strategic Board		Audit and Risk		Emergency		Colleague		Remuneration and Governance		PACT Enterprises	
	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Possible	Actual	
Maureen Garvie	7	6	-	-	-	-	-	-	2	2	-	-
Patricia Dickson	7	7	-	-	-	-	-	-	2	2	-	-
Colin McNeill	7	6	3	2	-	-	-	-	-	-	-	-
David Watson	-	-	-	-	-	-	-	-	-	-	-	-
Anila Ahmed	7	5	-	-	-	-	-	-	-	-	-	-
Stephen Clark	7	5	-	-	-	-	-	-	-	-	-	-
Derek Adam	7	6	3	3	-	-	-	-	2	2	-	-
Fiona Hunter	7	3	-	-	-	-	-	-	-	-	-	-
Helen Boath	7	5	3	2	-	-	-	-	-	-	-	-
Sandra Stock	7	7	2	2	-	-	-	-	2	2	-	-
Katherine Dewar	7	6	-	-	-	-	-	-	-	-	6	6
Martin Fleming ¹	-	-	3	1	-	-	-	-	-	-	6	5
Kenneth Young ¹	-	-	-	-	-	-	-	-	-	-	6	6

¹ Board Member of PACT Enterprises Limited only

In addition Health and Safety Committee, comprising executive directors, managers and advisers met four times during the year

Report of the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2017.

Structure, governance and management

Fife Housing Group is a trading name of Fife Housing Association Ltd and PACT Enterprises Ltd.

Fife Housing Association (FHA) is a charitable registered social landlord which was first registered in June 1996 with Scottish Homes and ownership and management of the properties commenced 29 January 1997. The Association was formed for the benefit of the community. Fife Housing Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord and the new Rules were adopted on 12 January 2015.

The Association has a wholly-owned non-charitable trading subsidiary PACT Enterprises Limited. The company provides market rented accommodation for non-social tenants.

Organisational management

The Board of Management must have a minimum of seven and a maximum (including co-optees) of 15 members.

The Board can co-opt to the Board anyone who is suitable to become a Board Member.

The Board of Management is a strategic body responsible for strategy and performance. There are five committees and one subsidiary board:

- Audit and Risk Committee
- Emergency Committee
- Remuneration and Governance Committee
- Colleague Committee
- Health and Safety Committee
- PACT Enterprises Limited Board

Members of the boards and committees that met during 2016/17 are listed on Page 2.

Appointment of Trustees

The Board of Management and Executive Officers of the Association are listed on page 1.

Each member of the Board of Management (other than those co-opted) holds one fully paid share of £1.00 in the Association. No financial or other benefit is obtained by being a member of the Board of Management. The Executive Officers of the Association hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board.

Anyone over the age of 16 can apply for membership.

Trustee induction and training

The Association provides relevant training as required for Board Members, ranging from induction training for new members to specific skills and topics, including attendance at conferences and seminars.

A training needs analysis will be developed for each individual Board Member and these will be updated on a regular basis, including a personal training history and meetings held to discuss future personal development and also specific training requirements. A programme of training will be delivered annually to meet any identified needs as well as to accommodate any legislative changes or current issues which need to be brought to the Board's attention.

A Board Members' Away Day is arranged annually. This gives the Board an opportunity to review its structure and performance, how well the sub committees are operating, the skills and experience of its members and, amongst other things any weaknesses, together with the Association's future overall strategy.

Risk management

The Group has a formal risk management process which assesses business risks and implements risk management strategies, which involves identifying the types of risk the organisation faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying ways of mitigating risk each year. The Board has adopted a risk-based approach to internal controls.

The Association has a business continuity and disaster recovery plan in place. Included within this is the IT disaster recovery plan.

The approach to effective risk management within Fife Housing Group (FHG) is one that aims to protect and support achievement of our provision of sustainable, safe homes and services for present and future generations in Fife.

The Group understands that the very nature of the services that we provide carries inherent risk and we recognise the responsibility that we bear to make future decisions within a risk-based approach. Effective risk management will ensure that we minimise negative impact and make informed decisions on future opportunities.

The Group's Risk Management Strategy focuses on the introduction of the Fife Housing Group Risk Management Framework. Risk Management provides a strategic, comprehensive approach to the management of risk that will be cross-cutting across the organisation; a critical driver for continuous improvement of our internal controls and assessment of the impact of achieving our business plan objectives.

The Group's risk management framework is built around the ISO 31000:2009 Risk Management Principles and Guidelines and splits risks into either 'Strategic' or 'Operational'. The framework will:

- Continue to be integrated into our business planning methodology;
- Magnify the positive, beneficial consequences of risk while acting to reduce the negative, detrimental consequences;
- Apply to strategic, operational, projects and new business initiatives;
- Allow FHG to better identify organisational risks and opportunities and develop mitigation strategies; and
- Include a strong assurance focus that supports the Board of Management and Audit and Risk Committee in fulfilling their roles.

The Group's key strategic risks have been reviewed during the year and agreed as shown below:

Recruitment and Retention – Fail to recruit and retain Colleagues and Board Members

Governance – Fail to ensure effective Governance arrangements are in place

Business Improvement – Inability to design and implement effective Business improvement strategies

Collaboration – Fail to identify and / or maximise collaborative opportunities

Growth – Unable to identify and / or maximise opportunities for Growth

Confidence and Trust – Fail to build on / maintain Confidence, Satisfaction and Trust of our tenants

Government Changes – Unable to adapt to Government / Regulatory Changes

Finance – Unable to Manage Our Financial Position

Under each of these strategic risks is a set of operational risks which are currently monitored on a monthly basis by the Director responsible for the risk area. During the year The Group has introduced new Risk Management software which helps to manage, prioritise and mitigate the risks identified.

Objectives and activities

The vision of Fife Housing Group is “Getting the basics right”.

The Association was formed for the benefit of the community and its objectives are to carry on for the benefit of the community. The Association is a non-surplus-distributing organisation.

Our Values

- Accountable - take personal responsibility;
- Firm but fair - treat everyone fairly;
- Open and honest - be transparent in all that we do; and
- Versatile - be flexible and creative in our approach.

Our Strategic Objectives

- To deliver our Business Change Programme;
- To be tenant and customer-focused;
- To protect and maximise our assets and finances; and
- To support colleagues' development.

Our future plans

- We will conclude our loan refinancing exercise during the next financial year;
- We plan to recruit a further tenant Board member to enhance the existing Board skills;
- We will introduce a web based Human Resources system which will encompass a full range of human resource functionality and payroll;

- We will continue to work towards the achievement of the Energy Efficiency Standard for Social Housing (EESH) by 2020;
- Continuous improvement – we will be rigorous and systematic in our approach to managing our performance and we will plan and manage our work to achieve improvements in our service delivery;
- We will conclude the review of our ICT systems in relation to Housing Management & Maintenance with a view to full implementation;
- We will carry out a full review of Colleague Pension arrangements;
- We will start on site with our new build development at Crombie Phase 2;
- We will continue with our work on Rent Affordability and Rent Harmonisation;
- We will implement a dedicated in-house voids team with a view to reducing void rent loss;
- Website development – we will develop the website so that it provides a more user friendly experience for our tenants and customers and information to our stakeholders;
- We will continue to improve tenant and customer engagement and satisfaction across all areas;
- We will support our Scrutiny Group’s continued development and engage with interested residents;
- We will invest in our properties;
- We will deliver on our Value for Money Strategy in all that we do;
- We will continue to explore opportunities for development;
- We will continue to seek opportunities to expand our subsidiary, PACT Enterprises;
- We will continue to invest in developing our colleagues; and
- We aim to achieve Investors In People (IIP) Silver accreditation by 2018.

