



**LANARKSHIRE HOUSING ASSOCIATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**Members, Executive and Advisers**

**Management Committee**

Charles Millar – Chair  
Fiona Tonner – Vice Chair  
Catriona Blyth – Secretary  
Jessie Mitchell – Treasurer (retired 27 April 2021)  
John Glenny  
Alistair MacLean  
John Lockhart  
Liam Donnachie  
Paul Hughes  
John McNally (resigned 23 February 2021)

**Executive Officers**

Simon McManus - Chief Executive  
Laurie Boles – Finance & Corporate Services Director  
Gavin Young – Property Services Director  
Tracey Winters – Planning & Research Manager  
Anne Marie Collins – Business Manager  
Irene Savage – Housing Manager

**Registered Office**

191 Brandon Street  
Motherwell  
ML1 1RS

**Auditor**

Azets Audit Services  
Chartered Accountants  
Titanium1  
King's Inch Place  
Renfrew  
PA4 8WF

**Bankers**

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

**Solicitors**

TC Young  
7 West George Street  
Glasgow  
G2 1BA

Brechin Tindal Oatts  
48 St Vincent Street  
Glasgow  
G2 5HS

Brodies  
110 Queen Street  
Glasgow  
G1 3BX

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

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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

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

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The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2021.

#### **Legal Status**

Lanarkshire Housing Association is a registered non-profit making organisation under the Cooperative and Community Benefits Societies Act 2014 No 1941R(S). The Association is a registered Scottish charity, SC042523.

The Association is registered with Scottish Housing Regulator as Social Landlord No: 202 and under Property Factors (Scotland) Act 2011 as No: PF000275.

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefits Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

#### **Governance**

##### Recruitments and Appointment of the Management Committee

At the 2020 Annual General Meeting in accordance with the rules of the Association, Mr C Millar, Ms F Tonner, Mr J Glenny and Mr J McNally all retired by rotation and they all offered themselves for re-election and were duly re-elected.

The Management Committee seeks to ensure that the needs of its stakeholders are appropriately reflected through the diversity of the Management Committee and Sub-Committee structure. To enhance the potential pool of members, the Association has, through selective advertising and networking, sought to identify people who would be willing to become members and utilise their own skills and experience to assist the Association. There have been no appointments in the last year however a recruitment campaign to attract new members commenced in March 2021 which is hoped will bring additional experience to the existing pool of talented members. Preferably, it would be desirable to re-establish an element of tenant representation from the list of applicants.

The Management Committee has a broad range of skills and members. A Committee Member Effectiveness Survey is conducted annually which details an individual's skills and talents and their areas where they require additional training. Committee members are appraised annually and training plans are then identified to ensure that the competencies of the Committee are properly maintained. The Management Committee of Lanarkshire Housing Association Limited is experienced and its members possess the required level of competencies to govern its activities.

##### Management Committee Members Induction and Training

Most members of the Management Committee are already familiar with the practical work of the Association. Where new members are elected, information is supplied regarding the obligation of Management Committee members, details of the Association's main documents and up to date financial statements. In addition, a formal training and induction programme is provided for any new member of the Management Committee.

##### Retirals

One member of the Management Committee retired after years of long voluntary service to the Association. We would like to thank Mr J McNally for his significant contribution and valuable advice which spanned over 30 years and we wish him good health and happiness for the future.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

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#### Organisational Structure

The Association has a Management Committee of 9 members and 3 vacancies currently exist. The Management Committee meet six times per year and there are also a number of sub committees who meet regularly and report directly to the Management Committee.

A scheme of delegation is in place and day to day responsibility for the provision of the Association's projects rests with the Chief Executive, along with the Finance & Corporate Services Director, Housing Services Director and Property Services Director. The Chief Executive is responsible for ensuring that the Association delivers the services specified and that key performance indicators are met.

#### **The Management Committee and Executive Officers**

The Management Committee and executive officers of the Association are listed on the first page of the financial statements.

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.

#### **Statement of the Management Committee's Responsibilities**

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

- \* Select suitable accounting policies and then apply them consistently;
- \* Make judgements and estimates that are reasonable and prudent; and
- \* Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management 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.

#### **Related Party Transactions**

During the last 12 months, the Management Committee had no members registered as a tenant.

Related party transactions with Lanarkshire Initiatives Limited, the Association's fully owned subsidiary, can be found at note 28.

### Overview of the Past Year

The past year has undoubtedly been one of the most challenging periods the Association has experienced since being established in 1978. The speed, severity and impact of the global health crisis, not just on the Association but wider society, was unprecedented and all businesses and households have been affected. With the gradual easing of lockdown restrictions throughout 2020/21, the social and economic impact of the pandemic will become clearer and it remains a core objective to assist and support our customers as far as possible during this period.

As it became clear that precautions were likely to be introduced to mitigate against the transmission of Coronavirus, a COVID-19 Contingency Plan was formulated and implemented. This, in conjunction with the Business Continuity Plan and an increased investment in IT equipment and remote working software, permitted the Association to comply with the Scottish Government's lockdown restrictions throughout the year. This allowed essential services to customers to continue with the minimal level of disruption, whilst maintaining the health, safety and well-being of customers, staff and Committee members.

Due to the rapid emergence of this significant and material risk to the business, the Management Committee approved a revised annual budget to redirect financial resources. This revised budget reflected the sudden change in business priorities required to protect on-going financial viability, and to ensure that contracted commitments were tightly controlled during this period of uncertainty and instability.

Despite the challenges in providing the essential services, corporate performance across all the key performance measures have been strong. The principal area of concern in relation to performance was the potential for increased rent arrears as households struggled with the economic reality of the pandemic. Rental collection has however remained high, with rents of £4.12m being recorded for the year, with arrears having been held within the established benchmark of 3.5% of rents receivable. Early intervention by well trained staff working with effective rent arrear management procedures has contributed to this performance measure along with Government schemes supporting businesses and households. To date, there does not appear any detectable increase in households in financial hardship. The difficulties caused by the lockdown restrictions have had a material impact on average on average re-let times, with a figure of 42.5 day being recorded for 2020/21. This is significantly higher than last year's figure of 18.3 days and it is expected that performance in this area will return to pre-pandemic levels within the financial year 2021/22.

