

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2015

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Report and Financial Statements

For the year ended 31 March 2015

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Registration Information

Financial Conduct Authority

Co-operative and Community Benefit Societies
Act 2014
Registered number 1941 R (S)

The Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered number HAL202

Office of the Scottish Charity Regulator

Scottish Charity number SC042523

Members, Executive and Advisers

Management Committee

Fiona Tonner – Chair
Charles Millar – Vice Chair
Catriona Blyth – Secretary
John Glenny – Treasurer
William Jeffrey
Gordon Heng
Shirley Killeen
John McNally
Jessie Mitchell
Mary Tougher

Executive Officers

James Stevenson – Chief Executive
Teresa Ward – Housing Services Director
Simon McManus – Corporate Services Director
Gavin Young – Technical Services Manager
Tracey Winters – Development Manager
Alice McLean – Maintenance Manager
Anne Marie Collins – Business Manager
Irene Savage – Housing Manager

Registered Office

191 Brandon Street
Motherwell
ML1 1RS

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Bank of Scotland
Bellshill Branch
207 Main Street
Bellshill
Lanarkshire
ML4 1AL

Solicitors

TC Young
7 West George Street
Glasgow
G2 1BA

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

Brodies
28 Blythswood Square
Glasgow
G2 4AD

Marshall Ross & Munro
106 Hamilton Road
Motherwell
ML1 3DG

**Report of the Management Committee
For the year ended 31 March 2015**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2015.

Principal Activity

The principal activity of the Association is the provision of social rented accommodation.

Review of Operations and Future Developments**Looking Ahead – The Next Five Years (2016-2021)**

We are at the beginning of a consultation exercise about our vision for the next five years (2016-2021). Everything we do will be founded upon a set of core values that reflect our desire to improve the quality of life for people in the communities we serve. At the heart of these values is our willingness to ACCEPT fundamental principles of Accountability, Customer Satisfaction, Care for the Environment, Ethical Practice, Public Service and Teamwork.

Our intention is to develop Strategic Plans in draft form which will be available for consultation with our tenants and other stakeholders before adopting agreed plans by September 2015.

Some of the biggest challenges we will face relate to funding new affordable housing, dealing with the roll-out of imminent welfare reforms and ensuring all our houses continue to surpass the Scottish Housing Quality Standard (SHQS) and meet the Energy Efficiency Standard for Social Housing (ESSH) by the 2020 deadline.

For the next five years our main goal will be to help our tenants and other residents cope with these challenging times. We can arrange appropriate advice for people on the impact of welfare reforms, offer them help through other supportive agencies and continue to provide valued services to the most vulnerable in our communities. We are also looking forward to delivering a more responsive repairs service.

Although we are a registered charity we still have to ensure we remain a viable business. We can only deliver our aims and objectives by having a strong financial position and improving the way we manage our business, so we know there is more to do in terms of reducing overheads, increasing our operating surplus and maintaining our housing assets in the long term. We will also look for opportunities to work with partners to deliver greater social benefits to local neighbourhoods.

We know government funding is severely constrained and many of our tenants will be affected by the changes in welfare benefits. We know that demand outweighs supply for good quality, affordable housing in Lanarkshire and we know that some of our tenants will not be able to find suitable jobs. In recent years we have been working hard to get our business in better shape to face up to these challenges and we are beginning to see results.

Our business is built on serving local communities through the voluntary commitment of local people. Through this founding principle we aim to provide excellent homes and services, improve the environment and help local people to lead better lives. This will continue to be our main focus and we will work together with tenants, other residents, partners, staff and committee members to help realise our vision.

Progress Reports 2014-2015**Housing Management**

A number of standards have been introduced by the Scottish Social Housing Charter in terms of the housing services we provide. They include:

- The customer/landlord relationship;
- Neighbourhood and community;
- Access to housing and support; and
- Getting good value from rents and service charges.

**Report of the Management Committee
For the year ended 31 March 2015**

Housing Management (cont'd)

In order to assess how we are performing against these standards, we are required to complete an Annual Return on the Charter (ARC). The ARC is a performance reporting tool that the Scottish Housing Regulator requires all social landlords to complete on an annual basis which details how they have performed and met tenants expectations.

2014-2015 Performance Report

The results of our ARC submission confirmed very high levels of tenant satisfaction in areas of our service provision, giving tenants the opportunity to participate in our decision making process and also keeping tenants informed about our services and outcomes. In all three of these survey areas, the Association performed well above the reported Scottish average.

Annual Return on the Charter (ARC) Performance Indicator	2015	2014 RSL Average	Performance Outcome
Overall service provision	94.1%	87.9%	☑
Keeping tenants informed	95.8%	88.9%	☑
Opportunities to participate	91.8%	78.4%	☑

Whilst these results are welcome we are fully committed to delivering housing services that meet the demands of our customers and giving them a real voice in the decision making process of the Association. The issues of tenant communication and participation will be at the heart of our forthcoming strategic review of services and plans for improving both communication and participation which will be produced within 2015/16.

A number of performance indicators are generated for service delivery and a selection of these indicators are shown in the following table. A separate report on all the ARC performance indicators will be made available to all stakeholders later in the year.

Annual Return on the Charter (ARC) Performance Indicators	2014	2015	2014 RSL Average	Performance Outcome
Percentage of Tenancy Offers Refused in the Year	37.8%	48.9%	42.2%	☒
Average Time to Relet Properties in the Last Year	16.6 days	24.4 days	35.7 days	☑
Rent Collected as a Percentage of Total Rent Due	98.5%	98.3%	99.0%	=
Gross Rent Arrears as a Percentage of Total Rent Due	3.50%	3.10%	5.10%	☑
Percentage of Rent Loss Through Properties Being Empty	0.40%	0.50%	1.20%	☑
Average Weekly Rent Rise	2.60%	2.00%	3.60%	☑

Most areas of performance comfortably exceed the national average results, although there are a couple of areas which will require further attention. Relet times whilst below the national average were considerably higher than the previous year, and this is one area which is already receiving increased management scrutiny.

