

**FORTH HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Registered Housing Association Number: HAL. 110

Charity Registration Number: SCO03550

FCA Reference Number: 2268 RS

FORTH HOUSING ASSOCIATION LIMITED

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**FORTH HOUSING ASSOCIATION LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

MEMBERS OF THE MANAGEMENT COMMITTEE

Gordon Mason	Chairperson
Patrick Heneghan	Vice Chairperson
Colleen Sharp	Secretary
Robert Buchanan	Treasurer
Linda Mason	
John Fyfe	
John Paterson	
Cllr J Thomson	Stirling Council Observer
Ann Dickson	Joined September 2019
Priscilla Maramba	Joined September 2019
James Bryce	Joined September 2019
Lynore MacLeod	Co-opted November 2019
Gillies Thomson	Resigned September 2019
Margaret Turner	Resigned May 2019
Neil Macleod	Resigned April 2019

EXECUTIVE OFFICERS

Grahame Cairns	Director
Nicola Stobie	Tenant Services Manager
Anne Matthew	Development Coordinator - Retired December 2019
Niall Patterson	Development Coordinator – Started 10 December 2019

REGISTERED OFFICE

Kildean Business & Enterprise Hub
146 Drip Road
Stirling
FK8 1RW

AUDITOR

French Duncan LLP
Chartered Accountants
133 Finnieston Street
Glasgow
G3 8HB

INTERNAL AUDITOR

Quinn Internal Audit
55 Lady Place
Livingston
EH54 6TB

BANKERS

Clydesdale Bank PLC
Clydesdale Bank Head Office
1st Floor 30 Vincent Place
Glasgow
G1 2HL

DATA PROTECTION OFFICER

Information Law Solutions Limited
272 Bath Street
Glasgow
G2 4JR

SOLICITORS

TC Young LLP
7 West George Street
Glasgow
G2 1BA

FINANCE AGENT

FMD Financial Services Limited
KCEDG Commercial Centre
Unit 29, Ladyloan Place
Glasgow
G15 8LB

**FORTH HOUSING ASSOCIATION LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2268 RS. The Association is governed under its Rule Book. The Association is a Registered Scottish Charity with the charity number SC003550.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Governance

The Association's Management Committee, which meets monthly, is elected by the membership at the AGM, held in September each year, and can consist of up to 15 individuals. Following each AGM, the Committee review their membership and can elect, if appropriate, to co-opt additional individuals to provide additional experience and/or skills. At the AGM 10 members were elected and this represented a wide range of skills and experience. One co-option was agreed in November, increasing the Committee to 11. The 2019/20 Committee involves members with a range of professional backgrounds and also includes 5 Association tenants, who can provide first hand customer insight.

In order to ensure that Committee members maintain appropriate levels of knowledge and skills a training and development strategy is in place, which requires each member to attend a minimum of two training/development courses each year. Attendance at training features as part of the annual appraisal and review carried out with each Committee member. All new Committee members are involved in an induction programme to ensure that they are fully aware of the governance and business arrangements of the Association. An informal mentoring programme also ensures that new Committee members receive support and guidance from their more experienced colleagues.

Aims and Objectives

An updated Business Plan was adopted with effect from 1 April 2017 and reviewed in March 2020. This summarised the Association's aims and objectives as follows:

Aims:

Forth aims to develop and maintain quality affordable homes and services.

Objectives:

- Developing and maintaining quality homes within the eastern Stirling area.
- Allocating homes to meet a range of housing needs.
- Encouraging tenants to meet their responsibilities.
- Providing income maximisation and associated assistance.
- Ensuring robust governance and value for money.
- Delivering excellent customer services.
- Engaging with our communities and encouraging tenant involvement.

**FORTH HOUSING ASSOCIATION LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

Values:

We will undertake all of the above in a responsive, fair and transparent manner in accordance with our policies and legal obligations.

Business Priorities:

The above translate into the following priorities:

- 🏠 Focusing our activity within the eastern part of the Stirling Council area.
- 🏠 Developing homes which meet or surpass current standards regarding quality, accessibility and sustainability.
- 🏠 Allocating our homes so that we meet a range of housing needs in a manner which keeps void rent loss to a minimum.
- 🏠 Enforcing tenancy conditions in a firm but fair manner, to deliver tenants' rights and encourage tenants to meet their responsibilities.
- 🏠 Maintaining and investing in our homes to ensure that they meet or surpass current standards wherever possible.
- 🏠 Providing income maximisation and associated assistance, to help people improve their wellbeing and future prospects.
- 🏠 Delivering customer services which meet expectations in a prompt and efficient manner.
- 🏠 Engaging with our communities and encouraging participation in decision making at a variety of levels, from information sharing, to Committee involvement.
- 🏠 Developing services which bring added value to our tenants and communities, including through joint working with other agencies.
- 🏠 Providing value for money across our full range of activities.
- 🏠 Ensuring transparent governance, which adheres to legislation and regulatory requirements.
- 🏠 Sharing information in an open and appropriate manner.