Staff have responded well to the change in their working arrangements and their loyalty and dedication to the Association and its customers have been outstanding. The changing working environment has by necessity, promoted innovation and hastened the adoption of digital working. These innovations are welcome and will be enhanced as the working arrangements return more closely to normality over the forthcoming year.

It is recognised that the events of the past year and the restrictions imposed on the provision of non-essential services may have resulted in customer's expectations not being met in full. The Association remains committed to resuming full service provision as soon as the easing of lockdown restrictions allow it and it is assessed as being safe for both customers and staff.

Throughout the past year, the Association has continued to successfully meet all of its statutory obligations and remained compliant with all regulatory standards. Furthermore, a strong financial position has been achieved for the financial year whereby any operating surplus will be used towards funding our continued investment in the housing stock and strengthening community engagement.

### Strategic Objectives

The Association's Strategic Plan 2016-2021 identified our corporate objectives for this five year period as follows:

- **Objective 1** To meet or exceed the requirements of the Scottish Social Housing Charter (the Charter) and deliver fair, accessible and responsive customer services.
- **Objective 2** To ensure all of our homes meet or exceed the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).
- **Objective 3** To improve our consultation opportunities to tenants on key measures to regularly maintain and improve the standard and quality of their homes.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

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#### Strategic Objectives (continued)

- **Objective 4** To improve the energy efficiency of our business operations and reduce associated carbon emissions.
- **Objective 5** To examine prospects for organic growth of the business through affordable development and acquisition opportunities.
- **Objective 6** Achieve our Corporate and Social Responsibilities (CSRs) through excellence in governance and financial management, linked to ethical codes of practice.

To achieve these objectives we work closely with our strategic partners at a national, local authority and community level ensuring that our decision making and direction of the business demonstrate consistency and added value to underpin the advancement of social housing principles and community development.

As a Scottish Charity, our purpose is to provide relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage. With this in mind, our charitable objects are as follows:

- **Charitable objective 1** To provide for the relief of those in need through the provision, construction, improvement and management of land and accommodation and the provision of care.
- **Charitable objective 2** To undertake any activity allowed under Section 24 of the Housing (Scotland) Act 2014 which is charitable both for the purposes of Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts.

#### Future Prospects

In the forthcoming financial year, the Association has a busy schedule with several key projects to complete, as well as ensuring that we effectively plan for the reinstatement of a full provision of services, at the earliest opportunity and in line with government guidelines. Listed below are several of the key deliverables to be achieved:

- New Strategic Plan 2022-2027 redefining the strategic direction of the business for the next 5 years, endeavouring to incorporate aspirations that work towards the vision of Scotland's first long-term national housing strategy; Housing to 2040.
- Enhance engagement with tenants and shared owners both through the development and implementation of the Tenant Participation Strategy.
- Completion of annual planned maintenance programme including deferred projects from 2020/21 financial year.
- Further rollout of development programme for Committee members to enhance existing skillset.
- Completion of the recruitment exercise to attract new Committee members from other professional fields and to increase tenant representation.
- Development of risk management software to enhance reporting of strategic risks and linkage to operational work plans.
- Revise digital strategy to compliment new strategic plan ensuring that capability of hardware and functionality of software packages are fully utilised.
- Enhancement of community engagement including the development of Sponsorship Scheme for Apprenticeships.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

#### Rent Affordability

Our average weekly rents align closely to the Scottish and Peer averages and our monitoring techniques ensure that this position is maintained or improved upon for future years. The following table includes an extract of performance data and decisions made disclosed in our Annual Return of the Charter (ARC) for the period ending 31 March 2021, to the Scottish Housing Regulator.

ARC Indicator	31 March 2021	RSL Average	31 March 2020
Average Weekly Rent Uplift	2.7%	2.0%	3.2%
<b>As % of total rent due:</b>			
Rent Collected	99.6%	99.1%	100.2%
Gross Arrears	3.3%	3.0%	3.0%
Rent loss from empty properties	0.8%	1.2%	0.4%

An average weekly rent increase of £2.22 per house was applied in April 2020. During the last year, 55 properties become empty due to a change in tenancy resulting in lost rent totalling £31,115.

#### Tenants Triennial Satisfaction Survey

The views of tenants are the most accurate way of evaluating our performance therefore every 3 years, it is a regulatory requirement to seek feedback from our tenants on how satisfied they consider the Association has been in fulfilling their obligation across key categories of service provision. The table outlines below how our tenants rated us for each category in the last survey taken in 2018 and compared to the previous one in 2015.

Tenant Satisfaction Level	2018 Survey	2015 Survey	% Change (+ or -)
On overall service provided	95%	94%	+1%
On keeping you informed about services and decisions	98%	98%	No change
On level of opportunities given to participate in decision making	99%	92%	+7%
On overall quality of your home	90%	81%	+9%
On repairs and maintenance service over last 12 months	95%	90%	+5%
On management of the neighbourhood you live in	93%	84%	+9%
On how rent level is value for money	90%	67%	+23%

A comprehensive Tenants Satisfaction Survey and Owners Survey will be conducted in the financial year 2021/22 providing the opportunity for tenants to give valuable feedback on their customer experience with the Association.

#### Community Initiatives

During the year we provided financial sponsorship into 2 community projects. Firstly, in conjunction with New College Lanarkshire, we have established a sponsorship scheme for apprenticeships, which allows small to medium enterprises within the Lanarkshire area to commence an apprenticeship programme. Secondly, we operate a joint venture with Forgewood Housing Co-operative called "Forgewood Friendships" that promotes social inclusion by organised events and day trips for vulnerable residents. Both aforementioned projects received investments totalling £5,372 and £8,000 respectively.



## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

#### Repairs

For the financial year ending 31 March 2021, the repairs and maintenance performance indicators were as follows:

Category of Repair	Benchmark	Completed within Benchmark	Number of Repairs Undertaken
Emergency	2 hours	100.0%	687
Urgent	5 Days	94.9%	473
Routine	8 Days	97.5%	974

Type of Maintenance	Annual Budget	Actual Spend	Difference (Overspend) / Underspend
	£	£	£
Reactive	250,000	304,497	(54,497)
Void	55,000	78,670	(23,670)
Cyclical	74,000	36,099	37,901
Planned	86,000	353,576	(267,576)
<b>Total</b>	<b>465,000</b>	<b>772,842</b>	<b>(307,842)</b>

Compliance with the Scottish Government's lockdown restrictions has had a material impact on the cost of the repairs and maintenance programme. Whilst the cyclical painterwork programme was paused during lockdown resulting in a £37,901 underspend, the reactive spend amounted to £304,497, £54,497 over budget. This was due to increases in emergency contractors pricing structure caused by the imposition of, and compliance with the Scottish Governments lockdown restrictions.