Welfare Reform

The Government's Welfare Reform agenda has seen various changes affecting tenants and benefits since April 2013 and the Association has continued to encourage positive communication and engagement with tenants whilst reviewing the impact on our future financial operation.

The Association has worked to assist tenants in mitigating the effects of the under-occupancy charge deducted from housing benefit entitlement and the local authorities have provided financial assistance through discretionary housing payments.

**Report of the Management Committee
For the year ended 31 March 2015**

Housing Management (cont'd)

Welfare Reform (continued)

Universal Credit is the next Welfare Reform that tenants need to prepare for; this benefit was rolled out for certain new claims on 9 March 2014 in North Lanarkshire and there will be a migration process for other claimants over the next two years. The Association is working with a number of other agencies to ensure that tenants are aware of these impending changes and that they are well prepared for these changes.

This has been one of the most practical ways for the Association to demonstrate it is working on strengthening the customer/landlord relationship by liaising with agencies to minimise any disruption caused by reform impacting our customers.

Advice for Tenants and Residents (AFTAR) Project

The AFTAR Project continues to run successfully and provides invaluable assistance on a range of issues such as benefit/debt advice and fuel poverty.

Funded by a consortium of local housing associations working in partnership with the Citizens Advice Bureau, the Project was expanded during 2014 following additional funding from The Big Lottery Fund and now employs a digital inclusion coach and an energy advisor. These two roles were introduced to assist in the changing Welfare Reform agenda as it is anticipated that tenants will require at least basic IT knowledge to use the online benefits claim system and there are increasing numbers of tenants reporting issues with fuel poverty. The full AFTAR service is available two days every week and appointments are made by contacting a member of the housing team at the Association's office.

Rent Review

The Scottish Housing Charter requires landlords to ask their tenants if they think the rent of their property represents good value for money and we gather this information both in our three yearly tenant satisfaction survey and in the annual rent review consultation process.

The rent review consultation was issued to 908 households with a response rate of 6.0%. Of the responses received 74% of responders confirmed that they considered the proposed rent to be either very good or fairly good. This meant that 26% of responders felt the rent level to be neither good nor poor, fairly poor or very poor and our governing body considered these responses from the tenant feedback.

Following this response, the governing body conducted a review of the funding requirements to meet our costs and commitments with a programme of measures, efficiencies and improvements adopted to allow savings to be achieved, at no detriment to the services provided to tenants. As a result, savings could be passed onto tenants through a reduction in the proposed rent increase from 3.0% to 2.6%.

Registered Property Factors

As registered 'Property Factors' we comply with the Property Factors (Scotland) Act 2011, with an Information Guide and Written Statement of Service issued to all owners.

We continue to inform owners about any change in services and ensure information provided to Scottish Government complies with all registration requirements.

Maintenance and Repairs

The requirement of the Scottish Social Housing Charter is that tenant's homes are well maintained with repairs and improvements carried out when required and tenants are given reasonable choices about when work is done.

**Report of the Management Committee
For the year ended 31 March 2015**

Maintenance and Repairs (cont'd)

We aim to achieve this through an integrated approach between the Association and its contractors providing a service which is cost effective whilst meeting the needs and expectations of our tenants in an acceptable time frame. The key tasks in this approach are:

- Pre and post inspections of repairs;
- Monitoring of contractors' repair response times;
- Carrying out site visits to all common areas within our estates ;
- Estate Caretaker service (weekly patrols of all estates which includes litter picking and identifying any areas of concern within our estates), and
- Encouraging tenant feedback on all aspects of our contractors' performance.

Performance Report

For 2014/15 we produced the following performance indicators as required by the ARC. These figures were based on a total of 2,545 response repairs a total of 2.8 repairs per property.

Annual Return on the Charter (ARC) Performance Indicators	2014	2015	2014 RSL Average	Performance Outcome
Average Response Time for				
Emergency Repair	1.3 hours	1.3 hours	6.9 hours	
Non Emergency Repair	2.7 days	3.5 days	8.2 days	
Percentage of Repairs Completed Right First Time	97.6%	92.2%	87.2%	
Percentage of Repairs Appointments Kept	96.3%	99.0%	92.9%	

As can be seen from the table, performance across all areas is considerably better than the average for the registered social housing sector. We are committed to providing an accessible and responsive repairs service and it is especially pleasing to report high achievement in the demanding areas of emergency repair response times and also that 99% of repairs appointments are being kept.

We also set a number of other performance targets in relation to the service we provide over and above those required by the ARC. The table below details our achievement against these targets for the past 2 years. Whilst response times are generally good, it is worth noting that Routine Repairs response times have declined and action will be taken in 2015/16 to ensure greater compliance with our challenging targets.

LHA Performance Measures	2014	2015	Benchmark	Performance Outcome *
Reactive Maintenance Response Times for:				
Emergency Repairs (2 hours)	98.3%	99.4%	100.0%	
Urgent Repairs (5 working days)	97.4%	97.8%	100.0%	
Routine Repairs (8 working days)	95.2%	92.9%	100.0%	

*Key

	More than satisfactory
	Satisfactory
	Less than Satisfactory

Our reactive repairs satisfaction feedback survey which is carried out throughout the year resulted in 97% of tenants being either very satisfied or fairly satisfied with the service.

Annual Gas Safety Checks

To make sure that our properties are safe and comply with legislation, a 10 monthly cycle of Gas Safety servicing was undertaken to 741 properties. The programme was completed over an 11 week period during June 2014 to August 2014, with 100% of properties completed within the timescale set.