How we will achieve our future plans

- Following the implementation of the new Colleague Structure we aim to meet our objectives through our formal reporting structure. Following approval of the Business Plan, annual Operational Plans are set for all departments which are then monitored and reported to the Board on a quarterly basis.
- All colleagues have personal objectives, set at the start of each financial year, which link into the operational plans for their department. Progress on personal objectives is measured monthly, at 1 2 1 meetings, and any corrective action taken to address non-compliance and re-focus on the agreed plans.
- Final colleague appraisals are carried out at the end of the financial year and performance during the year is discussed.
- The Board, Business Leadership Team and the Operational Leadership Team all receive regular reports on performance against the objectives for the year.
- The Group operates a Succession Planning process for early identification of future talent.

Partnership Working

The Group continues to work in partnership with Fife Council and the other local housing associations to operate the Fife Housing Register and the related Joint Allocations Policy.

The Group is a member of the Fife Housing Association Alliance. As part of this grouping we part-fund a Wider Action post and work with a range of voluntary sector and statutory sector partners to deliver specialist services.

The Group is also a member of the G8 alliance who meet quarterly to share good practice and discuss topical housing related matters.

The Group is also a member of HouseMark which provides a benchmarking service, cost and performance comparisons which assist with improvement and value for money.

Achievements and performance

The Group had a number of successes in 2016/17:

- ✓ We embedded cultural change to the Group in recognition of the organisation's strategic objectives and values;
- ✓ We reviewed our Letting Strategy;
- ✓ We fully implemented our Engagement Strategy;
- ✓ We further developed our Procurement Policy;
- ✓ We implemented a new Risk Management web-based monitoring portal;
- ✓ We reviewed our approach to Complaints Handling and have made substantial improvements in this area;
- ✓ Carried out a £2.8m programme of planned maintenance and major component renewals within our properties, including: roofing, kitchens, bathrooms and windows and doors and heating at various property addresses.
- ✓ Carried out a benchmarking exercise for Colleague Salaries;
- ✓ We completed our Pitreavie Office improvements;
- ✓ We successfully awarded the tender to complete the Phase 2 new build development at Crombie;
- ✓ We successfully completed a review of Fife Housing Group's debt structure which will be fully implemented in 2017/18;
- ✓ We introduced a suite of Key Performance Indicators (KPI's) which are reported monthly and reviewed by both the Board and Business Leadership Team;
- ✓ We commissioned a Rent Affordability exercise;
- ✓ The current tenant rent arrears position at the year-end improved markedly from 3.47% at the end of 2016 to 2.76%. This was well within the 3.1% target;
- ✓ We successfully tested the disaster recovery plans on two occasions;
- ✓ We recruited a housing apprentice following a robust recruitment process;
- ✓ We enhanced our approach to social media;

- ✓ We awarded a contract for a new Human Resources and Payroll system for full implementation during 2017/18;
- ✓ We implemented an Asset Management Strategy;
- ✓ We introduced a training plan for all board members and colleagues;
- ✓ We introduced a new Value and Behaviour culture setting out the expectations from all achieve from all colleagues; and
- ✓ We introduced a Reward and Recognition strategy.

Financial review – Fife Housing Group

The Board is satisfied with the Group's performance during the year. The Group has generated a surplus for the year after taxation of £238,826 (2016 - £707,688). Total comprehensive expenditure for the year was £975,686 (2016 - income of £1,596,251)

Turnover increased by £6,056 and operating costs by £382,631. The operating surplus decreased from £2,923,603 in 2016 to £2,547,028 in 2017.

The total deficit recognised in the Statement of Comprehensive Income decreased from £1,596,521 surplus in 2016 to £975,686 deficit this year. Details of the movements are set out in page 15.

The deficit for the year has been charged to revenue reserves. The Group's net deficit of assets is now £1,254,894 (2016 - £279,196) after pension liability of £3.643m (2016 £2.583m).

The loss of £975,686 includes one off costs totalling £1,002,085 for this year only. The one off costs are made up of elements from our Business Change Strategy with regards to our office refurbishment of £521,580, Restructuring Costs of £45,348, Temporary Colleague Costs of £220,846 and a Fixed Asset Impairment of £214,311, in relation to the office land and buildings.

Going concern

After reviewing the detailed Income and Expenditure and Business Plan projections and the revised terms and facility available from the bank and making such further enquiries as they consider appropriate, the Board of Management is satisfied that the Association has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Asset value

The value of the Association's housing properties is now reported gross of all Housing Grants (in compliance with FRS102), which are recorded as Long Term Creditors. The 'deemed cost' used in the FRS102 revaluation was the valuation performed by Jones Lang LaSalle in October 2016 on an existing use basis (Social Housing) (EUV-SH). The net value of the Association's housing properties is £78m (2016 - £78.3m).

Impairment review

The impairment review carried out at 31 March 2017 showed that the value in use of the housing properties exceeded the carrying value of the properties in the balance sheet, therefore, no impairment adjustment was required.

Rental income

The Association applied a rent increase of 2.1% on 1 April 2016. Our gross rental income increased from £10,726,852 to £10,979,054. The loss of income from void properties has increased from £133,085 in 2016 to £141,480 in 2017.

£55,768 of bad debts were written off by the Association this year, and after a review of the rent arrears the bad debt provision against rent arrears has increased to £429,796 (2016 - £251,980). We are actively monitoring and pursuing our current and former tenants' arrears with a view to reducing the bad debt provision in the coming year.

Right to Buy sales

The Association has charitable status and only those tenants with the preserved right to buy (i.e. those tenants who transferred from Scottish Homes) can exercise this right. In the twelve months to 31 March 2017 eighteen tenants exercised their right to buy and the Association received £282,274 net of selling costs (note 12).

Pension Fund

The Association operates a defined benefit pension scheme which is open to all its permanent colleagues. In common with most employers adopting Financial Reporting Standard 102 - Retirement Benefits, the scheme has produced a funding deficit. This deficit has increased from £2,583,000 at 31 March 2016 to £3,463,000 at 31 March 2017.

Full details have been provided in Note 25.

Policy on payment of creditors

The Association agrees payment terms in advance of any commitment being entered into with suppliers or sub-contractors and makes payment in accordance with its obligations.

Charitable donations

During the year the Association did not make any charitable donations, and did not make any donation to a political party (2016 - £nil).

Reserves policy

The Association has no designated reserves.

Treasury Management

The Association operates in accordance with its Treasury Management Policy to ensure effective use of the organisation's cash flows and borrowings, and the effective control of the risks associated with these activities.

The Association's objective is to ensure it has appropriate funding facilities to enable it at all times to have the level of funds necessary for the achievement of its business / service objectives. It will hold its surplus funds in cash or short-term deposits such as a high interest bearing account or a term deposit.

Derivatives

The Association is not permitted to enter into speculative transactions with financial instruments. The Association follows the guidance set out by the Scottish Housing Regulator. Any financial instrument entered into by the Association is covered by an underlying loan.

As part of its Treasury Management Policy the Association uses financial derivatives to achieve interest rate certainty.

At 31 March 2017 the Association had four interest-rate-swaps as shown below:

Hedge Ref No	Amount	End Date	Underlying Rate	Rate type
1	£5.0 million	July 2032	4.49%	Cancellable
2	£20.0 million	October 2032	6.936%	Fixed
3	£5.0 million	April 2033	4.96%	Cancellable
4	£5.0 million	July 2035	1.19%+inflation (min 0%, max 5%)	Inflation-linked

These require to be revalued under FRS102 resulting in a liability of £19.8m. (2016 - £19.5m). (Note 18).

Colleagues

The Group promotes equality and diversity for all and aims to eliminate unlawful discrimination in all areas of its work and carries out recruitment in line with the Equality Act.

The Group recognises that it is the quality and commitment of its colleagues that allows it to meet its objectives and meet its commitments to tenants and other stakeholders in an efficient and effective manner.

The Group has successfully retained its Investors in People (IIP) status. The award demonstrates the Group's commitment to training and development for colleagues. During the next financial year the Group hopes to achieve the Silver IIP accreditation.