#### Capital Investment

We are committed to a continuing programme of planned maintenance and improvements, requiring significant levels of annual expenditure. These well-defined plans address investment over the medium and long term, and should allow work to be carried out as efficiently and economically as possible. Our ability to deliver services for our customers and provide a sound base for improvement depends on making the most of our housing stock. Historically we have had plans in place ensuring that our housing and neighbourhoods are well maintained and remain so.

For the financial year ending 31 March 2021, the Association's expenditure on major repairs totalled £844,972 (2020: £617,063), of which £491,396 relating to replacement of components was capitalised.

Having already achieved the Scottish Housing Quality Standard, the Scottish Government's main measure of housing quality, and the Energy Efficiency Standard for Social Housing (excepting exemptions), our focus during the year was on heating and kitchen replacement, with work completed on 83 properties in Watling Street, Motherwell. In response to the Housing (Scotland) Act 1997 (Tolerable Standard) (Extension of Criteria) Order 2019, we continued a measured term contract for installation of fire and carbon monoxide detection and alarm systems throughout our stock, with work being carried out at times during the year when Coronavirus related restrictions permitted. We were also able to complete work on replacing boilers and the combined heat and power engine which serve our stock at Calder Road, Hope Street and Main Street, Mossend. While we entered into contracts for external door replacements in the Clydesdale Road area of Mossend, and for boiler and kitchen replacements in Flanigan Grove, Bellshill; the timing of restrictions on work in occupied housing prevented any start of work.

#### Acquisition Strategy

The Association intended to continue with its purchasing strategy to enable the acquisition of resale properties on the open market. However, no purchases were made in 2020/21 due to the operational difficulties encountered during lockdown. The decision to dispose of one property was taken and this property was sold at market value in September 2020, realising a net gain on disposal of £1,529.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

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#### Equality and Diversity

Lanarkshire Housing Association Limited is committed to ensuring that equality of opportunity is available across the full range of its activities, including both employment and service provision.

All policies and procedures have been formulated within the framework of equality, diversity and opportunity and are subject to regular review.

The Management Committee have delegated the monitoring and reporting of equality and diversity matters to the Human Resources and Equality sub-committee.

The Association's offices are equipped both for disabled access and to aid individuals with a hearing impairment. The website has functionality to view in many languages and where required, we will provide all necessary documents in other formats such as large print, audio and Braille.

#### Employee Development

We employ 20 experienced staff and our staff turnover rate was recorded as nil during the last financial year.

The Association has Silver Level Investor in People accreditation and is committed to employee development.

Each member of staff is subject to annual performance appraisals centred on the development of the individual within their professional role. Regular training is scheduled for all staff and, where applicable, funding is available for individuals to pursue further qualifications relevant to the advancement of the role.

#### **Financial Performance**

The main objective of the financial planning process is to maximize the resources available to invest in both the housing stock and also the quality of service being provided to tenants. The planning process for 2020/21 had to be revised to ensure that the immediate business priorities were adequately funded and that good financial governance was being demonstrated in the decision making process.

Effective management in rental collection saw our total turnover reach £4,273,140, of which £4,032,938 was collected in housing rents, whilst a further £118,261 and £38,000 was received in respect of services charges and commercial rents. The release of capital grants along with grants for disabled adaptations amounted to £17,485.

The financial and operational impact of Covid-19 was most noticeable on maintenance costs as the lockdown measures prevented the completion of the component replacement programme within the contracted timescale. Lockdown restrictions also legally prevented the Association from responding to urgent, routine and planned repairs throughout the financial year. Despite repair volumes being lower than average, the actual cost of providing cover for emergency repairs for prolonged periods was significantly higher. To offset the delays on scheduled projects, other work programmes, that were short term and did not require access to households were commenced and completed within the financial year, thus allowing capacity for the deferred projects to be completed once lockdown restrictions ease. The replacement cost, totalling £189,000 for fire and smoke detectors in all properties was treated as revenue expenditure, as the unit cost falls below the £1,000 threshold value for a component to be capitalised as an asset.

Staff costs amounted to £1,142,295, which was £81,705 below budget due to one senior post remaining vacant throughout the year in addition to an internal restructuring taking place following a retirement.

Business overheads were reduced as there was significantly less demand on office expenses due to staff working remotely and increased use of technology.

Interest payable on the Association's debt servicing amounted to £176,603 which was £41,397 below budget expectations due to the Bank of England reducing interest rates to 0.10% as a result of the emergency measures taken in response to the economic effects of the pandemic.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2021

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As a result of the above, a surplus of £603,195 has been recorded for the year, which is welcome given the challenges facing the business. This level of surplus allows the business to remain viable in the long term whilst ensuring that the resources are available to maintain and improve the quality of the housing stock in the future.

The movement in the valuation of Strathclyde Pension Fund has reported an actuarial loss of £433,000 (2020: £505,000 actuarial gain) thereby reducing Total Comprehensive Income to £170,195.

#### Cash and Cash Equivalents

Cash inflows and outflows during the year are shown in the Statement of Cash Flows (page 20).

#### **Statement on Internal Financial Control**

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 misstatement 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;
- (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.

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)  
FOR YEAR ENDED 31 MARCH 2021**

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**Statement on Internal Financial Control (continued)**

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 2021. No weaknesses were found in internal financial control 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.

**Auditor**

Azets Audit Services have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

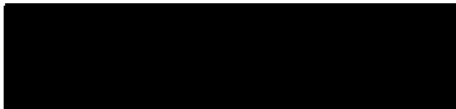
**Disclosure of Information to the Auditor**

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.

The report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 22 June 2021.