**Report of the Management Committee
For the year ended 31 March 2015**

Maintenance and Repairs (cont'd)

Planned Maintenance and Improvements

100% of our properties now meet the Scottish Housing Quality Standard (SHQS).

During 2014-15 we made a substantial investment of £334,640 (of which £306,998 was capitalised) to our housing stock as part of our planned maintenance and improvement programme, which included:

- Heating renewals to John Bowman Gardens, Bellshill;
- Carbon Monoxide Detector renewals to John Bowman Gardens, Bellshill; and
- Heat and Smoke Detector renewals to John Bowman Gardens, Bellshill.

We advanced our cyclical maintenance programme to maintain the fabric of our properties and maintain our communal areas.

During the year, cyclic maintenance was undertaken as follows:

- Ground Maintenance;
- Gas Servicing; and
- Periodic electrical safety inspections.

Energy Efficiency Standards

Energy Efficiency Surveys were completed to a number of properties, with 46 Energy Performance Certificates issued during the year by our in-house assessors.

The Energy Efficiency Standard for Social Housing (EESH) was launched by the Scottish Government in March 2014 and from 2015-2016 we will submit data on the type of properties and fuel types on an annual basis to the Scottish Housing Regulator (SHR) to ensure compliance with the ratings set out within the EESH.

Disabled Adaptations

We completed 20 adaptations for some of our tenants with particular needs, who were referred to us by occupational therapists for alterations to their properties. We received £47,914 funding from Scottish Government, which allowed us to install facilities such as wet floor areas, walk in and over bath showers, in addition to ramp access and handrails, so that tenants could continue to live in their homes as their needs changed.

Capital Investment

Following successful completion of all work required to achieve the *Scottish Housing Quality Standard*, the Scottish Government's main measure of housing quality, a small programme of capital investment was undertaken during the year, involving replacement of heating systems at John Bowman Gardens, Bellshill. This project achieved an exceptionally high level of customer satisfaction, after tenant liaison procedures were reviewed to focus particularly on providing quality information to individuals affected by the work. Preparations started on the more significant planned maintenance programme anticipated for the next 2 years; likely to involve more than 200 flats and houses in both Motherwell and Bellshill.

The long awaited *Energy Efficiency Standard for Social Housing*, which aims to reduce energy consumption, fuel poverty and the emission of greenhouse gases in Scotland, was published last year. Since then it has been possible to start assessing the work that will be required to meet it by the 2020 target date. While much detail has still to be obtained about the performance of individual buildings in relation to the new standard, it appears likely that there will be a mismatch between areas needing the most investment in improvements and those eligible for external subsidy. This issue will therefore be a priority into the medium term.

**Report of the Management Committee
For the year ended 31 March 2015****Capital Investment (cont'd)**

Also relating to energy efficiency, the *Heat Network (Metering and Billing) Regulations 2014* were introduced, requiring an assessment of the existing combined heat and power installation at Main Street, Mossend. This work was commissioned and completed in good time to ensure compliance with the legislation, which implements European Commission requirements for efficiency in the supply of, as well as the use of energy.

With respect to the development programme, once again this remained on hold following continuing concerns over sustained cuts to public funding. The social housing subsidy benchmark saw no annual increase applied and remained at £58k per unit, some £9k below the average pre-cuts level in 2011. In addition to this reduced funding, Associations also require to assume the risk of financing the first £20k of any unavoidable and unforeseen development cost overruns. It should be noted, however, that although the Association refrained from progressing a development programme in 2014/2015 the situation will be reviewed each year, in the light of prevailing resources, with a view to us assisting in the provision of affordable housing, when circumstances allow.

Corporate Review

The past year has seen the Association make progress in several distinct areas. The policy and planning framework were subject to a thorough review, with the key planning document, the Internal Management Plan, being redrafted and updated. Several key corporate policies were also redrafted to ensure that the Association conforms to the highest possible standards in corporate governance.

The business planning and risk management policy and practices remain strong and we are pleased to report that we remain at low engagement with the Scottish Housing Regulator (SHR). This demonstrates a high degree of confidence in the internal control and governance framework that is being operated within the Association.

Complaints monitoring is now an integral part of performance management, with our Complaints Policy conforming to the model published by the SPSO. Reporting on complaints is undertaken quarterly, and this report is made publicly available. In the past year we have experienced a reduced level of complaints with only 5 complaints been received. Of these 5 complaints they were all either partially upheld or upheld in full.

Financial Performance

At the outset of 2014/15, the Management Committee identified the business priorities for the year ahead and they set out a detailed budget and funding strategy on how these objectives could be achieved. The key highlights of this financial plan are detailed below:

- An investment of £730,000 in maintenance and planned improvements in the housing stock was approved. The principal area of this improvement package was targeted at the housing developments at New Stevenston and John Bowman Gardens where central heating systems were upgraded and kitchens replaced at a total cost of £233,000.
- Further growth in the housing stock was approved, with the continued participation in the Scottish Government's Mortgage to Rent Scheme resulting in the purchase of 4 additional units during the year. The Association also bought back shares in 3 shared ownership properties, returning them to the full control of the Association, and bringing the total growth in rental stock for 2014/15 to 7 units. This growth was offset by the loss of 1 unit through the Right to Buy and 5 shared ownership properties were sold outright.

**Report of the Management Committee
For the year ended 31 March 2015**

Financial Performance (cont'd)

The financial results for 2014/15 have been in line broadly with the financial plan that was approved for the year. Rental income collected is close to £3.6m whilst rental arrears were reduced at the same time, allowing us to report an excellent income collection rate. Turnover was also boosted by the sale of 6 properties during the year, providing an £65,402 surplus on disposal of these assets.