During the year we continued with our ambitious management development programme to ensure that our managers are equipped with the skills and tools required to deliver excellent leadership throughout the organisation.

Colleague involvement

The Group encourages colleague involvement in all initiatives and holds colleague meetings quarterly, as well as holding regular team talkbacks to inform colleagues of matters affecting them.

The Group holds an annual colleagues' conference where topical initiatives are discussed. Regular one to one meetings continue to take place for all colleagues as this is seen as the most effective way of improving and maintaining performance.

Team meetings are held on a regular basis and at least following each Business Leadership Team meeting which ensures that all colleagues are kept up to date and informed about the strategic direction of the Business.

Health and safety

The Group is aware of its responsibilities on health and safety matters and has a comprehensive management system and policy in place. Colleagues are provided with instruction, training and supervision to secure effective health and safety.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefits Society Act 2014, and Registered Social Housing legislation, requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for the period ended on that date. In preparing those financial statements the Board of Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Registered Housing Associations Determination of Accounting Requirements 2014 and the Statement of Recommended Practice 2014 for Registered Social Housing Providers. It has general responsibility for taking reasonable steps to safeguard the assets of the Association, and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditors

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken to make aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Board of Management's Statement on Internal Financial Controls

The Board of Management acknowledges that it has ultimate responsibility for ensuring that the Group and Association have in place a system of internal financial control that is appropriate to the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of the financial information used within the Group and Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

During the year there have been significant colleague changes within the finance team including the loss of the Director of Finance and Governance and Finance Manager. The Board are aware that

some of the key control reconciliations that should have been carried out during the year have not been carried out as expected. Key balances were reconciled at the year end and the Board are confident that an improvement in reconciliations will happen in 2017/18.

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. The Board has adopted a risk-based approach to internal controls. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

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


The Audit and Risk Committee reviews reports from the external auditors, the internal auditors and from management, to provide reasonable assurance that control procedures are in place and are being followed. The Audit and Risk Committee also receives progress reports on areas where the external auditors have commented and ensure that action is taken where considered appropriate.

Acting on behalf of the Board of Management, the Audit and Risk Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017 and until 21 August 2017. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Auditors

RSM UK Audit LLP were re-appointed as auditors during the year. A motion to re-appoint them as auditors will be proposed at the Annual General Meeting.

By order of the Board


Fiona Nicholl
Secretary

Date : 21/8/17

Independent Auditor's Report to the Members of Fife Housing Association Limited

Opinion on Financial Statements

We have audited the Group and Association financial statements of Fife Housing Association Limited for the year ended 31 March 2017 (the "Financial Statements") on pages 15 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group and association's affairs as at 31 March 2017 and of the group's and association's income and expenditure for the year then ended; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements December 2014.

Scope of the audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Respective responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board of Management's Responsibilities set out on page 11, the Board is responsible for the preparation of financial statements which 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2,
139 Fountainbridge
Edinburgh, EH3 9QG

Date: *24 August 2017*

Report by the Auditor to the members of Fife Housing Association on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed your statement on pages 11 and 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

Basis of opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 11 and 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2,
139 Fountainbridge
Edinburgh, EH3 9QG

Date: *24 August 2017*

Financial Statements:

Group Statement of Comprehensive Income for the year ended 31 March 2017

		2017	2016
	Note	£	£
Turnover	2a	12,027,171	12,021,115
Less: Operating expenditure	2a	9,480,143	9,097,512
Operating surplus	7	2,547,028	2,923,603
Gain on disposal of fixed assets	12	37,289	203,134
Interest receivable	9	2,553	7,978
Interest payable and financing costs	8	(2,505,023)	(2,602,127)
Revaluation of investment properties	13c	280,000	287,100
Net return on pension assets	25	(91,000)	(112,000)
Surplus for the year before taxation		270,847	707,688
Taxation	10a	(32,021)	(57,510)
Surplus for the year after taxation		238,826	650,178
Actuarial (loss)/gain in respect of pension scheme	25	(925,000)	1,083,000
Fair value loss on financial liabilities	18	(289,512)	(136,927)
Total comprehensive (expenditure) / income for the year		(975,686)	1,596,251

The Group's turnover and expenses for the period relate wholly to continuing activities.

The notes on pages 24 to 53 form part of these financial statements.

Association Statement of Comprehensive Income for the year ended 31 March 2017

		2017	2016
	Note	£	£
Turnover	2b	11,791,994	11,741,472
Less: Operating expenditure	2b	9,434,769	8,990,577
Operating surplus	7	2,357,225	2,750,895
Gain on disposal of fixed assets	12	37,289	203,134
Interest receivable	9	121,451	126,936
Interest payable and similar charges	8	(2,505,023)	(2,602,127)
Net return on pension assets	25	(91,000)	(112,000)
(Deficit) / Surplus for the year before taxation		(80,058)	366,838
Taxation	10b	-	-
(Deficit) / Surplus for the year after taxation		(80,058)	366,838
Actuarial (loss) / gain in respect of pension scheme	25	(925,000)	1,083,000
Fair value loss on financial liabilities	18	(289,512)	(136,927)
Total comprehensive (expenditure) / income for the year		(1,294,570)	1,312,911

The Association's turnover and expenses for the period relate wholly to continuing activities.

The notes on pages 24 to 53 form part of these financial statements.

Group Statement of Financial Position as at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Housing properties	11	78,051,336	78,322,684
Other fixed assets	14a	933,157	1,191,916
Investment properties	13c	4,673,792	4,393,792
Intangible fixed assets	13a	208,185	221,184
		83,866,470	84,129,576
Current assets			
Trade and other debtors	16a	1,055,926	695,481
Cash and cash equivalents		3,317,252	3,070,866
		4,373,178	3,766,347
Current liabilities			
Creditors: amounts falling due within one year	17	(2,884,371)	(2,469,785)
Net current assets		1,488,807	1,296,562
Total assets less current liabilities		85,355,277	85,426,138
Creditors: falling due after more than one year	18	(82,900,641)	(83,018,103)
Provision for liabilities			
Pension liability	25	(3,643,000)	(2,583,000)
Other provisions	21	(66,530)	(104,231)
Total net liabilities		(1,254,894)	(279,196)
Capital and reserves			
Share capital	22	89	101
Revenue reserve		(12,074,299)	(11,789,208)
Revaluation reserve		10,819,316	11,509,911
Total capital and reserves		(1,254,894)	(279,196)

The financial statements on pages 15 to 53 were approved by the Board of Management and authorised for issue on 21 August 2017 and were signed on its behalf by:



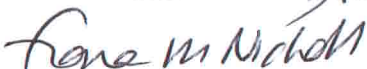
Maureen Garvie Chair 
Derek Adam Audit Committee Convener 
Fiona Nicholl Secretary 

The notes on pages 24 to 54 form part of these financial statements.

Association Statement of Financial Position as at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Housing properties	11	78,051,336	78,322,685
Other fixed assets	14b	931,087	1,188,314
Investment properties	13d	130,000	130,000
Investment in subsidiary	13b	1	1
Intangible assets	13a	208,185	221,184
		79,320,609	79,862,184
Current assets			
Trade and other debtors	16a	1,057,493	1,099,407
Debtors : falling due after more than one year	16b	3,900,000	3,605,200
Cash and cash equivalents		3,199,552	2,892,472
		8,157,045	7,597,079
Current liabilities			
Creditors: amounts falling due within one year	17	(2,837,597)	(2,413,534)
Net current assets		5,319,448	5,183,545
Total assets less current liabilities			
		84,640,057	85,045,729
Creditors: falling due after more than one year	18	(82,900,641)	(83,018,103)
Provision for liabilities			
Pension liability	25	(3,643,000)	(2,583,000)
Holiday pay	21	-	(53,628)
Total net liabilities		(1,903,584)	(609,002)
Capital and reserves			
Share capital	22	89	101
Revenue reserve		(12,722,989)	(12,119,014)
Revaluation reserve		10,819,316	11,509,911
Total capital and reserves		(1,903,584)	(609,002)

The financial statements on pages 15 to 53 were approved by the Board of Management and authorised for issue on 21 August 2017 and were signed on its behalf by:

Maureen Garvie Chair 
Derek Adam Audit Committee Convener 
Fiona Nicholl Secretary 

The notes on pages 24 to 54 form part of these financial statements.