**By order of the Committee**



Catriona Blyth  
Secretary

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANARKSHIRE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### Opinion

We have audited the financial statements of Lanarkshire Housing Association Limited (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2021 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 prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

#### 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 Association in accordance with the ethical requirements that are relevant to our audit of the 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 audit opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANARKSHIRE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

#### Group accounts: Section 99(3) of the Co-operative and Community Benefit Societies Act 2014

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 financial statements of the Association's subsidiary in group financial statements required to be prepared under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2021, because of the immaterial nature of the subsidiary's transactions in the year.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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; or
- we have not received all the information and explanations we need for our audit.

#### Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 2, the Management Committee is 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 Management Committee 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 is responsible for assessing the 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 Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### ***The extent to which the audit was considered capable of detecting irregularities including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we 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 a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Association through discussions with the Management Committee members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Management Committee and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Management Committee and relevant sub-committees;
- enquiring of the senior management team and the Management Committee as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Association's legal advisors.

**Auditor's responsibilities for the audit of the financial statements (continued)**

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Management Committee as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. 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.

**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, as a body, 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.



**Azets Audit Services**  
**Statutory Auditor**  
**Chartered Accountants**  
Titanium 1  
King's Inch Place  
Renfrew  
PA4 8WF

Date: 22 June 2021



**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**REPORT BY THE AUDITOR TO THE MANAGEMENT COMMITTEE OF LANARKSHIRE HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2021**

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In addition to our audit of the Financial Statements, we have reviewed your statement on pages 8 and 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control 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 2009/4 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 and 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 control 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 control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.



**Azets Audit Services**  
**Statutory Auditor**  
**Chartered Accountants**  
Titanium 1  
King's Inch Place  
Renfrew  
PA4 8WF

Date: 22 June 2021

LANARKSHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Turnover	4	4,273,140	4,103,203
Less: Operating expenditure	4	(3,500,298)	(3,410,041)
<b>Operating surplus</b>	4	<b>772,842</b>	<b>693,162</b>
Gain on disposal of property, plant and equipment		1,529	8,336
Interest receivable	10	874	10,336
Interest and financing costs	11	(194,603)	(256,230)
Loan breakage costs	11	-	(384,406)
Award for recovery of legal fees	29	22,553	-
Increase in valuation of investment property	13	-	155,000
<b>Surplus before taxation</b>		<b>603,195</b>	<b>226,198</b>
Taxation	12	-	-
<b>Surplus for the year</b>		<b>603,195</b>	<b>226,198</b>
<b>Other Comprehensive Income</b>			
Actuarial (loss)/gain in respect of the pension scheme	23	(433,000)	505,000
<b>Total Comprehensive Income for the year</b>		<b>170,195</b>	<b>731,198</b>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
AS AT 31 MARCH 2021**

	<b>Share Capital £</b>	<b>Revenue Reserves £</b>	<b>Total Reserves £</b>
Balance at 1 April 2020	97	20,549,516	20,549,613
Total Comprehensive Income	-	170,195	170,195
Issue of share capital	-	-	-
Cancellation of shares	(3)	-	(3)
Balance at 31 March 2021	<u>94</u>	<u>20,719,711</u>	<u>20,719,805</u>

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
AS AT 31 MARCH 2020**

	<i>Share Capital £</i>	<i>Revenue Reserves £</i>	<i>Total Reserves £</i>
Balance at 1 April 2019	90	19,818,318	19,818,408
Total Comprehensive Income	-	731,198	731,198
Issue of share capital	7	-	7
Cancellation of shares	-	-	-
Balance at 31 March 2020	<u>97</u>	<u>20,549,516</u>	<u>20,549,613</u>

The notes form part of these financial statements.

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021**

	Note	2021 £	2020 £
<b>Fixed Assets</b>			
Housing properties	13	27,791,105	28,042,301
Other fixed assets	13	1,051,283	1,068,728
		<u>28,842,388</u>	<u>29,111,029</u>
Investment in subsidiary	16	2	2
		<u>28,842,390</u>	<u>29,111,031</u>
<b>Current assets</b>			
Stocks		4,944	4,303
Debtors	17	541,372	522,832
Cash and cash equivalents	18a	1,924,575	1,427,443
Investments	18b	502,886	500,000
		<u>2,973,777</u>	<u>2,454,578</u>
<b>Creditors: amounts falling due within one year</b>	19	<b>(1,586,819)</b>	<b>(1,399,494)</b>
		<u>1,386,958</u>	<u>1,055,084</u>
<b>Net current assets</b>		<b>1,386,958</b>	<b>1,055,084</b>
<b>Total assets less current liabilities</b>		<b>30,229,348</b>	<b>30,166,115</b>
<b>Creditors: amounts falling due after more than one year</b>			
Retirement benefit scheme deficit	20	(8,303,543)	(8,896,502)
	23	(1,206,000)	(720,000)
		<u>20,719,805</u>	<u>20,549,613</u>
<b>Net assets</b>		<b>20,719,805</b>	<b>20,549,613</b>
<b>Capital and reserves</b>			
Share capital	22	94	97
Revenue reserve		20,719,711	20,549,516
		<u>20,719,805</u>	<u>20,549,613</u>

The financial statements were authorised for issue by the Management Committee on 22 June 2021 and signed on its behalf by:

Charles Millar	Chair	
Catriona Blyth	Secretary	
Fiona Tonner	Vice -chair	

The notes form part of these financial statements.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
<b>Net cash generated from operating activities</b>	27	<b>1,733,970</b>	<b>1,277,017</b>
<b>Cash flow from investing activities</b>			
Purchase of housing properties		(491,396)	(666,565)
Purchase of other fixed assets		(12,853)	(15,846)
Proceeds from sale of fixed assets		104,877	68,516
Government capital grants received		15,353	59,092
Increase in government capital grants to be repaid		(67,398)	-
Interest received		874	10,336
		<b>(450,543)</b>	<b>(544,467)</b>
<b>Cash flow from financing activities</b>			
Interest paid and similar charges		(168,990)	(605,723)
New loans drawn down		-	2,800,000
Repayment of borrowings		(614,416)	(2,957,204)
(Forfeit)/issue of share capital		(3)	7
(Increase)/decrease in investments in deposit accounts		(2,886)	673,373
Loan arrangement fees		-	(76,132)
		<b>(786,295)</b>	<b>(165,679)</b>
<b>Net change in cash and cash equivalents</b>		<b>497,132</b>	<b>566,871</b>
<b>Cash and cash equivalents at 1 April</b>		<b>1,427,443</b>	<b>860,572</b>
<b>Cash and cash equivalents at 31 March</b>		<b>1,924,575</b>	<b>1,427,443</b>