The cost base of the business however continues to have inflationary pressures applied to it. The commitment to maintenance and planned improvements in the housing stock will require the business to provide the resources to fund such a programme and therefore the remaining overheads need to be as efficient as possible. With interest rates remaining at historically low levels, debt servicing costs were again reduced in 2014/15, and bank debts will be paid off early when and where possible. The on-going litigation regarding the Watling Street, Motherwell development has resulted in considerable legal and professional fees being incurred once again. With little prospect of an early resolution to this case, these costs will continue to accrue into the current financial year.

Changes in Fixed Assets

Details of fixed assets are set out in Note 12.

The Management Committee and Executive Officers

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

Each member of the Management Committee holds one fully paid share of £1 in the Association. 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 Committee.

Internal Financial Controls

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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 mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Any significant variance from budget is investigated as appropriate;
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;

**Report of the Management Committee
For the year ended 31 March 2015****Internal Financial Controls (cont'd)**

- (e) The Association has appointed a firm of accountants, on a consultancy basis, as its internal auditor with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Corporate Governance and Finance Sub-Committee;
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their personal advantage.

Related party transactions with Lanarkshire Initiatives Limited, the Association's fully owned subsidiary, can be found at note 31.

Auditor

A resolution to re-appoint Scott-Moncrieff as auditor will be put to the members at the annual general meeting.

Disclosure of Information to the Auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself / herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

Statement of the Management Committee's Responsibilities

Housing Association legislation requires the 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 income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Committee are required to:-

- * Select suitable accounting policies and then 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.

**Report of the Management Committee
For the year ended 31 March 2015**

Statement of the Management Committee's Responsibilities (cont'd)

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. 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.

By order of the Committee

A handwritten signature in black ink that reads "Catriona Blyth." The signature is written in a cursive style.

Catriona Blyth
Secretary

Dated: 23 June 2015

Report of the Auditor to the Members of Lanarkshire Housing Association Limited

We have audited the financial statements of Lanarkshire Housing Association Limited for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Management Committee and Auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on pages 9 and 10, the Management Committee is responsible for the preparation of the 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 (APB's) Ethical Standards for Auditors.

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 www.frc.org.uk/apb/scope/private.cfm.

Group Accounts: Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969

We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2015, because of the immaterial nature of the subsidiary's transactions in the year.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been prepared in accordance with the requirements of the Co-operative and Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

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



Scott-Moncrieff, Statutory Auditor

Chartered Accountants

Eligible to act as a statutory auditor in terms of Section 1212 of the Companies Act 2006

25 Bothwell Street

Glasgow

G2 6NL

Date: 23 June 2015

Report of the Auditor to the Management Committee of Lanarkshire Housing Association Limited on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statements on pages 8-9 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 which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 8-9 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our 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 contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as a statutory auditor in terms of Section 1212 of the Companies Act 2006
25 Bothwell Street
Glasgow
G2 6NL

Dated: 23 June 2015

**Income and Expenditure Account
For the year ended 31 March 2015**

	Note	2015 £	2014 £
Turnover	2	3,701,526	3,554,649
Less: Operating costs	2	(2,993,806)	(3,142,831)
Operating surplus	2	707,720	411,818
Surplus on sale of properties		65,402	44,074
Interest receivable	9	10,931	12,991
Interest payable and similar charges	10	(399,414)	(454,280)
Surplus on ordinary activities before taxation		384,639	14,603
Taxation on profit on ordinary activities	11	-	-
Surplus on ordinary activities after taxation		384,639	14,603

The results for the year relate wholly to continuing activities.

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2015**

	2015 £	2014 £
Retained surplus for the year	384,639	14,603
Actuarial loss recognised in the retirement benefit scheme (Note 19)	<u>(834,000)</u>	<u>(202,000)</u>
Total recognised gains and losses relating to the year	<u><u>(449,361)</u></u>	<u><u>(187,397)</u></u>

Balance Sheet
As at 31 March 2015

	Note	2015 £	2014 £
Tangible fixed assets			
Housing properties – gross cost	12	66,858,576	66,435,902
Less: HAG, other grants and depreciation	12	(51,653,285)	(50,876,966)
		<u>15,205,291</u>	<u>15,558,936</u>
Other fixed assets	12	877,015	893,795
		<u>16,082,306</u>	<u>16,452,731</u>
Investments	13	2	2
		<u>16,082,308</u>	<u>16,452,733</u>
Current assets			
Stocks		5,768	5,110
Debtors	14	115,786	161,040
Cash at bank and in hand		2,547,914	2,304,095
		<u>2,669,468</u>	<u>2,470,245</u>
Creditors: amounts falling due within one year	15	(1,566,679)	(1,582,275)
Net current assets		<u>1,102,789</u>	<u>887,970</u>
Total assets less current liabilities		<u>17,185,097</u>	<u>17,340,703</u>
Creditors: amounts falling due after more than one year			
Retirement benefit scheme deficit	16	(11,468,999)	(12,070,235)
	19	(2,375,000)	(1,480,000)
		<u>3,341,098</u>	<u>3,790,468</u>
Net assets		<u>3,341,098</u>	<u>3,790,468</u>
Capital and reserves			
Share capital	17	107	116
Designated reserves	18	1,715,918	1,715,918
Revenue reserve	18	4,000,073	3,554,434
Pension reserve	18	(2,375,000)	(1,480,000)
		<u>3,341,098</u>	<u>3,790,468</u>

The financial statements were authorised for issue by the Management Committee on 23 June 2015 and signed on its behalf by:

Fiona Tonner

Chair



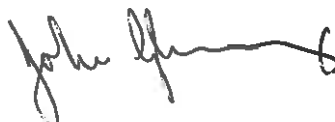
Catriona Blyth

Secretary



John Glenny

Treasurer



The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	23	<u>1,682,481</u>	<u>1,432,067</u>
Returns on investments and servicing of finance			
Interest received		10,931	12,991
Interest paid		(406,414)	(425,280)
		<u>(395,483)</u>	<u>(412,289)</u>
Taxation			
Corporation tax paid		-	-
Capital expenditure			
Expenditure on housing properties		(661,828)	(707,986)
Purchase of other fixed assets		(9,090)	(7,381)
Receipts from sale of housing properties		280,700	114,991
Receipts from sale of other fixed assets		120	-
Housing Association Grant repaid		(164,460)	(73,376)
Housing Association Grant received		133,530	147,331
Other grants received		-	20,841
		<u>(421,028)</u>	<u>(505,580)</u>
Cash inflow before financing		<u>865,970</u>	<u>514,198</u>
Financing			
Issue of share capital		1	2
New loans drawn down		-	-
Loans drawn repaid		(622,152)	(639,956)
		<u>(622,151)</u>	<u>(639,954)</u>
Increase in cash		<u><u>243,819</u></u>	<u><u>(125,756)</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2015**

1. Accounting Policies

(a) Introduction and Accounting Basis

The principal accounting policies of the Association are set out in paragraphs (b) to (l) below.

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Co-operative and Communities Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by registered social housing providers, 2010.

(b) Going Concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2016 and the year to 31 March 2017. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

(d) Loans

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

(e) Social Housing Grant (SHG)

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to the net proceeds of sale.

SHG received as a contribution towards the capital cost of a housing development is deducted from the cost of the development. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the Financial Statements
For the year ended 31 March 2015**

1. Accounting Policies (continued)

(f) Fixed Assets - Housing Properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

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

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

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

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

(g) Depreciation

Housing Properties

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

Land - not depreciated
 Structure – over 60 years
 Roof – over 60 years
 Windows – over 20 years
 Kitchen – over 20 years
 Central Heating – over 20 years
 Bathroom – over 20 years

As the structure and roof are both depreciated over a period in excess of 50 years, potential impairment is considered by the Management Committee each year. An impairment review was performed at the year end and no impairment was identified.

Other Fixed Assets

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

The following rates have been used:-

Computer Equipment	- 20% on cost
Office Equipment	- 20% on cost
Furniture and Fittings	- 10% on cost
Office Premises	- 2% on cost
Motor Vehicles	- 25% on cost

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

Commercial properties are accounted for as investment properties and thus are not depreciated.

**Notes to the Financial Statements
For the year ended 31 March 2015**

1. Accounting Policies (continued)

(h) Designated Reserves (Note 18)

(i) Cyclical Maintenance

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

(ii) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to the revenue reserve as appropriate.

(i) Apportionment of Management Expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure Account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(j) Pensions (Note 19)

The Association operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure Account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the Total Statement of Recognised Gains and Losses.

(k) Financial Commitments

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the Income and Expenditure Account over the period of their useful lives.

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

(l) Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes to the Financial Statements
For the year ended 31 March 2015

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2015		2014	
	Turnover £	Operating Costs £	Operating Costs £	Operating Surplus £
Income and Expenditure From lettings				
Social Lettings (Note 3)	3,649,690	(2,980,804)	(3,137,560)	368,095
Other activities (Note 4)	51,836	(13,002)	(5,271)	43,723
	<u>3,701,526</u>	<u>(2,993,806)</u>	<u>(3,142,831)</u>	<u>411,818</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2015**

3. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2015 Total £	2014 Total £
Income from rent and service charges					
Rent receivable net of service charges	3,073,320	419,089	104,996	3,597,405	3,456,520
Service charges	60,336	9,015	-	69,351	62,416
Gross income from rents and service charges	<u>3,133,656</u>	<u>428,104</u>	<u>104,996</u>	<u>3,666,756</u>	<u>3,518,936</u>
Less voids	(17,066)	-	-	(17,066)	(13,281)
Net income from rents and service charges	<u>3,116,590</u>	<u>428,104</u>	<u>104,996</u>	<u>3,649,690</u>	<u>3,505,655</u>
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	<u>3,116,590</u>	<u>428,104</u>	<u>104,996</u>	<u>3,649,690</u>	<u>3,505,655</u>
Expenditure					
Management and maintenance administration costs	(1,149,720)	(168,626)	(214,615)	(1,532,961)	(1,469,283)
Service charges	(80,663)	(11,831)	(15,057)	(107,551)	(95,211)
Planned cyclical maintenance including major repairs	(51,105)	(7,636)	-	(58,741)	(108,077)
Reactive maintenance costs	(227,951)	(34,062)	-	(262,013)	(295,862)
Bad debts – rents and service charges	(21,109)	-	-	(21,109)	(37,106)
Depreciation of social housing	(733,545)	(81,504)	(16,056)	(831,105)	(1,018,169)
Impairment of social housing	-	-	-	-	-
Exceptional costs* - legal fees	(167,324)	-	-	(167,324)	(113,852)
Operating costs for social letting activities	<u>(2,431,417)</u>	<u>(303,659)</u>	<u>(245,728)</u>	<u>(2,980,804)</u>	<u>(3,137,560)</u>
Operating Surplus on letting activities, 2015	<u>685,173</u>	<u>124,445</u>	<u>(140,732)</u>	<u>668,886</u>	
Operating Surplus on letting activities, 2014	<u>437,128</u>	<u>63,607</u>	<u>(132,640)</u>		<u>368,095</u>

* These exceptional costs are legal fees incurred in regard to the ongoing legal case in respect of Watling Street – please see note 32.