These aims and objectives outline the strategic and operational ambitions of the Association and translate into a series of SMART objectives and targets which formed the basis for monitoring and reporting during the period.

Risk Assessment and Strategy

The Business Plan also summarised the Risk Assessment and Risk Strategy, which again influenced the work objectives for the year. This Risk Assessment and Risk Strategy was the subject of quarterly review by the Association's Management Team and Management Committee.

The Association maintain a detailed and up-to-date register of all risks (including strategic, operational, reputational, financial, etc) where we set out their cause and potential impact, assign a named person to be responsible for their management, the controls we have in place together with a scoring system to help us to understand their seriousness. We use this proactively to identify, assess, control, monitor and review the risks to our organisation.

The Association's financial performance remains subject to close scrutiny by the Management Committee on a quarterly basis and before any major capital expenditure, through new housing development, is undertaken.

Covid-19

Like many other businesses the Covid-19 pandemic has interrupted our service delivery to our tenants and so far we have managed to attend to emergency and urgent call outs whilst adhering to Scottish Government guidance on social distancing. The emergency and urgent appointments have been by pre-arrangement where no risk is identified to tenants or staff.

Major disruption will be in the completion of our current developments as follows:

- 6 units at St Ninians were not completed when the contractor went into administration. Efforts to have a new contractor in place have been delayed due to Covid-19 reasons.
- 53 units at two development sites in Raploch area may be delayed by more than three months.
- 24 units at Johnston Avenue in Cornton – start date will be delayed to 2022/23.

Whilst the impact of the virus on our business is expected to affect the level of arrears, the time taken to allocate empty properties and the provision for bad debts, we have established measures to monitor this impact by a number of reporting methods. Updates are being provided to our Management Committee and monthly reports to the Scottish Housing Regulator. We are confident that we are taking the correct action to minimise the impact.

We have also carried out sensitivity analysis to test negative impact on our 30 year cashflow projections due to increase in voids, bad debts and arrears which has little impact on the cashflow or key performance indicators.

The Management committee are satisfied that the above disruptions do not pose any threat to the going concern of the Association.

Review of business

An updated Business Plan was adopted with effect from 1 April 2017 and reviewed in March 2020. This plan outlines the strategic and operational ambitions of the Association and outlined SMART objectives and targets. These formed the basis for monitoring and reporting during the period.

Strategic co-operation with Stirling Council remains a priority for the Association. Forth completed 29 new homes in St. Ninians, with 6 remaining to be completed. In addition, we began construction of a further 53 new homes in Raploch with grant assistance. Plans were also progressed to ensure that further new homes will be delivered over the coming 6 year period.

In the year ended March 2020, the Association had a low level of engagement with the Scottish Housing Regulator, which reflects the good performance against Key Performance Indicators (KPI's). Low engagement means the Regulator will receive the standard returns including the RSLs audited accounts, Annual Return on the Charter (ARC) and five year financial projections.

The Regulatory Framework which came into effect on 1 April 2019, required all Registered Social Landlords (RSLs) to submit an Annual Assurance Statement (AAS) to the Scottish Housing Regulator. The purpose was to confirm compliance or otherwise with regulatory requirements and be completed and agreed by the governing body. This was submitted in October 2019.

Collaboration with Rural Stirling and Ochil View Housing Associations continues via the StrathFor Housing Alliance. This is a non-constituted collaboration through which the three organisations are sharing information, benchmarking performance and collaborating on a variety of matters ranging from joint procurement to shared training.

**FORTH HOUSING ASSOCIATION LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

External consultants continue to be utilised as required, providing specialist advice and assistance to the Management Committee and in preparation for the introduction of Freedom of Information Scotland, Information Law Solutions our Data Protection Officer for Forth will cover any works associated.

Future Developments

The Association's Management Committee are committed to ongoing developments of new homes provided that grant funding remains available at an appropriate level. The development programme over the next 6 years which, if delivered, would generate a further 263 units for the Association.