(i) Analysis of changes in net debt

	At 1 April 2020 £	Cash flows £	Other non- cash changes £	At 31 March 2021 £
<b>Cash and cash equivalents</b>				
Cash	1,427,443	497,132	-	1,924,575
Investments	500,000	2,886	-	502,886
<b>Borrowings</b>				
Debt due within one year	(606,510)	6,845	7,613	(592,052)
Debt due after one year	(8,506,600)	536,352	55,993	(7,914,255)
	<b>(9,113,110)</b>	<b>543,197</b>	<b>63,606</b>	<b>(8,506,307)</b>
<b>Total</b>	<b>(7,185,667)</b>	<b>1,043,215</b>	<b>63,606</b>	<b>(6,078,846)</b>

The notes form part of these financial statements.

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2021. These financial statements comprise the results of the Association only.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom.

The Association's Scottish Charity number is SC042523.

The address of the Association's registered office is:

191 Brandon Street  
Motherwell  
ML1 1RS

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HAL 202.

#### 2. Accounting policies

##### Basis of accounting

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2021, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2021 and of the results for the year ended on that date.

##### Consolidation

The Association and its subsidiary undertaking, Lanarkshire Initiatives Limited, comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements on the basis the financial results of the subsidiary are immaterial, which they are. These financial statements therefore represent the results of the Association and not of the group.

##### Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2022 and the year to 31 March 2023. 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. Robust scenario planning on the potential impact of Covid 19 pandemic have produced results that demonstrates the business remains sustainable during this challenging period. Thus the Management

**2. Accounting policies (continued)**

Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**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. Turnover is recognised when the Association is entitled to it, the amount of revenue can be measured reliably and its probable the economic benefits of the transaction will flow to the Association.

**Government revenue grants**

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

**Non-government capital and revenue grants**

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

**Government capital grants**

Government capital grants, at amounts approved by the Scottish Government or local authorities, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

**Apportionment of management expenses**

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

**Pensions (Note 23)**

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 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

**2. Accounting policies (continued)**

**Interest receivable**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**Interest payable**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Fixed assets - Housing properties**

Housing properties are stated at cost, 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 or are considered for mortgage loans by private lenders 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.

New components to be capitalised must have a gross book value equal to or greater than £1,000.

**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

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal. A de-minimus capitalisation level of £1,000 is applied.

**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.



**2. Accounting policies (continued)**

**Investment properties**

Investment properties are properties held for commercial lettings. These properties are held at their market value and are thus not depreciated. The fair value of each property will be considered at each reporting date and any changes will be recognised in the Statement of Comprehensive Income.

**Debtors**

Short term debtors are measured at transaction price, less any impairment.

**Rental arrears**

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 17.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Investments**

This is monies held on deposits of more than three months with the Association's banks.

**Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**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.

**Financial instruments**

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitutes a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**2. Accounting policies (continued)**

**Financial commitments**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**3. Judgements in applying policies and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Management Committee consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of housing properties	Housing properties are held at deemed cost which is based on existing use valuations at the date of transition to FRS 102 of 1 April 2014. Additions after this date are held at historical cost. The assumptions used to form the basis of the existing use valuation were reviewed and were considered reasonable and appropriate.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the Strathclyde pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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3. Judgements in applying policies and key sources of estimation uncertainty (continued)

**Estimate**

The valuation of investment properties

**Basis of estimation**

The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

4. Particulars of turnover, operating expenditure and operating surplus/(deficit)

	2021			2020		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
<b>Income and Expenditure From lettings</b>						
Social Lettings (Note 5)	4,137,569	(3,427,530)	710,039	4,055,843	(3,354,337)	701,506
Other activities (Note 6)	135,571	(72,768)	62,803	47,360	(55,704)	(8,344)
	<u>4,273,140</u>	<u>(3,500,298)</u>	<u>772,842</u>	<u>4,103,203</u>	<u>(3,410,041)</u>	<u>693,162</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2021 Total £	2020 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	3,566,047	369,781	97,110	4,032,938	3,924,533
Service charges	107,150	11,111	-	118,261	123,479
<b>Gross income from rents and service charges</b>	<b>3,673,197</b>	<b>380,892</b>	<b>97,110</b>	<b>4,151,199</b>	<b>4,048,012</b>
Less voids	(31,115)	-	-	(31,115)	(15,381)
<b>Net income from rents and service charges</b>	<b>3,642,082</b>	<b>380,892</b>	<b>97,110</b>	<b>4,120,084</b>	<b>4,032,631</b>
Release of deferred government capital grants	-	15,200	-	15,200	14,433
Other revenue grants	-	2,285	-	2,285	8,779
<b>Total turnover from social letting activities</b>	<b>3,642,082</b>	<b>398,377</b>	<b>97,110</b>	<b>4,137,569</b>	<b>4,055,843</b>
<b>Expenditure</b>					
Management and maintenance administration costs	(1,390,313)	(144,169)	(69,598)	(1,604,080)	(1,805,440)
Service charges	(119,287)	(12,369)	(5,972)	(137,628)	(100,812)
Planned cyclical maintenance including major repairs	(353,063)	(36,612)	-	(389,675)	(295,177)
Reactive maintenance costs	(347,168)	(35,999)	-	(383,167)	(328,134)
Bad debts – rents and service charges	(57,258)	-	-	(57,258)	(46,753)
Depreciation of social housing	(621,171)	(64,411)	(21,060)	(706,642)	(663,223)
Impairment of social housing	-	-	-	-	-
Exceptional costs* - legal fees	(149,080)	-	-	(149,080)	(114,798)
<b>Operating costs for social letting activities</b>	<b>(3,037,340)</b>	<b>(293,560)</b>	<b>(96,630)</b>	<b>(3,427,530)</b>	<b>(3,354,337)</b>
<b>Operating surplus on letting activities, 2021</b>	<b>604,742</b>	<b>104,817</b>	<b>480</b>	<b>710,039</b>	
<b>Operating surplus on letting activities, 2020</b>	<b>604,848</b>	<b>102,486</b>	<b>(5,828)</b>		<b>701,506</b>