Notes to the Financial Statements for the year ended 31 March 2015

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Turnover		Operating costs - bad debts	Other operating costs	Operating surplus	
					2015	2014			2015	2014
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	5,927	5,927	5,938	-	4,612	1,315	2,420
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	1,414	1,414	4,096	-	500	914	3,613
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	44,495	44,495	38,960	-	7,890	36,605	37,690
Total from other activities, 2015	-	-	-	51,836	51,836	38,960	-	13,002	38,834	43,723
Total from other activities, 2014	-	-	-	48,994	48,994	48,994	-	5,271	36,605	43,723

Undertaken to support the community, other than the provision, construction, improvement and management of housing

**Notes to the Financial Statements
For the year ended 31 March 2015**

5. Capitalised development costs	2015	2014
	£	£
Development administration and other indirect costs capitalised	<u> </u>	<u> </u>

6. Employees	2015	2014
Staff costs (including Directors' Emoluments) consist of:	£	£
Wages and salaries	811,643	781,472
Social security costs	69,096	67,953
Pension costs	146,886	142,391
FRS17 adjustment (Note 19)	68,000	44,000
	<u>1,095,625</u>	<u>1,035,816</u>

	2015	2014
	Number	Number
The number of full time equivalents employed by the Association during the year was:	<u>20</u>	<u>20</u>

7. Directors' emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year.

	2015	2014
	£	£
Emoluments (excluding pension contributions) of Chief Executive	<u>84,572</u>	<u>83,003</u>

The Association's contribution for the Chief Executive in the year amounted to £15,245 (2014: £14,813).

Numbers of Directors whose emoluments (excluding pension contributions) exceed £60,000 during the year were as follows:-	2015	2014
	Number	Number
£80,000 - £84,999	1	1
£75,000 - £79,999	-	-
£65,000 - £69,999	1	1
£60,000 - £64,999	1	1
	<u>3</u>	<u>3</u>

Total pension contributions to directors whose emoluments exceeded £60,000 were £38,335 (2014: £37,332). No enhanced or special terms apply to membership and the directors have no other pension arrangements to which the Association contributes.

Total Expenses reimbursed in so far as not chargeable to U.K. Income Tax

<u> </u>	<u> </u>
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**Notes to the Financial Statements
For the year ended 31 March 2015**

8. Auditor's remuneration	2015 £	2014 £
The remuneration of the auditor for the year (including expenses, but excluding VAT), in respect of audit services	10,000	10,000
Amounts paid to the auditor by the Association in respect of non-audit services (excluding VAT)	-	-
	<u>10,000</u>	<u>10,000</u>
9. Interest receivable	2015 £	2014 £
Bank interest	10,931	12,991
	<u>10,931</u>	<u>12,991</u>
10. Interest payable and similar charges	2015 £	2014 £
Bank loans	406,414	425,280
FRS 17 adjustment (Note 19)	(7,000)	29,000
	<u>399,414</u>	<u>454,280</u>
11. Taxation	2015 £	2014 £
Provision has been made for corporation tax at 20% (2014: 20%) as follows:		
UK corporation tax	-	-
Adjustment in respect of prior year	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

The Association is a registered charity and as a result no corporation tax is due on any surplus generated from charitable activities.

Notes to the Financial Statements
For the year ended 31 March 2015

12. Tangible fixed assets

	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed shared ownership housing properties £	Office premises £	Motor vehicles £	Computer equipment, office equipment & furniture and fittings £	Investment properties - Commercial properties £	Total £
Cost (net of grants) or valuation								
At 1 April 2014	18,969,515	-	940,136	607,534	14,136	60,629	450,000	21,041,950
Additions – housing units	221,300	-	-	-	-	9,090	-	230,390
Additions – components	306,998	-	-	-	-	-	-	306,998
Disposals – housing units	(16,367)	-	(58,327)	-	-	(2,405)	-	(77,099)
Disposals – components	(262,235)	-	-	-	-	-	-	(262,235)
At 31 March 2015	19,219,211	-	881,809	607,534	14,136	67,314	450,000	21,240,004
Depreciation								
At 1 April 2014	4,133,118	-	217,597	190,704	11,636	36,164	-	4,589,219
Provided for year	660,485	-	16,056	11,390	1,000	13,360	-	702,291
Disposals – housing units	(4,135)	-	(19,721)	-	-	(2,285)	-	(26,141)
Disposals – components	(107,671)	-	-	-	-	-	-	(107,671)
At 31 March 2015	4,681,797	-	213,932	202,094	12,636	47,239	-	5,157,698
Net Book Value								
At 31 March 2015	14,537,414	-	667,877	405,440	1,500	20,075	450,000	16,082,306
At 31 March 2014	14,836,397	-	722,539	416,830	2,500	24,465	450,000	16,452,731
Cost or valuation at 31 March 2015 is represented by:								
Gross cost or valuation	64,448,855	-	2,147,486	619,094	14,136	67,314	450,000	67,746,885
Less: HAG	(41,962,927)	-	(1,249,350)	(11,560)	-	-	-	(43,212,277)
Other grants	(3,266,717)	-	(16,327)	-	-	-	-	(3,294,604)
	19,219,211	-	881,809	607,534	14,136	67,314	450,000	21,240,004

The depreciation charge for housing stock in the year was £676,541 (2014: £708,255). The net book value of disposed components was £154,564 (2014: £309,914) and has been included in depreciation of social Housing in note 3 in accordance with the SORP giving a total depreciation of social housing of £831,105 (2014:£1,018,169).

**Notes to the Financial Statements
For the year ended 31 March 2015**

13. Investments	2015	2014
	£	£
Investment in subsidiary undertaking	<u>2</u>	<u>2</u>

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited, a company registered in Scotland, whose principal activity is that of general construction of buildings and civil engineering works.

For the year ended 31 March 2015, Lanarkshire Initiatives Limited made a loss after taxation of £764 (2014: loss of £830). At 31 March 2015, Lanarkshire Initiatives Limited had net assets of £6,936 (2014: £7,700).

14. Debtors	2015	2014
	£	£
Gross Rent and service charges	91,789	103,624
Less: Bad debt provision	(55,600)	(55,600)
	<u>36,189</u>	<u>48,024</u>
Other debtors	35,909	66,023
Prepayments and accrued income	43,688	46,993
	<u>115,786</u>	<u>161,040</u>

All amounts shown under debtors fall due for payment within one year.