Long term financial projections indicate that the proposed development programme outlined above can be built utilising the undrawn £4million facility which was put in place with the Bank of Scotland. The Association is also progressing to put in place a further £5million facility with Nationwide Building Society also to be used towards the proposed development. In addition, projections indicate that the Association should be able to restrict future rent increases broadly in line with inflation.

Whilst the primary focus of the Association remains the provision of new build housing and quality services for our tenants, the Association will continue to seek opportunities to develop additional services which will benefit our existing and future tenants. It is envisaged that this activity will involve the further development of partnership approaches and / or the securing of additional grant funding.

**FORTH HOUSING ASSOCIATION LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee 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 that year. In preparing those Financial Statements, the Management Committee is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- Prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's Auditor in connection with preparing their report) of which the Association's Auditor is unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's Auditor is aware of that information.

Statement on Internal Financial Control

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

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

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

- Formal policies and procedures are in place, including the 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 Association's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- The Management Committee receive reports from management and from the external and internal auditor 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 or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**FORTH HOUSING ASSOCIATION LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

Auditor

A resolution to re-appoint the auditor, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting

By order of Management Committee.

Signature

A black rectangular box redacting the signature of the Secretary.

Colleen Sharp, Secretary
31 August 2020

FORTH HOUSING ASSOCIATION LIMITED
REPORT BY THE AUDITOR ON CORPORATE GOVERNANCE MATTERS TO THE MANAGEMENT COMMITTEE OF FORTH
HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020

In addition to our audit of the Financial Statements, we have reviewed your statement on page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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.

Through enquiry of certain members of The Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that The Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.


French Duncan LLP
Chartered Accountants
Statutory Auditor

GLASGOW

Date: 02/09/2020

FORTH HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF FORTH HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

OPINION

We have audited the financial statements of Forth Housing Association Limited for the year ended 31 March 2020 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland – United Kingdom Generally Accepted Accounting Practice.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly 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 2019.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The other information comprises the information contained in the committee members report, other than the financial statements and our auditor's report thereon. The committee members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

FORTH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF FORTH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- 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 of the Association; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF COMMITTEE MEMBERS

As explained more fully in the management committee's responsibilities statement set out on page 6, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are responsible for assessing the housing association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee members either intend to liquidate the housing association or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

FORTH HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF FORTH HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the housing association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.
- Conclude on the appropriateness of the committee members use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the housing association to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

USE OF OUR REPORT

This report is made solely to the Association's members, as a body, in accordance with Section 87 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.


French Duncan LLP
Chartered Accountants and Statutory Auditor
133 Finnieston Street
GLASGOW
G3 8HB

Date: 02/09/2020

FORTH HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
REVENUE	2	3,761,398	3,553,524
Operating costs	2	<u>(2,382,993)</u>	<u>(2,413,558)</u>
OPERATING SURPLUS	2	1,378,405	1,139,966
Loss on disposal of property		(10,777)	(32,188)
Interest receivable and other similar income		6,089	5,629
Interest payable and other similar charges	7	(237,577)	(224,055)
Other Finance Charges	9	<u>(12,000)</u>	<u>(12,000)</u>
		<u>(254,265)</u>	<u>(262,614)</u>
SURPLUS FOR THE YEAR		1,124,140	877,352
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit scheme	23	-	(140,000)
Actuarial gain in respect of pension scheme	23	437,000	(173,000)
TOTAL COMPREHENSIVE INCOME		<u>1,561,140</u>	<u>564,352</u>

The results for the year relate wholly to continuing activities.

The notes on page 17 to 39 form part of these financial statements.

FORTH HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	10(a)	41,005,095	38,066,459
Other tangible fixed assets	10(b)	<u>370,194</u>	<u>370,819</u>
		41,375,289	38,437,278
CURRENT ASSETS			
Receivables	12	227,512	220,682
Cash at bank and in hand		<u>2,134,641</u>	<u>1,482,700</u>
		2,362,153	1,703,382
CREDITORS: amounts falling due within one year	13	<u>(1,706,507)</u>	<u>(1,575,795)</u>
NET CURRENT ASSETS		<u>655,646</u>	<u>127,587</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		42,030,934	38,564,865
CREDITORS: amounts falling due after more than one year			
housing property loans	14	(14,011,504)	(13,453,828)
PROVISION FOR LIABILITIES			
Pension - defined benefit liability	23	(74,000)	(590,000)
DEFERRED INCOME			
Social Housing Grants	17	<u>(13,244,812)</u>	<u>(11,381,562)</u>
		<u>14,700,619</u>	<u>13,139,475</u>
EQUITY			
Share capital	18	67	63
Revenue reserve	18	<u>14,700,552</u>	<u>13,139,412</u>
		<u>14,700,619</u>	<u>13,139,475</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 31 August 2020.