\* These exceptional costs are legal fees incurred in regard to the ongoing legal case in respect of Watling Street – please see note 29.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

6. Particulars of turnover, operating expenditure and operating surplus from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	2021 Total Turnover	2020 Total Turnover	Operating costs - bad debts	Other operating costs	2021 Operating Surplus/ (deficit)	2020 Operating surplus
	£	£	£	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	-	-	-	(13,372)	(13,372)	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	5,873	5,873	5,917	-	(7,127)	(1,254)	347
Insurance Income	-	-	-	87,054	87,054	-	-	-	87,054	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	4,644	4,644	561	-	(5,346)	(702)	4
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	-	-	-	38,000	38,000	40,882	-	(46,923)	(8,923)	(8,695)
<b>Total from other activities, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,571</b>	<b>135,571</b>		<b>-</b>	<b>(72,768)</b>	<b>62,803</b>	
<b>Total from other activities, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,360</b>		<b>47,360</b>	<b>-</b>	<b>(55,704)</b>		<b>(8,344)</b>

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

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

**7. Employees**

	<b>2021</b>	<i>2020</i>
	£	£
Staff costs (including Directors' Emoluments) consist of:		
Wages and salaries	<b>802,816</b>	<i>852,930</i>
Social security costs	<b>82,410</b>	<i>83,954</i>
Pension costs	<b>222,069</b>	<i>233,498</i>
Defined benefit pension adjustment (Note 23)	<b>35,000</b>	<i>81,000</i>
	<b><u>1,142,295</u></b>	<i><u>1,251,382</u></i>

	<b>2021</b>	<i>2020</i>
	Number	Number
The number of full time equivalents employed by the Association during the year was:	<b><u>18</u></b>	<i><u>20</u></i>

**8. 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 (*2020: £nil*).

	<b>2021</b>	<i>2020</i>
	£	£
Emoluments of the current Chief Executive (excluding pension contributions)	<b><u>89,871</u></b>	<i><u>87,354</u></i>

The Association's pension contribution for the Chief Executive in the year amounted to £23,129 (*2020: £21,850*).

	<b>2021</b>	<i>2020</i>
	Number	Number
Numbers of Directors whose emoluments (excluding pension contributions) exceed £60,000 during the year were as follows:-		
£85,000 - £89,999	1	1
£80,000 - £84,999	-	-
£75,000 - £79,999	-	-
£70,000 - £74,999	2	-
£65,000 - £69,999	3	4
£60,000 - £64,999	-	1
	<b><u>        </u></b>	<i><u>        </u></i>
	£	£
Emoluments (excluding pension contributions) to those earning more than £60,000	<b><u>438,426</u></b>	<i><u>420,400</u></i>

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**8. Directors' emoluments (continued)**

Total pension contributions to directors whose emoluments exceeded £60,000 were £108,068 (2020: £100,754). 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>

The Association considers key management personnel to be the Management Committee and senior management team (listed on the first page of the financial statements).

Total emoluments (including employers NI) paid to the key management personnel of the Association amounted to £466,047 (2020: £543,469). Pension contributions on behalf of the key management personnel amounted to £108,068 (2020: £125,242).

<b>9. Auditor's remuneration</b>	<b>2021</b>	<b>2020</b>
	£	£
The remuneration of the auditor for the year in respect of audit services (excluding VAT)	<b>11,050</b>	<b>13,600</b>
	<u>          </u>	<u>          </u>
Amounts paid to the auditor by the Association in respect of non-audit services (excluding VAT)	<b>650</b>	<b>205</b>
	<u>          </u>	<u>          </u>

The Association will also pay the audit fee of £860 (2020: £nil) in respect of Lanarkshire Initiatives Limited for the year end 31 March 2021 as the subsidiary is dormant post year end.

<b>10. Interest receivable</b>	<b>2021</b>	<b>2020</b>
	£	£
Bank interest	<b>874</b>	<b>10,336</b>
	<u>          </u>	<u>          </u>
<b>11. Interest payable and similar charges</b>	<b>2021</b>	<b>2020</b>
	£	£
Bank loans	<b>176,603</b>	<b>226,230</b>
Defined benefit pension adjustment (Note 23)	<b>18,000</b>	<b>30,000</b>
Loan exit fee	<b>-</b>	<b>384,406</b>
	<u>          </u>	<u>          </u>
	<b>194,603</b>	<b>640,636</b>
	<u>          </u>	<u>          </u>

**12. Taxation**

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



LANARKSHIRE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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13. Tangible fixed assets	Housing properties held for letting £	Completed shared ownership housing properties £	Office premises £	Computer equipment, office equipment & furniture and fittings £	Investment properties - Commercial properties £	Total £
<b>Cost or valuation</b>						
At 1 April 2020	29,790,518	1,316,275	658,864	125,669	610,000	32,501,326
Additions – housing units	-	-	-	-	-	-
Additions – components	491,396	-	-	-	-	491,396
Additions – other fixed assets	-	-	-	12,853	-	12,853
Disposals – housing units	(40,351)	-	-	-	-	(40,351)
Disposals – components	(122,095)	-	-	-	-	(122,095)
Disposals – other fixed assets	-	-	-	(14,615)	-	(14,615)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
At 31 March 2021	<u>30,119,468</u>	<u>1,316,275</u>	<u>658,864</u>	<u>123,907</u>	<u>610,000</u>	<u>32,828,514</u>
<b>Depreciation</b>						
At 1 April 2020	2,938,134	126,358	260,071	65,734	-	3,390,297
Provided for year	596,327	21,060	12,417	17,881	-	647,685
Disposals – housing units	(4,401)	-	-	-	-	(4,401)
Disposals – components	(32,840)	-	-	-	-	(32,840)
Disposals – other fixed assets	-	-	-	(14,615)	-	(14,615)
Transfers	-	-	-	-	-	-
At 31 March 2021	<u>3,497,220</u>	<u>147,418</u>	<u>272,488</u>	<u>69,000</u>	<u>-</u>	<u>3,986,126</u>
<b>Net Book Value</b>						
At 31 March 2021	<u>26,622,248</u>	<u>1,168,857</u>	<u>386,376</u>	<u>54,907</u>	<u>610,000</u>	<u>28,842,388</u>
At 31 March 2020	<u>26,852,384</u>	<u>1,189,917</u>	<u>398,793</u>	<u>59,935</u>	<u>610,000</u>	<u>29,111,029</u>

## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 13. Tangible fixed assets (continued)

The depreciation charge for housing stock in the year was £617,387 (2020: £601,357). The net book value of disposed components was £89,255 (2020: £61,866) and has been included in depreciation of social Housing in note 5 in accordance with the SORP giving a total depreciation of social housing of £706,642 (2020: £663,223).