15. Creditors: amounts falling due within one year	2015	2014
	£	£
Bank loans	619,040	639,956
Trade creditors	89,749	110,756
Rental advances	88,541	76,180
Other taxes and social security	22,975	21,676
Contract retentions	12,909	9,076
Accruals and deferred income	67,604	83,200
Other creditors	93,918	90,240
Amounts due to subsidiary	7,403	8,170
Amounts due to Scottish Government	564,540	543,021
	<u>1,566,679</u>	<u>1,582,275</u>

The bank overdraft and loans are secured as detailed in note 16.

Notes to the Financial Statements
For the year ended 31 March 2015

16. Creditors: amounts falling due after more than one year	2015	2014
	£	£
Loans	11,468,999	12,070,235
	<u>11,468,999</u>	<u>12,070,235</u>

The Association's loans and mortgages from The Scottish Government, of which £237,429 (2014: £243,505) remains outstanding, are secured on the fixed assets. The loans from the Bank of Scotland together with any bank overdraft are secured by standard securities over the properties on which the loans were granted. The loans from Lloyds Bank plc and The Royal Bank of Scotland plc are secured by standard securities over the properties on which the loans were granted.

	2015	2014
	£	£
Due between one and two years	622,152	639,956
Due between two and five years	1,866,456	1,919,869
Due in five years or more	8,980,391	9,510,410
	<u>11,468,999</u>	<u>12,070,235</u>

The loans and mortgages from The Scottish Government are repayable on a six monthly basis over 30 or 60 years inclusive of interest at fixed rates varying from 9.25% per annum to 13% per annum.

Loans from the Bank of Scotland are repayable on a monthly basis over 25, 30 or 35 years inclusive of interest at rates equivalent to the Bank of Scotland Home Loan rates in force at each repayment date. Six of the loans from the Bank of Scotland were converted in 2007 to fixed rate loans. These loans have the interest rate fixed at 6.8% for a three year period.

Loans from the Lloyds Bank plc are repayable on a monthly basis over 30 years inclusive of interest at a rate of 1.25% above bank base rate per annum.

The loans from The Royal Bank of Scotland plc are repayable on a monthly basis over 25 years following a 5 year initial period in which no capital repayments will be made. Interest will be charged at a rate of 1.25% above bank base rate per annum.

17. Share Capital	2015	2014
	£	£
At start of year	116	121
Issued in year	1	2
Redeemed in year	(10)	(7)
	<u>107</u>	<u>116</u>

Notes to the Financial Statements
For the year ended 31 March 2015

18. Reserves	Major Repairs £	Cyclical maintenance £	Total £
Designated reserves			
At 1 April 2014	602,329	1,113,589	1,715,918
Transfer (to)/from revenue reserve	-	-	-
	<u>602,329</u>	<u>1,113,589</u>	<u>1,715,918</u>
At 31 March 2015	<u>602,329</u>	<u>1,113,589</u>	<u>1,715,918</u>
Revenue Reserves			
		2015 £	2014 £
At 1 April 2014		2,074,434	2,261,831
Statement of Total Recognised Gains and Losses		(449,361)	(187,397)
		<u>1,625,073</u>	<u>2,074,434</u>
Transfer from designated reserves		-	-
At 31 March 2015		<u>1,625,073</u>	<u>2,074,434</u>
Split as:			
		2015 £	2014 £
Revenue reserve (excluding pension reserve)		4,000,073	3,554,434
Pension reserve		(2,375,000)	(1,480,000)
		<u>1,625,073</u>	<u>2,074,434</u>

**Notes to the Financial Statements
For the year ended 31 March 2015**

19. Pensions

Lanarkshire Housing Association Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

An updated FRS 17 valuation of the Strathclyde Pension Fund was performed as at 31 March 2015.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows:

Assumptions as at	31 March 2015	31 March 2014
Pension increases	2.4%	2.5%
Salary increases	4.3%	5.1%
Expected return on assets	3.2%	6.0%
Discount rate	3.2%	4.3%

The following details relate to Lanarkshire Housing Association Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Assets (Whole Fund)	Long Term Return % per annum	Fund Value at 31 March 2015 £000	Expected Return £000 per annum
Equities	3.2%	3,782	121
Bonds	3.2%	655	21
Property	3.2%	555	17
Cash	3.2%	50	2
Total	3.2%	5,042	161

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

	31 March 2015 £000	31 March 2014 £000
Net Pension Liability as at		
Estimated Employer Assets (A)	5,042	4,154
Present Value of Scheme Liabilities	7,417	5,634
Present Value of Unfunded Liabilities		-
Total Value of Liabilities (B)	7,417	5,634
Net Pension Liability (A) – (B)	<u>(2,375)</u>	<u>(1,480)</u>

Notes to the Financial Statements
For the year ended 31 March 2015

19. Pensions (continued)

Analysis of the amount charged to operating profit

	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Service cost	215	186
Contributions	(147)	(142)
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
	<u>68</u>	<u>44</u>
Total operating charge (A)		
	(254)	(201)
Expected Return on Employer Assets	247	230
Interest on Pension Scheme Liabilities		
	<u>(7)</u>	<u>29</u>
Net Deficit (B)		
Net Revenue Account Cost (A)+(B)	<u>61</u>	<u>73</u>

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL).