Chairperson
G Mason

Treasurer
R Buchanan

Secretary
C Sharp

The notes on page 17 to 39 form part of these financial statements.

FORTH HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 March 2020

	Notes	2020 £	2019 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	1,884,346	1,772,043
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	(3,719,170)	(4,322,312)	
Purchase of other fixed assets	(15,436)	(4,903)	
Social Housing Grant received	<u>1,951,717</u>	<u>2,812,060</u>	
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(1,782,889)	(1,515,155)
NET CASH INFLOW BEFORE FINANCING		<u>101,457</u>	<u>256,888</u>
FINANCING ACTIVITIES			
Issue of ordinary share capital	4	-	
Interest received	6,089	5,629	
Interest paid	(237,577)	(224,055)	
Loan Drawdown	1,454,437	500,000	
Loan principal repayments	<u>(672,469)</u>	<u>(663,683)</u>	
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		<u>550,484</u>	<u>(382,109)</u>
INCREASE/(DECREASE) IN CASH		651,941	(125,221)
OPENING CASH AND CASH EQUIVALENTS		1,482,700	1,607,921
CLOSING CASH AND CASH EQUIVALENTS		<u><u>2,134,641</u></u>	<u><u>1,482,700</u></u>

FORTH HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2019	63	13,139,412	13,139,475
Issue of shares	4	-	4
Surplus for Year	-	1,124,140	1,124,140
Other comprehensive income	-	437,000	437,000
Balance as at 31 March 2020	<u>67</u>	<u>14,700,552</u>	<u>14,700,619</u>

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2018	65	12,575,060	12,575,125
Cancelled shares	(2)	-	(2)
Surplus for Year	-	877,352	877,352
Other comprehensive income	-	(313,000)	(313,000)
Balance as at 31 March 2019	<u>63</u>	<u>13,139,412</u>	<u>13,139,475</u>

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

The Association is incorporated under the Co-operative and Community Benefits Societies Act 2014 and is registered by the Financial Conduct Authority. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Basis of Accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2018 and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

Going Concern

The Association has considerable financial resources together with long term arrangements with its tenants who are protected by the Scottish Secure Tenancy agreement. As a consequence, the Management Committee believe that the Association is well placed to manage its business risks successfully.

The Management Committee monitor the operations and performance of the Association through reports provided at their monthly meetings and they have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association has taken into account the Covid-19 pandemic in its consideration and is satisfied that the Association has adequate resources to manage the impact of the pandemic on an ongoing basis. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised as expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts for the pension scheme on a defined benefit basis based on its share of scheme assets and liabilities as determined by the actuary. Defined benefit costs are recognised in the Statement of Comprehensive Income within operating costs. Actuarial gains and losses are recognised in Other Comprehensive Income. Further details of the scheme and its assumptions are included at note 23.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight-line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 10. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Kitchens	17-20 years
Bathrooms	30 years
Boilers	12-15 years
Radiators	30 years
Windows	30 years
External doors	30 years
Rewiring	30 years
Structure	83-100 years
Shared ownership	50 years

Depreciation and Impairment of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates: -

Computer Equipment	25%	Straight Line
Furniture and Equipment	15%	Straight Line
Office Premises	2%	Straight Line

The carrying value of non-current assets is reviewed for impairment at the end of each reporting year.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the statement of comprehensive income in the same year as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to revenue on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposal and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Useful Lives of Other Fixed Assets

The useful lives of other fixed Assets are based on the knowledge of senior management at the Association with reference to expected asset life cycles.

Pension Liabilities

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid-19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However, stock market performance has improved which would help to offset any increase in liabilities.

Costs of Shared Ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Association considers its cash-generating units to be schemes in which it manages its housing property for asset management purposes.

c) Pension Liability

The Association's pension provider has been able to calculate the Association's individual liability for the past pension deficit. Under accounting standard FRS102 where a pension provider is able to give an individual valuation the standard requires that these figures be accepted and shown in the Association's annual accounts.

As at 31 March 2020 the deficit for Forth Housing Association was estimated at £74,000. This has required an entry under the Other Comprehensive Income on page 13. The entry of £437,000 reflects the actuarial gain estimated on the scheme in the current year. This will vary year by year depending upon a range of factors including, but not exclusively, investment returns and actuarial assumptions.

d) Financial Instruments – Basic

The Association only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like rents, accounts receivable and payable, loans from banks and related parties.