Group Statement of Changes in Reserves

	Share capital	Income and expenditure reserve	Revaluation reserve	Total
	£	£	£	£
Balance at 1 April 2015	94	(13,385,459)	11,509,911	(1,875,454)
Surplus for the year	-	1,596,251	-	1,596,251
Issued share capital	10	-	-	10
Redeemed share Capital	(3)	-	-	(3)
Balance as at 31 March 2016	101	(11,789,208)	11,509,911	(279,196)
Deficit for the year	-	(975,686)	-	(975,686)
Issued share capital	3	-	-	3
Redeemed share capital	(15)	-	-	(15)
Transfer in Year	-	690,595	(690,595)	-
Balance at 31 March 2017	89	(12,074,299)	10,819,316	(1,254,894)

Association Statement of Changes in Reserves

	Share capital	Income and expenditure reserve	Revaluation reserve	Total
	£	£	£	£
Balance at 1 April 2015	94	(13,431,925)	11,509,911	(1,921,920)
Surplus for the year	-	1,312,911	-	1,312,911
Issued share capital	10	-	-	10
Redeemed share capital	(3)	-	-	(3)
Balance as at 31 March 2016	101	(12,119,014)	11,509,911	(609,002)
Deficit for the year	-	(1,294,570)	-	(1,294,570)
Issued share capital	3	-	-	3
Redeemed share capital	(15)	-	-	(15)
Transfer in Year	-	690,595	(690,595)	-
Balance at 31 March 2017	89	(12,722,989)	10,819,316	(1,903,584)

Group Statement of Cash Flows for the year ended 31 March 2017

		2017	2016
	Notes	£	£
Operating activities			
Cash generated from operating activities	A	4,927,707	4,460,317
Income taxes paid		(27,181)	(4,061)
Net cash generated from operating activities		4,900,526	4,456,256
Cash flow used in investing activities			
Purchase of tangible and intangible fixed assets	11, 13, 14	(2,799,230)	(4,007,771)
Proceeds from sale of tangible fixed assets	12	640,922	318,360
Grants received		-	271,367
Interest received	8	2,553	7,978
Net cash used in investing activities		(2,155,755)	(3,410,066)
Cash flow used in financing activities			
Interest paid		(2,498,385)	(2,602,127)
Net cash used in financing activities		(2,498,385)	(2,602,127)
Net increase/(decrease) in cash and cash equivalents		246,386	(1,555,937)
Cash and cash equivalents at beginning of year		3,070,866	4,626,803
Cash and cash equivalents at end of year		3,317,252	3,070,866

Group Statement of Cash Flows

A. Reconciliation of surplus to net cash generated from operations

		2017	2016
	Notes	£	£
Surplus for the year		238,826	650,178
Adjustments for non-cash items:			
Depreciation of fixed assets		2,309,879	2,504,791
Amortisation of intangible fixed assets		65,147	68,258
Fair value gains on investment properties		(280,000)	(287,100)
Movement in defined benefit pension		(135,000)	222,000
Impairment losses on fixed assets		214,311	-
Gain on disposal of tangible fixed assets	12	(37,289)	(203,134)
Loss on disposal of other fixed assets	14a	21,225	-
Interest receivable	8	(2,553)	(7,978)
Interest payable	9	2,505,023	2,602,127
Taxation	10a	32,021	57,510
Deferred income amortisation	20	(524,576)	(521,287)
Operating cash flows before movements in working capital		4,407,014	5,085,365
Share capital (net receipts)		(12)	7
(Increase) in trade and other debtors		(165,540)	(36,449)
Increase/(decrease) in trade and other creditors		739,873	(590,496)
(Decrease)/increase in other provisions		(53,628)	1,890
Cash generated from operations		4,927,707	4,460,317

Association Statement of Cash Flows for the year ended 31 March 2017

		2017	2016
	Notes	£	£
Net cash generated from operating activities	B	4,842,323	4,269,051
Cash flow used in investing activities			
Purchase of tangible and intangible fixed assets	11, 13, 14	(2,799,231)	(3,719,400)
Proceeds from sale of tangible fixed assets	12	640,922	318,360
Grants received		-	271,367
Interest received	8	121,451	126,936
Net cash used in investing activities		(2,036,858)	(3,002,737)
Cash flow used in financing activities			
Interest paid		(2,498,385)	(2,602,127)
New secured loans		-	(290,000)
Net cash used in financing activities		(2,498,385)	(2,892,127)
Net increase/(decrease) in cash and cash equivalents		307,080	(1,625,813)
Cash and cash equivalents at beginning of year		2,892,472	4,518,285
Cash and cash equivalents at end of year		3,199,552	2,892,472

Association Statement of Cash Flows

B. Reconciliation of surplus to net cash generated from operations

	Notes	2017 £	2016 £
(Deficit)/surplus for the year		(80,058)	366,838
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		2,373,495	2,571,517
Impairment of intangible fixed assets		65,147	68,258
Revaluation and impairment of fixed assets		214,311	-
Movement in defined benefit pension		(135,000)	222,000
Gain on disposal of tangible fixed assets	12	(37,289)	(203,134)
Loss on disposal of other fixed assets	14a	21,225	-
Interest receivable	8	(121,451)	(126,936)
Interest payable	9	2,505,023	2,602,127
Deferred income amortisation	20	(524,576)	(521,287)
Operating cash flows before movements in working capital		4,280,827	4,979,383
Share capital (net receipts)		(12)	7
(Increase) in trade and other debtors		(57,981)	(53,733)
Increase/(decrease) in trade and other creditors		673,117	(658,496)
(Decrease)/increase in provisions		(53,628)	1,890
Cash generated from operations		4,842,323	4,269,051

Notes to the Financial Statements

1. Accounting Policies

Legal status

Fife Housing Association Limited is registered in Scotland under the Co-operative and Community Benefit Societies Act 2014 No. 2476R(S) and is a registered Scottish charity No. SC025647. The Association is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 No. HAL295.

The address of the Company's registered office and principal place of business is 7 Pitreavie Court, Pitreavie Business Park, Dunfermline, Fife, KY11 8UU.

The Association's principal activities are set out in the Report of the Board of Management. The nature of the Association's operations is also provided in the Report of the Board of Management.

Fife Housing Association Limited is a Public Benefit Entity, whose liability is 'Limited by Shares'.

Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

Basis of consolidation

The accounts consolidate the results and net assets of the Association's wholly owned subsidiary company, PACT Enterprises Limited (a company limited by shares and registered in Scotland – company number SC375254), using acquisition accounting. Profits or losses on intra-group transactions and intra-group balances are both eliminated in full.

Going Concern

The financial statements have been prepared on a going concern basis. The Board has assessed the Group and Association's ability to continue as a going concern by taking into account the financial position of the Association and the impact of any perceived weakness on viability and considered the results of the annual modelling exercise of the 30-year financial projections and sensitivity analysis, along with the availability of funding at affordable rates of interest.

The Board did review and approve the financial aspects of the Business Plan in May 2017 and noted that the interest cover loan covenant was close to the agreed limit in the short term. The Board have agreed to continue to monitor this position closely.

Notes to the Financial Statements

1. Accounting Policies (continued...)

On that basis the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and areas of judgements are continually re-evaluated and balanced with advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:

- Useful lives of Housing Property – see Depreciation and Impairment
- Components of Housing Properties – see Depreciation and Impairment
- The measurement of the recoverable amount of assets for impairment reviews – see Depreciation and Impairment
- Recoverable amount of rent arrears and other debtors – see Financial Instruments
- Amortisation of Government Grants – see Government Grants

Tangible fixed assets – housing properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses except for properties which were acquired under a Large Scale Voluntary Transfer which have been revalued as at 1 April 2014. Under the transitional rules of FRS102 this became deemed cost at that date. The revaluation reserve relating to this revaluation is being amortised over 50 years.