	Year to 31 March 2015 £ 000	Year to 31 March 2014 £ 000
Actual return less expected return on pension scheme assets	464	61
Changes in financial assumptions underlying the present value of scheme liabilities	(1,298)	(263)
Actuarial loss recognised in STRGL	<u>(834)</u>	<u>(202)</u>

Notes to the Financial Statements
For the year ended 31 March 2015

19. Pensions (continued)

Movement in pension deficit during the year

	Year to 31 March 2015 £ 000	Year to 31 March 2014 £ 000
Deficit in scheme at beginning of year	(1,480)	(1,205)
Current service cost	(215)	(186)
Employer contributions	147	142
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net return on assets	7	(29)
Actuarial losses	(834)	(202)
Deficit at end of year	<u>(2,375)</u>	<u>(1,480)</u>

History of experience gains and losses

	Year to 31 March 2015 £ 000	Year to 31 March 2014 £ 000
Difference between expected and actual return on assets	464	61
Value of assets	5,042	4,154
Percentage of assets	9.2%	1.5%
Experience gains/(losses) on liabilities	-	-
Actuarial (losses) recognised in STRGL	(834)	(202)
Present Value of Liabilities	(7,417)	(5,634)
Percentage of the present value of liabilities	11.2%	3.6%

20. Establishment of Association

The Association is established under the Co-operative and Community Benefit Societies Act 2014.

21. Commitments – capital and repairs

As at 31 March 2015, the Association had commitments in respect of capital and repairs work of:

	2015 £	2014 £
Commitment	<u>118,643</u>	<u>361,753</u>
To be funded by:		
The Association's reserves	<u>118,643</u>	<u>361,753</u>
Approved but not contracted for	<u>Nil</u>	<u>Nil</u>

**Notes to the Financial Statements
For the year ended 31 March 2015**

22. Commitments under operating leases

As at 31 March 2015 the Association had annual commitments under non-cancellable operating leases as set out below:-

	2015 £	2014 restated £
Operating leases which expire:		
Within one year	3,813	9,205
Between one and two years	25,394	19,534
In two to five years	13,269	10,046
	<u>42,476</u>	<u>38,785</u>

23. Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £	2014 £
Operating surplus	707,720	411,818
Depreciation of tangible fixed assets	856,855	1,040,737
(Increase) in stocks	(658)	(967)
Decrease / (increase) in debtors	45,254	(50,115)
Increase / (decrease) in creditors	5,320	(13,399)
Forfeited share capital	(10)	(7)
Non cash movement relating to pension liability	68,000	44,000
	<u>1,682,481</u>	<u>1,432,067</u>

24. Analysis of changes in financing during the year

	Loans and finance lease obligations	
	2015 £	2014 £
Balance at start of year	12,710,191	13,350,147
Cashflow from financing	(622,152)	(639,956)
	<u>12,088,039</u>	<u>12,710,191</u>

25. Analysis of changes in cash and cash equivalents

	2015 £	2014 £
Balance at start of year	2,304,095	2,429,851
Increase in cash and cash equivalents	243,819	(125,756)
	<u>2,547,914</u>	<u>2,304,095</u>

Cash and cash equivalents represents cash at bank and in hand

Notes to the Financial Statements
For the year ended 31 March 2015

26. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Cash at bank £	Overdrafts £	Total £
<i>Movements in 2014</i>			
Balance at 1 April 2013	2,429,851	-	2,429,851
Net cash inflow	(125,756)	-	(125,756)
Balance at 31 March 2014	<u>2,304,095</u>	<u>-</u>	<u>2,304,095</u>
<i>Movements in 2015</i>			
Balance at 1 April 2014	2,304,095	-	2,304,095
Net cash inflow	243,819	-	243,819
Balance at 31 March 2015	<u>2,547,914</u>	<u>-</u>	<u>2,547,914</u>

27. Reconciliation of net cashflow to movement in net debt

	2015 £	2014 £
Increase in cash in the year	243,819	(125,756)
Cashflow from change in debt	622,152	639,956
Change in net debt	865,971	514,200
Opening net debt	(10,406,096)	(10,920,296)
Closing net debt	<u>(9,540,125)</u>	<u>(10,406,096)</u>

28. Analysis of changes in net debt

	At 1 April 2014 £	Cash Flows £	At 31 March 2015 £
Cash at bank and in hand	2,304,095	243,819	2,547,914
Overdrafts	-	-	-
	<u>2,304,095</u>	<u>243,819</u>	<u>2,547,914</u>
Debt due within one year	(639,956)	20,916	(619,040)
Debt due after one year	(12,070,235)	601,236	(11,468,999)
	<u>(12,710,191)</u>	<u>622,152</u>	<u>(12,088,039)</u>
	<u>(10,406,096)</u>	<u>865,971</u>	<u>(9,540,125)</u>

**Notes to the Financial Statements
For the year ended 31 March 2015**

29. Housing Stock

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

	2015	2014
General Needs Housing	832	826
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	48	56
	<u>973</u>	<u>975</u>

30. Commercial Units

The number of commercial units owned and rented out by the Association was as follows:-

	2015	2014
Commercial Units	<u>7</u>	<u>7</u>

31. Related Parties

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited.

Lanarkshire Housing Association Limited reclaimed £110 (2014: £182) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £877 (2014: £980) on behalf of Lanarkshire Initiatives Limited in the year which was recharged via the intercompany account.

The balance owed to Lanarkshire Initiatives Limited by Lanarkshire Housing Association Limited at 31 March 2015 was £7,403 (2014: £8,170) and is included in creditors.

32. Contingent Liability

A number of residents at the Watling Street, Motherwell development, raised court proceedings against the Association and four other co-defendants. The basis of their claim is that the Association has breached tenancy agreements in that the homes are not fit for habitation. It is claimed that there is a presence of toxic compounds in the indoor air due to inadequate remediation of the site prior to development.

The Management Committee have noted the extensive site investigations conducted by North Lanarkshire Council in previous years over such claims of contaminated land at Watling Street, which concluded that the open space and garden soils were safe. The Management Committee have appointed legal representatives and are rigorously defending this action. During the course of 2014/15, one of the defendants, North Lanarkshire Council was released from the action by the pursuers and North Lanarkshire Council have no further plans to revisit the conclusions from the site investigation reports.