Additions to housing property include no capitalised interest (2020: £nil) and no capitalised administration costs (2020: £nil). All housing properties are freehold. Properties with a cost of £40,351 (2020: £38,082) and accumulated depreciation of £4,401 (2020: £3,046) have been disposed in the year for net proceeds of £35,950 after grant repaid of £67,398 (2020: £68,515 after grant repaid of £25,143).

The housing properties were revalued on an existing use value as at 1 April 2014 (by Jones Lang LaSalle Limited) and this value was used as the deemed cost from that date in accordance with FRS 102. The commercial properties were valued at 31 August 2019 (by Jones Lang LaSalle Limited) which is considered to be reflective of the fair value as at 31 March 2021 by the Management Committee.

As at 31 March 2021, housing properties used as security for existing loans reported a net book value of £19,329,269 (2020: £19,466,192).

Included within housing properties is land with a carrying value of £5,600,846 (2020: £5,607,642).

#### 14. Housing stock

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

	2021	2020
General Needs Housing	839	840
Supported Housing Accommodation	87	87
Shared Ownership Accommodation	42	42
	<u>968</u>	<u>969</u>

#### 15. Commercial units

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

	2021	2020
Commercial Units	<u>7</u>	<u>7</u>

#### 16. Investments

	2021 £	2020 £
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 2021, Lanarkshire Initiatives Limited made a loss after taxation of £2,238 (2020: loss of £1,360). At 31 March 2021, Lanarkshire Initiatives Limited had net assets of £2 (2020: £2,240).

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

17. Debtors	2021 £	2020 £
Gross rent and service charges	129,429	113,900
Less: Bad debt provision	(78,788)	(46,753)
	<u>50,641</u>	<u>67,147</u>
Other debtors	231,308	208,428
Prepayments and accrued income	259,423	247,257
	<u><u>541,372</u></u>	<u><u>522,832</u></u>

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

18a. Cash and cash equivalents	2021 £	2020 £
Cash at bank and in hand	<u>1,924,575</u>	<u>1,427,443</u>

18b. Investments	2021 £	2020 £
Balances held in deposit accounts	<u>502,886</u>	<u>500,000</u>

19. Creditors: amounts falling due within one year	2021 £	2020 £
Bank loans	592,052	606,510
Trade creditors	224,555	173,066
Rental advances	101,506	83,387
Other taxes and social security	28,963	25,564
Contract retentions	27,127	25,492
Accruals and deferred income	83,976	54,472
Other creditors	158,014	125,450
Amounts due to subsidiary	-	3,091
Amounts due to the Scottish Government	355,426	288,029
Deferred capital grants (see note 21)	15,200	14,433
	<u><u>1,586,819</u></u>	<u><u>1,399,494</u></u>

Included in accruals is £22,826 of outstanding pension contributions (2020: £21,440).

The bank overdraft and loans are secured as detailed in note 20.

20. Creditors: amounts falling due after more than one year	2021 £	2020 £
Deferred capital grants (see note 21)	389,288	389,902
Bank loans	7,914,255	8,506,600
	<u><u>8,303,543</u></u>	<u><u>8,896,502</u></u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

20. Creditors: amounts falling due after more than one year (continued)

	2021 £	2020 £
Bank loans are split:		
Due between one and two years	587,396	592,034
Due between two and five years	1,823,114	1,791,537
Due in five years or more	5,503,745	6,123,029
	<u>7,914,255</u>	<u>8,506,600</u>

The loans together with any bank overdraft from the Bank of Scotland plc, Clydesdale and Yorkshire Banking Group and The Royal Bank of Scotland plc are secured by standard securities over the properties on which the loans were granted.

Loans from the Bank of Scotland are repayable on a monthly basis over 15, 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.

Loans from Clydesdale Bank are repayable on a quarterly basis over 15 years inclusive of interest. The current terms are on a 10 year fixed rate arrangement at 2.6% thereafter moving to another fixed or variable rate option in August 2029

The loans from The Royal Bank of Scotland plc are repayable on a monthly basis over 30 years inclusive of interest. The rate of interest charged is either fixed at 2.775% or variable between 0.45% and 1.5% above bank base rate per annum.

21. Deferred capital grants

	2021 £	2020 £
Balance at 1 April 2020	404,335	359,676
Additional capital grant received	15,353	59,092
Released to Statement of Comprehensive Income	(15,200)	(14,433)
Balance at 31 March 2021	<u>404,488</u>	<u>404,335</u>
Due:		
< 1 year	15,200	14,433
1-2 years	15,200	14,433
2-5 years	45,600	43,299
>5 years	328,488	332,170
	<u>404,488</u>	<u>404,335</u>

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

<b>22. Share capital and reserves</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
At start of year	<b>97</b>	<b>90</b>
Issued in year	<b>-</b>	<b>7</b>
Redeemed in year	<b>3</b>	<b>-</b>
	<b>94</b>	<b>97</b>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend 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. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

The revenue reserve includes all current and prior year retained surpluses or deficits.

**23. 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.

From 1 April 2015, the Scheme changed from a final salary 1/60<sup>th</sup> accrual scheme to a CARE 1/45<sup>th</sup> accrual scheme. The defined benefit scheme closed to new members on 1 April 2019, but remains open to existing members. During the year, the Association paid employer contributions at a gross rate of 29.9% less 2.53% for ill health liability. From 1 April 2020, the Association will continue to pay contributions at the aforementioned rates plus service deficit payments of £37,000 per year.