Cost for all other properties includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

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

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

Notes to the Financial Statements

1. Accounting Policies (continued...)

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

Depreciation of housing properties

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Component	Useful Economic Life
Land	Not applicable
Main structure	50 years
Roof	40 years
Render	35 years
Doors	30 years
Kitchen	15 years
Bathroom	30 years
Heating	18 years
Windows	30 years
Rewiring	40 years

The Stock Transfer Properties (LSVT) were acquired from Scottish Homes in 1997. It has been assumed that the short life value of components were "nil" or fully written down at the date of transfer due to the stock condition and reflected in the transfer price. The only components that were transferred with value were the land and main structure.

Turnover and revenue recognition

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value (excluding VAT) and grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Government grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Social Housing Grant (SHG) is received as a contribution towards the capital cost of a housing development and is recognised in line with the accrual method. The accrual model results in the grant being recognised in income over the expected useful life of the housing property structure and not land or short life components.

On disposal of an asset for which Government grant was received, if there is an obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay the grant a liability is included in the Statement of Financial Position to recognise this obligation.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

It is the Association's policy to write off Stage 3 Medical Adaptations Social Housing Grants (SHG) to the income and expenditure account as adaptations tend to relate to a part component replacement rather than a full upgrade.

Investment properties

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Board of Management consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Other tangible fixed assets

Tangible fixed assets are initially measured at cost and are subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value over its expected useful life, as follows:

Office properties	2%
Computer and equipment	20%
Furniture, fittings and office equipment	10%
White goods supplied to investment properties	20%
Vehicles	20%

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Intangible fixed assets (other than goodwill)

Intangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight-line basis over their useful lives as follows:

Computer software	20%
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Impairments of fixed assets

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

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

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

Borrowing costs

All borrowing costs for fixed assets are expensed as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Taxation

Fife Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception: Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Value Added Tax

The Association is VAT registered, however, a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of non-recoverable VAT.

Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into cash at, or close to, their carrying value.

Leases

Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Registered Social Landlord substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements.

Notes to the Financial Statements

1. Accounting Policies (continued...)

The interest is charged to income and expenditure so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

All other leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to five days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received. The total at the end of each year is now included within creditors. Previously these were included within provisions.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the FHG is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The Association participates in the Fife Council Superannuation Fund, which is a defined benefit pension scheme providing benefits based on final pensionable salary, the cost of providing benefits is determined using the projected unit credit method.

Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in other comprehensive income are:

- Actuarial gains and losses; and
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Financial instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. FRS102 requires some financial instruments to be carried at fair value. Housing loans are classified as either basic or complex financial instruments. Loans that are classified as basic are measured at amortised cost.

The fair value of complex financial instruments are provided independently by the Bank of Scotland and are determined using valuation techniques that use primarily observable inputs such as short term rates futures, swap rates, implied volatilities and market credit spreads for similar credit worthiness instruments. Changes in fair value of financial instruments are taken to the Statement of Comprehensive Income.

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

Financial assets

Debtors

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

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

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

Financial liabilities

Trade creditors

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

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

Notes to the Financial Statements

1. Accounting Policies (continued...)

Borrowings

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

Provisions

Provisions are recognised when the Registered Social Landlord has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

2a. Particulars of turnover, operating costs and operating surplus or deficit - Group

		2017			2016
		Turnover	Operating Costs	Operating Surplus	Operating Surplus
		£	£	£	£
Affordable lettings/activities	(Note 3)	11,600,217	9,065,636	2,534,581	2,775,792
Other activities	(Note 4a)	426,954	414,507	12,447	147,811
Total		12,027,171	9,480,143	2,547,028	
Total 2015/16		12,021,115	9,097,512		2,923,603

2b. Particulars of turnover, operating costs and operating surplus or deficit - Association

		2017			2016
		Turnover	Operating Costs	Operating Surplus	Operating Surplus/Deficit
		£	£	£	£
Affordable lettings/activities	(Note 3)	11,600,217	9,065,636	2,534,581	2,775,792
Other activities	(Note 4b)	191,777	369,133	(177,356)	(24,897)
Total		11,791,994	9,434,769	2,357,225	
Total 2015/16		11,741,472	8,990,577		2,750,895

Notes to the Financial Statements

3. Particulars of income and expenditure from affordable lettings/activities – Group and Association

	General needs	Shared ownership housing	2017	2016
	£	£	£	£
Rent receivable net of service charges	10,867,967	10,650	10,878,617	10,634,978
Service charges receivable	94,837	5,600	100,437	91,874
Gross income from rents and service charges	10,962,804	16,250	10,979,054	10,726,852
Less rent losses from voids	(141,480)	-	(141,480)	(133,085)
Net income from rents and service charges	10,821,324	16,250	10,837,574	10,593,767
Grants released from deferred income	524,576	-	524,576	521,287
Grants from the Scottish Ministers	238,067	-	238,067	324,085
Other revenue grants	-	-	-	-
Total turnover from social letting activities	11,583,967	16,250	11,600,217	11,439,139
Management and maintenance administration costs	4,060,156	2,432	4,062,588	3,199,604
Service costs	79,073	-	79,073	98,938
Planned and cyclical maintenance including major repair costs	925,150	-	925,150	1,208,056
Reactive maintenance costs	1,736,238	-	1,736,238	1,730,899
Bad debts – rent and service charges	83,712	-	83,712	50,739
Depreciation of affordable let properties	2,178,875	-	2,178,875	2,375,111
Operating costs for social letting activities	9,063,204	2,432	9,065,636	8,663,347
Operating surplus from social lettings	2,520,763	13,818	2,534,581	
Operating surplus from social lettings for previous year	2,760,339	15,453		2,775,792

Notes to the Financial Statements

4a. Particulars of turnover, operating costs and operating surplus or deficit from other activities – Group

	Grants from Scottish Ministers		Other revenue grants		Supporting People income		Other income		Total turnover		Operating costs – bad debts		Other operating costs		Operating surplus or (deficit)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-	-	-	-	-	12,145	(12,145)	(11,709)	
Investment property activities	-	-	-	11,675	-	-	-	-	11,675	-	-	-	-	11,675	14,564	
Factoring	-	-	-	66,733	-	-	-	-	66,733	-	-	-	61,731	5,002	(48,717)	
Contracted out activities for registered social landlords	-	-	-	104,882	-	-	-	-	104,882	-	-	-	80,944	23,938	11,539	
Other agency/management services - PACT	-	-	-	235,177	-	-	-	-	235,177	-	-	-	45,374	189,803	172,708	
Office land and buildings impairment	-	-	-	-	-	-	-	-	-	-	-	-	214,313	(214,313)	-	
Other activities	-	-	-	8,487	-	-	-	-	8,487	-	-	-	-	8,487	9,426	
Total from other activities	-	-	-	426,954	-	-	-	-	426,954	-	-	-	414,507	12,447		
Total from other activities - previous year	50,000	-	-	531,976	-	-	-	-	581,976	1,783	432,382				147,811	

Notes to the Financial Statements

4b. Particulars of turnover, operating costs and operating surplus or deficit from other activities – Association

	2017										2016
	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus / (deficit)	Operating surplus / (deficit)	Operating surplus / (deficit)	£
	£	£	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	12,145	(12,145)	(11,709)		
Investment property activities	-	-	-	11,675	11,675	-	-	11,675	14,564		
Factoring	-	-	-	66,733	66,733	-	61,731	5,002	(48,717)		
Contracted out activities for registered social landlords	-	-	-	104,882	104,882	-	80,944	23,938	11,539		
Office land and buildings impairment	-	-	-	-	-	-	214,313	(214,313)	-		
Other activities	-	-	-	8,487	8,487	-	-	8,487	9,426		
Total from other activities	-	-	-	191,777	191,777	-	369,133	(177,356)			
Total from other activities - previous year	50,000	-	-	252,333	302,333	1,783	325,447		(24,897)		