These are recognised in accordance with Section 11 of Financial Reporting Standard 102.

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

FORTH HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

		2020		2019			
	Note	Revenue £	Operating costs £	Operating surplus / (deficit) £	Revenue £	Operating costs £	Operating surplus/ (deficit) £
Affordable letting activities	3	3,729,970	(2,318,920)	1,411,050	3,525,630	(2,351,512)	1,174,118
Other activities	4	31,428	(64,073)	(32,645)	27,894	(62,046)	(34,152)
Total		<u>3,761,398</u>	<u>(2,382,993)</u>	<u>1,378,405</u>	<u>3,553,524</u>	<u>(2,413,558)</u>	<u>1,139,966</u>

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership Housing £	2020 Total £	2019 Total £
Revenue from lettings				
Rent receivable	3,558,128	22,800	3,580,928	3,386,134
Gross rents receivable	<u>3,558,128</u>	<u>22,800</u>	<u>3,580,928</u>	<u>3,386,134</u>
Less rent losses from voids	(2,492)	-	(2,492)	(2,324)
Net rents receivable	<u>3,555,636</u>	<u>22,800</u>	<u>3,578,436</u>	<u>3,383,810</u>
Amortisation of Social Housing & Other Grants	151,534	-	151,534	141,820
Total income from social letting	<u><u>3,707,170</u></u>	<u><u>22,800</u></u>	<u><u>3,729,970</u></u>	<u><u>3,525,630</u></u>
Expenditure on social letting activities				
Management and maintenance administration costs	862,909	5,654	868,563	972,078
Service costs	100,631	-	100,631	93,610
Planned and cyclical maintenance, including major repairs	217,207	-	217,207	184,910
Reactive maintenance	347,856	-	347,856	313,926
Bad debts - rents and service charges	14,906	-	14,906	23,524
Depreciation of social housing	765,412	4,345	769,757	763,464
Operating costs of social letting	<u><u>2,308,921</u></u>	<u><u>9,999</u></u>	<u><u>2,318,920</u></u>	<u><u>2,351,512</u></u>
Operating surplus on social letting activities	<u><u>1,398,249</u></u>	<u><u>12,801</u></u>	<u><u>1,411,050</u></u>	<u><u>1,174,118</u></u>
2019	<u><u>1,161,111</u></u>	<u><u>13,007</u></u>	<u><u>1,174,118</u></u>	

FORTH HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £	Other income £	Total Revenue £	Operating Costs Bad Debts £	Operating costs Other £	Operating surplus or (deficit) £	2019 £
Wider Role Activities	-	-	-	-	(42,952)	(42,952)	(42,201)
Factoring	-	3,276	3,276	-	(2,256)	1,020	3,046
Office premises rental income	-	20,688	20,688	-	(18,865)	1,823	(3,235)
Other income/(expenditure)	-	7,464	7,464	-	-	7,464	8,238
TOTAL FROM OTHER ACTIVITIES	-	<u>31,428</u>	<u>31,428</u>	<u>-</u>	<u>(64,073)</u>	<u>(32,645)</u>	<u>(34,152)</u>
TOTAL FROM OTHER ACTIVITIES FOR 2019	-	<u>27,894</u>	<u>27,894</u>	<u>-</u>	<u>(62,046)</u>	<u>(34,152)</u>	

FORTH HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

The Officers are defined as the members of the Management Committee, the executive officers and employees of the Association reporting directly to the Chief Executive or the Management Committee.

	2020	2019
	£	£
No emoluments have been paid to any member of the management committee.		
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	61,005	Nil
Emoluments payable to the director (excluding pension contributions)	61,005	64,809
Pension contributions paid on behalf of the director	4,635	4,928
	<u>179,412</u>	<u>177,633</u>
Total Emoluments paid to key management personnel	<u>179,412</u>	<u>177,633</u>
	<u>Number</u>	<u>Number</u>
Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:		
£60,001 - £70,000	<u>1</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2020	2019
	<u>Number</u>	<u>Number</u>
The average number of full time equivalent persons employed during the year was	<u>14</u>	<u>14</u>
	£	£
Staff costs during the year:		
Wages and salaries	522,440	511,229
Social security costs	51,603	51,360
Other pension costs	39,995	47,798
	<u>614,038</u>	<u>610,387</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
Bank loans and overdrafts	<u>237,577</u>	<u>224,055</u>