An updated accounting valuation of the Strathclyde Pension Fund was performed as at 31 March 2021.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, (these are assumptions specific to the Association which were derived with assistance from Spence and Partners) in their calculations are as follows:

<b>Assumptions as at</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
Pension increases	<b>2.75%</b>	<b>1.90%</b>
Salary increases	<b>2.30%</b>	<b>1.70%</b>
Discount rate	<b>2.05%</b>	<b>2.45%</b>

The average future life expectancies at age 65 are summarised below:

<b>Mortality</b>	<b>Males</b>	<b>Females</b>
Current pensioners	19.8 years	22.6 years
Future pensioners	21.2 years	24.7 years

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

23. Pensions (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivity Analysis	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	1,111
0.5% increase in the Salary Increase Rate	2%	210
0.5% increase in the Pension Increase Rate	8%	874

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

Net Pension Liability as at	31 March 2021 £000	31 March 2020 £000
Estimated Employer Assets (A)	9,251	7,306
Present Value of Scheme Liabilities	10,457	8,026
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	10,457	8,026
Net Pension Liability (A) – (B)	(1,206)	(720)

Analysis of the amount charged to operating profit:

	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Service cost	257	322
Contributions	(222)	(241)
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge	35	81
Net Interest cost	18	30

Analysis of the amount recognised in the Statement of Other Comprehensive Income:

	Year to 31 March 2021 £ 000	Year to 31 March 2020 £ 000
Actuarial (loss) / gain recognised as other comprehensive income	(433)	505

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**23. Pensions (continued)**

	<b>Year to 31 March 2021 £ 000</b>	<i>Year to 31 March 2020 £ 000</i>
Deficit in scheme at beginning of year	(720)	(1,114)
Current service cost	(257)	(322)
Employer contributions	222	241
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net interest cost	(18)	(30)
Actuarial gain/(loss)	(433)	505
	<u>(1,206)</u>	<u>(720)</u>

**24. Establishment of Association**

The Association is established under the Co-operative and Community Benefit Societies Act 2014 and was incorporated in the United Kingdom and is registered in Scotland.

**25. Commitments – capital and repairs**

As at 31 March 2020, the Association had commitments in respect of capital and repairs work of:

	<b>2021 £</b>	<i>2020 £</i>
Commitment	<u>399,434</u>	<u>1,108,692</u>
To be funded by:		
The Association's reserves	<u>399,434</u>	<u>1,108,692</u>
Approved but not contracted for	<u>-</u>	<u>-</u>

**LANARKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**26. Commitments under operating leases**

As at 31 March 2021 the Association had total commitments under non-cancellable operating leases as set out below:-

	2021 £	2020 £
Operating leases which expire:		
Within one year	26,151	21,556
Between one and two years	17,539	13,763
In two to five years	10,104	4,601
	<u>53,794</u>	<u>39,920</u>

**27. Net cash flow generated from operating activities**

	2021 £	2020 £
Surplus for the year	603,195	226,198
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets (including loss on disposal of components)	736,940	693,874
(Increase)/decrease in stocks	(641)	-
(Increase)/decrease in debtors	(18,540)	9,342
Increase/(decrease) in creditors	201,016	(185,928)
Gain from sale of tangible fixed assets	(1,529)	(8,336)
Release of deferred Government Capital Grant	(15,200)	(14,433)
Non cash movement relating to pension liability	53,000	111,000
(Increase) in valuation of investment properties	-	(155,000)
<u>Adjustments for investing and financing activities:</u>		
Interest received	(874)	(10,336)
Interest payable	176,603	610,636
	<u>1,733,970</u>	<u>1,277,017</u>

**28. 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 £174 (2020: £205) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £3,265 (2020: £1,238) 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 2021 was £nil (2020: £3,091). From 1 April 2021, Lanarkshire Initiatives Limited is dormant.



## LANARKSHIRE HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 29. Watling Street

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. It was decided that one of the residents claims would pursue through the court system as a test case whilst the remaining residents' cases would be sisted until the outcome of the test case was determined.

The Management Committee has 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. During the course of 2015/16, one of the defendants, North Lanarkshire Council was released from the action by the pursuers and North Lanarkshire Council has no further plans to revisit the conclusions from the site investigation reports.

A Procedural Roll hearing in front of Lord Jones at the Outer House of the Court of Session took place in March 2015. Lord Jones issued his Opinion in December 2015, where he found that the case against Lanarkshire Housing Association Limited should be dismissed along with another defendant in the case, City Link Development Company Ltd. The pursuers appealed the decision of Lord Jones to dismiss Lanarkshire Housing Association Limited from the action to the Inner House of the Court of Session. This appeal was dismissed by the Inner House of the Court of Session in February 2017 and leave to appeal to the Supreme Court was also denied by the Inner House. The pursuers submitted an application to appeal directly to the Supreme Court and this application was refused by the Supreme Court in January 2019.

The case against the final defendant in the case, Scott Wilson Scotland Ltd, was allowed to proceed to a Proof before Answer hearing by Lord Jones. Following this Proof before Answer hearing, Lord Jones in his Opinion published in May 2020, rejected the case brought by the pursuers and found in favour of Scott Wilson Ltd. This is now the subject of an appeal which was heard in the Inner House of the Court of Session in May 2021, the Association is currently awaiting confirmation on the impact of this appeal.

In the previous financial year, the Association was awarded £289,000 of costs against the pursuers of which £213,000 is outstanding at this year-end and is included within other debtors (2020: £194,000). An additional award of £22,553 was recognised in the Statement of Comprehensive Income.

Legal action to recover the remaining outstanding debt has been materially impacted and delayed by the global pandemic and the subsequent lockdown restrictions. The Association will continue to retain Counsel to advise on and direct recovery action and there remains a high degree of confidence that costs will be recovered from the pursuers in full.

In relation to the outstanding cases which had previously been sisted, the pursuers enrolled a Motion to the Court of Session seeking to amend their pleadings in light of the findings of the test case. Lanarkshire Housing Association Limited opposed this Motion, which was heard by Lord Clark in May 2019, who subsequently ruled in the Association's favour and found that the outstanding cases should be dismissed. Lord Clark's ruling was appealed by the pursuers and the Inner House of the Court of Session heard this Reclaiming Motion in April 2020, which found in the pursuer favour. This Court ruling allows the pursuers to lodge their Minute of Amendment however, the Association's position remains unchanged and senior counsel has lodged defences on behalf of the Association against the action. Further court hearings in respect of this action are scheduled for July 2021. The Association has incurred exceptional legal costs of £149,080 (2020 £114,798) in respect of these outstanding cases as noted in note 5.