Notes to the Financial Statements

5. Employee information

The average monthly number of persons, including key management personnel, employed during the period (Full Time Equivalent) was:	Group		Association	
	2017	2016	2017	2016
Office	42.9	37.6	42.9	37.6
Maintenance services	18.1	21.7	18.1	21.7
Total	61.0	59.3	61.0	59.3

	£	£	£	£
Office				
Wages and salaries	1,293,494	1,297,351	1,293,494	1,286,309
Redundancy costs	38,892	-	38,892	-
Social security costs	129,989	102,524	129,989	102,524
Pension costs (Note 25)	288,664	342,347	288,664	342,347
Adjustment to past / current service costs	29,389	74,197	29,389	74,197
Temporary employee costs	240,323	100,719	240,323	100,719
Sub-total	2,020,751	1,917,138	2,020,751	1,906,096
Maintenance Services Department				
Wages and salaries	621,518	793,361	621,518	793,361
Redundancy costs	6,456	-	6,456	-
Social security costs	62,554	59,869	62,554	59,869
Pension costs (Note 25)	143,516	165,194	143,516	165,194
Adjustment to past/current service costs	14,611	35,803	14,611	35,803
Temporary employee costs	56,123	32,364	56,123	32,364
Sub-total	904,778	1,086,591	904,778	1,086,591
Total				
Wages and salaries	1,914,922	2,090,712	1,914,922	2,079,670
Redundancy costs	45,438	-	45,438	-
Social security costs	192,543	162,393	192,543	162,393
Pension costs (Note 25)	432,180	507,541	432,180	507,541
Adjustment to past/current service costs	44,000	110,000	44,000	110,000
Temporary employee costs	296,446	133,083	296,446	133,083
Total employee costs	2,925,529	3,003,729	2,925,529	2,992,687

Notes to the Financial Statements

6. Key management personnel (Group and Association)

Key management personnel are defined as the members of the Board, the Chief Executive and senior management personnel.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	2017	2016
	Number	Number
£60,000 - £70,000	2	1
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1
£90,001 - £100,000	-	-
£100,000 - £110,000	-	-
	3	2
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	219,662	148,942
The emoluments of the Chief Executive (excluding pension contributions)	87,278	83,902
Pension Contributions of the Chief Executive	19,378	18,724
Aggregate pension contributions in relation to the above key management personnel	48,179	33,053

Total expenses paid to Board members during the year was £623 (2016 - £544).

Notes to the Financial Statements

7. Operating surplus

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Operating surplus is stated after charging:				
Depreciation of housing properties	2,178,875	2,375,111	2,178,875	2,375,111
Depreciation of other assets	131,004	129,677	129,472	128,148
Amortisation of intangible assets	65,147	68,258	65,147	68,258
Auditor's remuneration in their capacity as auditors	18,848	31,421	12,732	28,657
Auditor's remuneration in respect of other services	13,430	4,231	13,430	3,295
Operating lease rentals	316,529	347,359	316,529	347,359

8. Interest payable and similar charges

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Interest arising on:				
Long term bank loan	2,505,023	2,548,914	2,505,023	2,548,914
Other interest payable	-	53,213	-	53,213
Total	2,505,023	2,602,127	2,505,023	2,602,127

9. Interest receivable and other income

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Interest arising on:				
Bank loans and overdrafts	-	7,978	-	7,978
Group Interest	-	-	118,898	118,958
Other interest receivable	2,553	-	2,553	-
Total	2,553	7,978	121,451	126,936

Notes to the Financial Statements

10a. Taxation - Group

Tax on surplus on ordinary activities

	2017	2016
	£	£
Analysis of charge in period		
Current Tax		
UK Corporation tax	(16,094)	(27,345)
Total current tax charge	(16,094)	(27,345)
Deferred Tax		
Timing differences, origination and reversal (note 21)	(15,927)	(30,165)
Tax on profit on ordinary activities	(32,021)	(57,510)

10b. Taxation - Association

Fife Housing Association Limited is accorded charitable status for taxation purposes by HM Revenues and Customs. In the period to 31 March 2017 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary.

Notes to the Financial Statements

11. Housing properties - Group and Association

	Housing Properties Held for Letting	Housing Stock Under Development	Shared Ownership	Total
	£	£	£	£
Cost or valuation				
At 1 April 2016	97,204,608	433,760	273,145	97,911,513
Additions	2,463,083	176,219	-	2,639,302
Disposals	(1,297,915)	-	-	(1,297,915)
As at 31 March 2017	98,369,776	609,979	273,145	99,252,900
Depreciation				
As at 1 April 2016	(19,520,645)	-	(68,184)	(19,588,829)
Depreciation charged in year	(2,173,798)	-	(5,077)	(2,178,875)
Disposals	566,140	-	-	566,140
As at 31 March 2017	(21,128,303)	-	(73,261)	(21,201,564)
Net Book Value as at 31 March 2017	77,241,473	609,979	199,884	78,051,336
Net Book Value as at 31 March 2016	77,683,963	433,760	204,961	78,322,684

Major repairs in the year amounted to £2,811,656 (2016: £2,582,186). Of the total, £2,463,084 (2016: £2,073,173) was capitalised and related to the replacement of components with enhancements of £nil (2016: £86,202). The remaining £348,572 (2016: £509,013) was charged to the statement of comprehensive income.

The total cost of land included above is £17,249,831 (2016: £17,395,268).

12. Gain on disposal of assets - Group and Association

	Right to Buy Sales	Shared ownership	Land	Housing properties	Total 2017	Total 2016
	£	£	£	£	£	£
Proceeds	634,850	-	20,000	-	654,850	318,360
Expenses	(10,089)	-	-	-	(10,089)	(4,598)
Cost of sale	(338,649)	-	-	-	(338,649)	(125,757)
Abortive costs	(3,838)	-	-	-	(3,838)	(1,583)
Disposals	-	-	-	(264,985)	(264,985)	16,712
Gain on disposal of assets	282,274	-	20,000	(264,985)	37,289	203,134

Notes to the Financial Statements

13a. Intangible fixed assets - Group and Association

	Total
	£
Cost	
As at 1 April 2016	623,375
Additions	52,148
Disposals	-
As at 31 March 2017	675,523
Amortisation	
As at 1 April 2016	402,191
Charge for year	65,147
Disposals	-
As at 31 March 2017	467,338
Net Book Value as at 31 March 2017	208,185
Net Book Value as at 31 March 2016	221,184

13b. Fixed asset investments in Subsidiary - Association only

	2017	2016
	£	£
Cost		
PACT Enterprises Limited	1	1

Details of the investments in which the Association holds more than 10% of the nominal value of any class of share capital are as follows:

Name of Company	Country of Registration or Incorporation	Date of Incorporation	Proportion of Voting Rights	Nature of Business
Subsidiary undertakings				
PACT Enterprises Limited	Scotland	March 2010	100%	Property investment, management and maintenance.

Notes to the Financial Statements

13c. Fixed assets - investment properties - Group

	Investment properties	Shared equity	Commercial property	Total
	£	£	£	£
As at 1 April 2016	4,244,000	19,792	130,000	4,393,792
Additions	-	-	-	-
Revaluation	280,000	-	-	280,000
Transferred from current assets	-	-	-	-
Disposals	-	-	-	-
As at 31 March 2017	4,524,000	19,792	130,000	4,673,792
As at 31 March 2016	4,244,000	19,792	130,000	4,393,792

A desktop valuation was carried out by Shepherds, an external valuer, of the investment and commercial properties as at 31 March 2017. The basis of the valuation is Open-Market Value with the assumption of vacant possession.