8. OPERATING SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus is stated after charging:		
Depreciation of tangible owned fixed assets	785,818	777,860
Auditor's remuneration - audit services	9,000	8,800
Operating lease rentals - other	552	641
Amortisation of capital grants	<u>(151,534)</u>	<u>(141,820)</u>

9. OTHER FINANCE INCOME/CHARGES

	2020	2019
	£	£
Net interest costs	<u>12,000</u>	<u>12,000</u>

10. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting	Housing Properties in the Course of Construction	Completed Shared Ownership Properties	Total
	£	£	£	£
COST				
At start of year	37,945,192	3,092,689	217,245	41,255,126
Additions	302,057	3,417,113	-	3,719,170
Disposals	(28,875)	-	-	(28,875)
At end of year	<u>38,218,374</u>	<u>6,509,802</u>	<u>217,245</u>	<u>44,945,421</u>
DEPRECIATION				
At start of year	3,167,029	-	21,638	3,188,667
Charged during year	765,412	-	4,345	769,757
Eliminated on disposal	(18,098)	-	-	(18,098)
At end of year	<u>3,914,343</u>	<u>-</u>	<u>25,983</u>	<u>3,940,326</u>
NET BOOK VALUE				
At end of year	<u>34,304,031</u>	<u>6,509,802</u>	<u>191,262</u>	<u>41,005,095</u>
At start of year	<u>34,778,163</u>	<u>3,092,689</u>	<u>195,607</u>	<u>38,066,459</u>

- 1 There were no impairment charges in the year.
- 2 There were no capitalised development administration charges in the year.
- 3 New components capitalised during the year amounted to £302,057 (2019 - £595,281).
- 4 The Association's lenders have standard securities over housing property with a carrying value of £25,057,959 (2019 - £25,542,095)
- 5 Included in housing properties in the course of construction is a partially completed project at Culterhove, St Ninians. This will be transferred to housing properties held for letting upon practical completion of the project in line with the Association's accounting policies.

FORTH HOUSING ASSOCIATION LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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b) Other Tangible Assets	Office Premises £	Computer Equipment £	Furniture & Equipment £	Total £
COST				
At start of year	365,137	46,912	31,680	443,729
Additions	-	15,436	-	15,436
Disposals	-	-	-	-
At end of year	<u>365,137</u>	<u>62,348</u>	<u>31,680</u>	<u>459,165</u>
DEPRECIATION				
At start of year	6,603	36,973	29,334	72,910
Charged during year	6,603	8,914	544	16,061
Disposals	-	-	-	-
At end of year	<u>13,206</u>	<u>45,887</u>	<u>29,878</u>	<u>88,971</u>
NET BOOK VALUE				
At end of year	<u>351,931</u>	<u>16,461</u>	<u>1,802</u>	<u>370,194</u>
At start of year	<u>358,534</u>	<u>9,939</u>	<u>2,346</u>	<u>370,819</u>

11. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows: -		
Not later than one year	552	552
Later than one year and not later than five years	1,932	2,208
Later than five years	-	276
	<u>2,484</u>	<u>3,036</u>

FORTH HOUSING ASSOCIATION LIMITED
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12. ACCOUNTS RECEIVABLE

	2020	2019
	£	£
Arrears of Rent	110,445	93,398
Less: Provision for Doubtful Debts	<u>(31,693)</u>	<u>(28,191)</u>
	78,752	65,207
Other receivables	148,760	155,475
	<u>227,512</u>	<u>220,682</u>

13. ACCOUNTS PAYABLE: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing Loans	860,664	636,372
Trade Payables	517,074	563,496
Rent in Advance	186,128	159,586
Other Taxation and Social Security	28,534	25,849
Other Payables	3,100	14,851
Accruals and Deferred Income	111,007	175,642
	<u>1,706,507</u>	<u>1,575,795</u>

14. ACCOUNTS PAYABLE: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£	£
Housing loans	<u>14,011,504</u>	<u>13,453,828</u>
The Bank loans are repayable as follows:	2020	2019
	£	£
Between one and two years	1,029,756	616,768
Between two and five years	2,837,912	2,231,501
In five years or more	10,143,835	10,605,559
	<u>14,011,504</u>	<u>13,453,828</u>

14. ACCOUNTS PAYABLE: AMOUNTS FALLING DUE AFTER ONE YEAR (continued)

The Association has several long-term housing loans, the terms and conditions of which are as follows:

All the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

Loans are secured by specific charges on the Association's properties. The Association has one fixed loan at 3.21% with all other loans operating on a variable rate of interest. The variable interest loans are linked to either Base Rate or 3-month LIBOR and the margins range between 0.26% and 1.85%.

15. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2020	2020 £	2019 £
Operating Surplus	1,378,405	1,139,966
Depreciation	785,818	777,860
Change in Provisions for liabilities and charges	(94,000)	(89,279)
Amortisation of Capital Grants	(151,534)	(141,820)
Change in debtors	(6,830)	(68,353)
Change in creditors	(30,513)	150,392
Pension scheme service costs	3,000	3,279
Cancelled Shares	-	(2)
Balance as at 31 March	<u>1,884,346</u>	<u>1,772,043</u>

16. ANALYSIS OF CHANGES IN NET DEBT

	As at April 2019 £	Cash-flows £	Other non- cash changes £	As at March 2020 £
Cash	1,482,700	651,941	-	2,134,641
Loans falling due within one year	(636,372)	672,469	(896,761)	(860,664)
Loans falling due after more than one year	(13,453,828)	(1,454,437)	896,761	(14,011,504)
TOTAL	<u>(12,607,500)</u>	<u>(130,027)</u>	<u>-</u>	<u>(12,737,527)</u>

FORTH HOUSING ASSOCIATION LIMITED
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17. DEFERRED INCOME

	Housing Properties Held For Letting £	Housing Properties In Course of Construction £	Total £
Social Housing Grants			
Balance as at 1 April 2019	8,682,540	3,084,356	11,766,896
Additions in year	25,881	1,925,836	1,951,717
Recycled grant	63,067	-	63,067
Transferred	52,000	(52,000)	-
Balance as at 31 March 2020	8,823,488	4,958,192	13,781,680
Amortised Grants			
Balance as at 1 April 2019	385,334	-	385,334
Additions in year	151,534	-	151,534
Balance as at 31 March 2020	536,868	-	536,868
Net book value			
As at 31 March 2020	8,286,620	4,958,192	13,244,812
As at 31 March 2019	8,297,206	3,084,356	11,381,562

This is expected to be released to the Statement of Comprehensive Income as follows:

	2020 £	2019 £
Amounts released within one year	151,534	141,820
Amounts released in one year or more	13,093,278	11,239,742
	13,244,812	11,381,562

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18. SHARE CAPITAL AND RESERVES

Share Capital	2020	2019
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2019	63	65
Issued in year	4	-
Cancelled in year	-	(2)
At 31 March 2020	<u>67</u>	<u>63</u>

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

Reserves	2020	2019
	£	£
At 1 April 2019	13,139,412	12,575,060
Surplus for year	1,124,140	877,352
Other comprehensive income	437,000	(313,000)
At 31 March 2020	<u>14,700,552</u>	<u>13,139,412</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year-end was: -	2020	2019
	No.	No.
General Needs - Built by Association	865	835
General Needs – Purchased by Association	-	1
Shared Ownership	12	12
	<u>877</u>	<u>848</u>

J B Bennett (Contracts) Limited, the contractor for the house building contract at St Ninians, Stirling went into administration and ceased trading on 25 February 2020. The contract was for the construction of 35 units, 29 of which were completed. The appointment of a new contractor to complete the remaining six units has been delayed due to the Covid-19 pandemic.

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102. The related party relationships of the members of the Management Committee are summarised as:

- 4 Members are tenants of the Association
- No Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee – £13,537.
- Factoring income received from Owner Occupiers in the Committee - NIL.
- At the year-end total rent arrears owed by the tenant members of the Committee were – NIL
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were – NIL.

21. DETAILS OF ASSOCIATION

The Association is a Registered Society registered within the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business:

- Kildean Business and Enterprise Hub, 146 Drip Road, Stirling, FK8 1RW.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in Stirlingshire.

22. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £976 in the year by way of reimbursement of expenses (2019 - £1,106). No remuneration is paid to Management Committee members in respect of their duties in the Association.

23. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Pension deficit liability movement	2020	2019
	£	£
Opening value of the deficit liability	590,000	351,000
De-recognition of deficit funding liability	-	(351,000)
Recognition of defined benefit obligation	-	491,000
Amounts paid by the Association	(94,000)	(89,279)
Net interest cost	12,000	12,000
Staff costs	3,000	3,279
Impact on change in assumptions	(437,000)	173,000
Closing value of deficit liability	<u>74,000</u>	<u>590,000</u>

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23. RETIREMENT BENEFIT OBLIGATIONS (Continued.....)