13d. Fixed assets - investment properties – Association

	Commercial Property	Total
	£	£
As at 1 April 2016	130,000	130,000
Additions	-	-
Revaluation	-	-
Transferred from current assets	-	-
Disposals	-	-
As at 31 March 2017	130,000	130,000
As at 31 March 2016	130,000	130,000

A desktop valuation was carried out by Shepherds, an external valuer, as at 31 March 2017. The basis of the valuation is Open-Market Value with the assumption of vacant possession.

Notes to the Financial Statements

14a. Tangible fixed assets - other - Group

	Office land and Buildings Leasehold	Tenant Improvements	Office land and buildings	Computer Hardware	Furniture and fittings	Vehicles	Total
	£	£	£	£	£	£	£
Cost or valuation							
As at 1 April 2016	40,030	52,202	1,150,744	227,250	197,604	351,200	2,019,030
Additions	-	-	-	33,360	74,420	-	107,780
Disposals	-	-	-	(7,092)	(103,605)	-	(110,697)
Impairment	-	-	(475,744)	-	-	-	(475,744)
As at 31 March 2017	40,030	52,202	675,000	253,518	168,419	351,200	1,540,369
Depreciation							
As at 1 April 2016	6,004	4,526	285,050	153,026	144,788	233,720	827,114
Charge for year	801	1,044	23,015	28,271	7,633	70,240	131,004
Disposals	-	-	-	-	(89,473)	-	(89,473)
Impairment	-	46,632	(308,065)	-	-	-	(261,433)
As at 31 March 2017	6,805	52,202	-	181,297	62,948	303,960	607,212
Net Book Value as at 31 March 2017	33,225	-	675,000	72,221	105,471	47,240	933,157
Net Book Value as at 31 March 2016	34,026	47,676	865,694	74,224	52,816	117,480	1,191,916

On 31 March 2017, Shepherd Chartered Surveyors, an external valuer, valued the Group's offices at Pitreavie Court at £675,000 on a market value basis. If the property had not been revalued it would have been included at a net book value of £842,699 (2016: £865,694).

Notes to the Financial Statements

14b. Tangible fixed assets - other – Association

	Office land and Buildings Leasehold	Tenant Improvements	Office land and buildings	Computer Hardware	Furniture and fittings	Vehicles	Total
	£	£	£	£	£	£	£
Cost							
As at 1 April 2016	40,030	52,202	1,150,744	227,250	189,674	351,200	2,011,100
Additions	-	-	-	33,360	74,420	-	107,780
Disposals	-	-	-	(7,092)	(103,605)	-	(110,697)
Impairment	-	-	(475,744)	-	-	-	(475,744)
As at 31 March 2017	40,030	52,202	675,000	253,518	160,489	351,200	1,532,439
Depreciation							
As at 1 April 2016	6,004	4,526	285,050	153,026	140,460	233,720	822,786
Charge for year	801	1,044	23,015	28,271	6,101	70,240	129,472
Disposals	-	-	-	-	(89,473)	-	(89,473)
Impairment	-	46,632	(308,065)	-	-	-	(261,433)
As at 31 March 2017	6,805	52,202	-	181,297	57,088	303,960	601,352
Net Book Value as at 31 March 2017	33,225	-	675,000	72,221	103,401	47,240	931,087
Net Book Value as at 31 March 2016	34,026	47,676	865,694	74,224	49,214	117,480	1,188,314

On 31 March 2017, Shepherd Chartered Surveyors, an external valuer, valued the Association's offices at Pitreavie Court at £675,000 on a market value basis. If the property had not been revalued it would have been included at a net book value of £842,699 (2016: £865,694).

Notes to the Financial Statements

15. Housing Stock

	2017	Group 2016	2017	Association 2016
Units wholly owned and managed	2,524	2,523	2,474	2,477
Units (Sold) / Acquired during year	(18)	(4)	(18)	(8)
Shared ownership units	5	5	5	5
Units managed but not owed	15	15	15	15
Total Units	2,526	2,539	2,476	2,489

16a. Debtors

16a.	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year:				
Rent and service charge receivable	668,625	655,001	665,280	652,190
Less: Net present value adjustment	-	(287,621)	-	(287,621)
Less: Bad debt provision -rent	(429,796)	(251,980)	(429,796)	(251,980)
-non rent	(265,916)	(121,570)	(265,916)	(121,570)
Prepayments and accrued income	389,053	307,242	389,053	301,826
Intercompany debtors	-	-	6,345	412,584
Other debtors	499,055	394,409	497,622	393,978
Grants receivable	194,905	-	194,905	-
Total	1,055,926	695,481	1,057,493	1,099,407

16b.	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due after more than one year:				
Intercompany loan to Subsidiary	-	-	3,900,000	3,605,200
Total	-	-	3,900,000	3,605,200

The Intercompany loan is an approved facility of £3.9million of which £3.9million has been drawn down. The loan is fully repayable by September 2047. Interest is charged at LIBOR plus 2.5%.

Notes to the Financial Statements

17. Creditors: Amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Loan interest payable	307,825	301,187	307,825	301,187
Accruals and deferred income	342,046	424,484	323,051	416,256
Holiday pay	67,738	-	67,738	-
Rent in advance	538,452	540,105	538,452	530,969
Trade creditors	832,255	420,149	826,449	418,623
Taxation and social security	83,962	86,693	67,868	59,496
Intercompany creditors	-	-	-	-
Other creditors	187,517	155,293	181,638	145,129
Deferred capital grants (note 20)	524,576	541,874	524,576	541,874
Total	2,884,371	2,469,785	2,837,597	2,413,534

18. Creditors: Amounts falling due after more than one year

Loans are secured by specific charges on the Association properties and are repayable at fixed and varying rates of interest.

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Housing Loans				
Fixed rate	20,000,000	20,000,000	20,000,000	20,000,000
Callable swap	5,000,000	5,000,000	5,000,000	5,000,000
RPI swap	5,000,000	5,000,000	5,000,000	5,000,000
Callable swap	5,000,000	5,000,000	5,000,000	5,000,000
Variable facility B	4,777,388	4,777,388	4,777,388	4,777,388
Fair Value Adjustment for swaps	19,808,127	19,518,615	19,808,127	19,518,615
Deferred capital grant (note 20)	23,315,126	23,722,100	23,315,126	23,722,100
Total	82,900,641	83,018,103	82,900,641	83,018,103

Notes to the Financial Statements

19. Analysis of duration of loans

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Due within one year	-	-	-	-
Due within one and two years	-	-	-	-
Due within two and five years	-	-	-	-
Due after five years	39,777,388	39,777,388	39,777,388	39,777,388
Total	39,777,388	39,777,388	39,777,388	39,777,388

20. Deferred capital grant

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
As at 1 April	24,263,974	24,513,894	24,263,974	24,513,894
Grant received in the year	173,444	271,367	173,444	271,367
Capital grant written off on disposal	(73,140)	-	(73,140)	-
Capital grant released in the year	(524,576)	(521,287)	(524,576)	(521,287)
At 31 March	23,839,702	24,263,974	23,839,702	24,263,974
Amounts to be released within one year	524,576	541,874	524,576	541,874
Amounts to be released in more than one year	23,315,126	23,722,100	23,315,126	23,722,100
Total	23,839,702	24,263,974	23,839,702	24,263,974

21. Provisions - Group

	Deferred Tax	Holiday Pay	Total
	£	£	£
As at 1 April 2016	50,603	53,628	104,231
Utilised in the year	-	-	-
Additional provision in the year	15,927	14,110	30,037
Transferred to creditors in the year	-	(67,738)	(67,738)
As at 31 March 2017	66,530	-	66,530

Notes to the Financial Statements

Provisions - Association

	Holiday Pay	Total
	£	£
As at 1 April 2016	53,628	53,628
Additional provision in the year	14,110	14,110
Transferred to Creditors in the year	(67,738)	(67,738)
As at 31 March 2017	-	-

Holiday Pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision was measured as the statutory cost payable for the period of absence and is now re-categorised as an accrual.

22. Called up share capital - Group and Association

	2017	2016
	£	£
Allotted, issued and fully paid at 1 April 2016	101	94
Issued in period	3	10
Redeemed in period	(15)	(3)
At 31 March 2017	89	101

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding-up. When a shareholder ceases to be a member the £1 paid becomes the property of the Association.

Members are eligible to stand for election to the Board of Management and can vote for candidates at the Annual General Meeting.

Notes to the Financial Statements

23. Capital Commitments - Group and Association

At 31 March 2017 commitments outstanding were as follows:

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Authorised and contracted for				
Planned maintenance	215,042	80,390	215,042	80,390
Developments	2,414,046	-	2,414,046	-
Total authorised and contracted for	2,269,088	80,390	2,629,088	80,390

The Association has sufficient finance available to fund the development and planned maintenance contracted for.

24. Lease obligations - Group and Association

The total commitment under non-cancellable operating leases is as follows:

	2017		2016	
	Land and buildings	Other operating leases	Land and buildings	Other operating leases
	£	£	£	£
Lease obligations:				
Within one year	130,683	149,748	132,383	116,515
Between one and five years	366,731	7,634	469,533	5,343
After five years	46,244	-	47,695	-
Total lease obligations	543,658	157,382	649,611	121,858

25. Pensions - Group and Association

The Association is an admitted body to the Fife Council Superannuation Fund which is a defined benefit pension scheme providing benefits based on final pensionable salary. Contributions to the fund are determined by the scheme's actuary based on the last formal valuation at 31 March 2014 and are charged to the Income and Expenditure Account as they are incurred as required under FRS102, section 28. The pension costs for the period were £432,180 (2016 - £507,542).

The fund is actuarially valued on a triennial basis with the most recent being at 31 March 2014. Fife Council Superannuation Fund benefits are linked to price inflation and salary inflation and the real discount rate applied to changes in assumptions on liabilities.

There has been a worsening in the balance sheet position this year. The change in market conditions has led to a lower discount rate. The real discount rate in 2017 was 2.6% compared to

Notes to the Financial Statements

3.5% as at 31 March 2016. A lower real discount rate leads to a higher value being placed on the liabilities however asset returns have been greater than expected which has offset some of the increase in liabilities.

The actuary-recommended employer's contribution rates remain at 23.3% of employees' pensionable payments for the year to 31 March 2017.

Assumptions

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31 March 2017 for FRS102, section 28 purposes were:

25. Pensions - Group and Association (continued...)

Valuations

	2017	2016	2015	2014	2013	2012	2011
	%	%	%	%	%	%	%
Main assumptions							
Discount rate	2.6	3.5	3.2	4.3	4.5	4.8	5.5
Consumer Price / Retail Price Inflation	1.0	2.2	2.4	2.8	2.8	2.5	2.8
Rate of increase - pensions in payment	2.4	2.2	2.4	2.8	2.8	2.5	2.8
Salary increases*	2.82	3.3	3.3	5.1	5.1	4.8	5.1

* Salary increases are assumed to be 1% until 31 March 2018 and reverting to the long-term assumption thereafter.

The expected rate of return and the assets in the scheme at 31 March 2017 were:

	2017		2016	
	Long term rate of return	% split of assets	Long term rate of return	% split of assets
Equities	3.5	72%	3.5	68%
Bonds	3.5	15%	3.5	16%
Property	3.5	8%	3.5	10%
Cash	3.5	5%	3.5	6%

The above asset values at 31 March 2017 are at bid value as required under FRS102, section 28.

Notes to the Financial Statements

Mortality

The actuary has assumed that life expectancy will continue to increase in future years which has an adverse effect on the funding position of the pension scheme. The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.0 years	23.7 years
Future pensioners	24.1 years	26.4 years

25. Pensions - Group and Association (continued...)

Statement of Financial Position

	31 March 2017	31 March 2016
	£'000	£'000
Fair Value of Employer Assets	13,308	10,711
Present Value of Funded Liabilities	(16,951)	(13,294)
Net liability	(3,643)	(2,583)

Analysis of the amount charged to operating surplus

	2017	2016
	£'000	£'000
Current service cost	464	574
Past service cost	12	43
Total operating charge	476	617

Analysis of the amount debited to other finance costs

	2017	2016
	£'000	£'000
Expected return on pension scheme assets	(379)	(337)
Interest on pension scheme liabilities	470	449
Net return	91	112

Notes to the Financial Statements

25. Pensions - Group and Association (continued...)

Reconciliation of defined benefit obligation

	31 March 2017	31 March 2016
	£'000	£'000
Opening defined benefit obligation	13,294	13,815
Current service cost	464	574
Interest cost	470	449
Contributions by members	117	127
Actuarial gains / (losses)	2,881	(1,413)
Past service costs	12	43
Impact of settlements and curtailments	-	-
Estimated benefits paid	(287)	(301)
Closing defined benefit obligation	16,951	13,294

Reconciliation of fair value of employer assets

	31 March 2017	31 March 2016
	£'000	£'000
Opening fair value of employer assets	10,711	10,371
Expected return on assets	379	337
Contributions by members	117	127
Contributions by employer	432	507
Actuarial gains / (losses)	1,956	(330)
Benefits paid	(287)	(301)
Closing fair value of employer assets	13,308	10,711

Amount recognised in Statement of Comprehensive Income

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	1,956	(330)	442	128	509
Change in assumptions underlying the present value of scheme liabilities	2,881	1,413	(481)	(646)	(1,171)
Actuarial (losses)	(925)	1,083	(39)	(518)	(662)
Increase/decrease in irrecoverable surplus from membership fall and other factors	-	-	-	-	-
Actuarial (losses)/gains recognised in OCI	(925)	1,083	(39)	(518)	(662)
Cumulative actuarial (losses)	(3,280)	(2,355)	(3,438)	(3,399)	(2,881)

Notes to the Financial Statements

25. Pensions - Group and Association (continued...)

History of gains and losses

	2017	2016	2015	2014	2013
	£	£	£	£	£
Fair value of employer assets	13,308	10,711	10,371	9,085	8,180
Present value of defined benefit obligations	(16,951)	(13,294)	(13,815)	(12,412)	(10,831)
Deficit	(3,643)	(2,583)	(3,444)	(3,327)	(2,651)
Experience gains/(losses) on assets	1,956	(330)	442	128	509
Experience losses/(gains) on liabilities	0	132	(253)	3	10

26. Related parties - Group and Association

The tenants who sit on the Board of Management have entered into a tenancy on the Association's normal terms and conditions and they gain no advantage from their involvement on the Board. Transactions with the Association are undertaken on standard terms applicable to all tenants. No member of the Board can influence the decision-making process to their own advantage.

The tenant Board of Management members' rent account was in credit of £613 at the year end 31 March 2017.

PACT Enterprises Limited is a wholly owned and controlled subsidiary of Fife Housing Association. The following member of the Board of Management of Fife Housing Association is also a Director of PACT Enterprises: Katherine Dewar.

Fife Housing Association has agreed to make available to PACT Enterprises Limited a loan facility of £3,900,000 and to date the Subsidiary has drawn down £3,900,000. Interest is charged at LIBOR plus 2.5% margin.

A Service Level Agreement exists between Fife HA and PACT Enterprises Limited dated May 2017.

Fife Housing Association has levied fees for the following amounts to PACT Enterprises during the period 1 April 2016 to 31 March 2017:

	2017	2016
	£	£
Colleague and overhead costs for services provided to PACT Enterprises Limited	19,880	17,405
Repairs carried out by Fife HA on behalf of PACT Enterprises Limited	28,086	67,174
Interest receivable on intercompany loan	118,898	118,958

The balance outstanding from PACT Enterprises at 31 March 2017 was £6,345 (2016 - £412,584). A payment of £278,096 (2016 - £184,521) towards the balance outstanding at 31 March 2016 was made during the year.