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION,

FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Fair value of plan assets	3,197	2,987
Present value of defined benefit obligation	3,271	3,577
Surplus (deficit) in plan	(74)	(590)
Defined benefit asset (liability) to be recognised	(74)	(590)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020	Period ended 31 March 2019
	(£000s)	(£000s)
Defined benefit obligation at start of period	3,577	3,325
Expenses	3	3
Interest expense	82	85
Actuarial losses (gains) due to scheme experience	62	12
Actuarial losses (gains) due to changes in demographic assumptions	(20)	9
Actuarial losses (gains) due to changes in financial assumptions	(394)	236
Benefits paid and expenses	(39)	(93)
Defined benefit obligation at end of period	3,271	3,577

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2020	Period ended 31 March 2019
	(£000s)	(£000s)
Fair value of plan assets at start of period	2,987	2,834
Interest income	70	73
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	85	84
Contributions by the employer	94	89
Benefits paid and expenses	(39)	(93)
Fair value of plan assets at end of period	3,197	2,987

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £155,000.

23. RETIREMENT BENEFIT OBLIGATIONS (Continued.....)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2019 to 31 March 2019 (£000s)
Expenses		
Net interest expense	3	3
Defined benefit costs recognised in statement of comprehensive income (SOCI)	12	12
	15	15

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	85	84
Experience gains and losses arising on the plan liabilities - gain (loss)	(62)	(12)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	20	(9)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	394	(236)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	437	(173)
Total amount recognised in other comprehensive income - gain (loss)	437	(173)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued.....)

ASSETS

	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	440	481
Absolute Return	196	253
Distressed Opportunities	58	51
Credit Relative Value	77	52
Alternative Risk Premia	256	167
Fund of Hedge Funds	-	8
Emerging Markets Debt	114	96
Risk Sharing	101	87
Insurance-Linked Securities	86	77
Property	60	59
Infrastructure	188	125
Private Debt	63	39
Opportunistic Illiquid Credit	78	-
Corporate Bond Fund	234	209
Liquid Credit	84	-
Long Lease Property	78	36
Secured Income	177	104
Over 15 Year Gilts	41	77
Liability Driven Investment	842	1,063
Net Current Assets	24	3
Total assets	3,197	2,987

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

KEY ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.38	2.31
Inflation (RPI)	2.62	3.29
Inflation (CPI)	1.62	2.29
Salary Growth	2.62	3.29
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

23. RETIREMENT BENEFIT OBLIGATIONS (Continued.....)

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid-19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However, stock market performance has improved which would help to offset any increase in liabilities.

THE GROWTH PLAN

SCHEME: TPT Retirement Solutions

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

23. RETIREMENT BENEFIT OBLIGATIONS (Continued.....)

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2020 (£s)	31 March 2019 (£s)	31 March 2018 (£s)
Present value of provision	5,253	6,372	6,761

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2020 (£s)	Period Ending 31 March 2019 (£s)
Provision at start of period	6,372	6,761
Unwinding of the discount factor (interest expense)	80	108
Deficit contribution paid	(1,057)	(871)
Remeasurements - impact of any change in assumptions	(142)	58
Remeasurements - amendments to the contribution schedule	-	316
Provision at end of period	5,253	6,372

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2020 (£s)	Period Ending 31 March 2019 (£s)
Interest expense	80	108
Remeasurements – impact of any change in assumptions	(142)	58
Remeasurements – amendments to the contribution schedule	-	316

23. RETIREMENT BENEFIT OBLIGATIONS (Continued.....)

ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum	31 March 2018 % per annum
Rate of discount	2.53	1.39	1.71

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

ADDITIONAL INFORMATION

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2020 (£s)	31 March 2020 (£s)	31 March 2020 (£s)
Year 1	1,089	1,057	871
Year 2	1,122	1,089	897
Year 3	1,156	1,122	924
Year 4	1,190	1,156	952
Year 5	1,022	1,190	981
Year 6	-	1,022	1,010
Year 7	-	-	1,040
Year 8	-	-	536

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Pension Scheme Growth Plan Note

In the opinion of the trustees the growth plan deficit of £5,253 is based on estimated calculations and is not material in relation to the accounts. Accordingly, this provision is not reflected in the annual financial statements.

24. CAPITAL COMMITMENTS

	2020 £	2019 £
Expenditure contracted but not provided for in accounts	<u>5,621,692</u>	<u>1,748,547</u>