



LANARKSHIRE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Members, Executive and Advisers

Management Committee

Fiona Tonner – Chair
Charles Millar – Vice Chair
Catriona Blyth – Secretary
John Glenny – Treasurer
William Jeffrey
Gordon Heng (resigned 21 May 2019)
John McNally
Jessie Mitchell
John Lockhart
Alastair Mclean (appointed 26 February 2019)
Mary Tougher (resigned 16 April 2019)
Shirley Killeen (resigned 26 March 2019)

Executive Officers

Simon McManus - Chief Executive
Laurie Boles – Finance & Corporate Services Director
Teresa Ward – Housing Services Director
Gavin Young – Technical Services Manager
Tracey Winters – Development Manager
Alice McLean – Maintenance Manager
Anne Marie Collins – Business Manager
Irene Savage – Housing Manager

Registered Office

191 Brandon Street
Motherwell
ML1 1RS

Auditor

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

Bankers

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

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 2019

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2019.

Objectives and Strategy

In our 40th anniversary year, the Association has worked collaboratively with our community partners to ensure the housing management and factoring services provided to tenants, residents and other stakeholders were of a high standard and compliant with regulatory standards.

Over the period, the Association has reported strong financial results and performed well in meeting our objectives for the year, in which welfare reform and political uncertainty continued to be a challenge. Our commitment to provide continued investment in the housing stock was evident through the completion of phased projects within our programme of major works. Within the Motherwell Head Office, our reception and conference facilities have undergone a long awaited refurbishment incorporating improved disabled access and new audio visual equipment, thus enhancing the customer experience.

The level of tenant participation has strengthened with increased representation in our Tenants' Focus Group in which they provided valuable overview and feedback on both the Rent Consultation and Charter Performance Report. In addition, they had the opportunity to be part of interactive sessions in trialling the new website and conducting on-line surveys. These sessions proved vital to establish the views of tenants as they are used to shape and modernise our digital processes. In the year ahead, more topics will be introduced to widen the spectrum of areas covered.

We received an excellent Landlord Report from The Scottish Housing Regulator and compare well against the Scottish Average across all the categories. We are pleased to retain our low engagement status, which is recognition of demonstrating strong corporate governance and structure within the housing sector.

Our aim to attract new Board members to join the Association has resulted in the recent appointment of Alistair McLean to the Management Committee. He is a senior finance professional working within the commercial banking sector, bringing considerable experience and business acumen. We welcome his arrival and I am sure he will prove a key asset to the organisation in the years ahead.

The Association achieved Investors In People Silver Award in recognition of our commitment to safeguarding the well-being and development of our staff. This award is welcomed as it demonstrates that we are continually improving the working environment and maintaining a motivated team. Staff were given funded places to fulfil further education opportunities via open learning courses. Our pay scales were fully aligned to the Living Wage and it is our intention to apply for accreditation, in recognition of this, in the forthcoming year.

Our aim to invest in worthwhile community projects continues, as we agreed to work with Forgewood Housing Co-operative Ltd in a joint venture aimed at reducing social isolation amongst our tenants in Forgewood and surrounding areas. Our newly established sponsorship scheme for apprenticeships is growing in strength and popularity through the creation of a new partnership with New College Lanarkshire to identify and help fund employment opportunities for young people.

Some of our other notable achievements during the year were as follows:

- Continued upgrade of digital systems via the launch of our new website in readiness for Tenant Portal and implementation of new software for Strategic and Financial Planning;
- Restriction of the rent increase, as a result of tenant feedback, to 3.2%;
- Establishing a Membership Sub Committee to oversee welfare and recruitment of Committee members;
- Partnership working with a range of organisations to help the most vulnerable cope with the impact of welfare reform;
- Investing and improving your homes with over £880,000 spent on new components to our housing stock;
- Progressing towards meeting the 2020 Energy Efficiency Standard for Social Housing (EESHS);
- Successfully tendered for external audit services to achieve value for money and improved governance; and
- Excellent financial results which demonstrate the strength of our business.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Objectives and Strategy (continued)

The continuing success of the Association is a credit not only to the staff, but the tireless work of the Management Committee. We would like to thank them for their considerable efforts in serving not only the Association but making a valuable contribution to the wider community.

Housing Management

Our revised Annual Performance Report, received approval from tenants, owners and our tenant focus group, with the report providing customers with clear details of our performance in key areas.

The undernoted table shows how our performance in several areas compares to the previous year as well as providing a comparison with the Scottish average in relation to the Scottish Government's Social Housing Charter (the 'Charter'). The Charter came into force in 2012 and it sets out the standards and outcomes that social landlords should achieve, with social landlords required to submit performance information to the Scottish Housing Regulator via an Annual Return on the Charter (ARC).

ARC Performance Indicators	31 March 2018	31 March 2019	RSL Average*	Performance Outcome
Average relet time	15.3 days	16.0 days	30.7 days	✓
% of rent lost through properties being empty	0.3%	0.3%	0.7%	✓
Rent collected as % of total rent due	99.6%	100.2%	99.4%	✓
Average weekly rent rise	1.0%	3.2%	2.8%	✓

* Source - The Scottish Housing Regulator's Landlord Report on the Scottish Social Housing Charter, March 2018 and ARC return for 2018/19.

It can be seen from the table that the Association performance is above the Scottish average in all areas. The table also shows areas where our performance has improved from the previous year.

Welfare Reform

The Government's Welfare Reform agenda is being implemented within both North and South Lanarkshire, providing particular challenges for the Association with tenancy sustainability, affordability and rent collection. We promote positive communication and engagement with tenants to help them through this process.

Success for the AFTAR Project

The AFTAR project continues to deliver an excellent partnership service in conjunction with Motherwell and Wishaw Citizens Advice Bureau. The project offers residents free and impartial advice on a range of issues including money management, debt and welfare benefits advice, energy advice and digital inclusion, with the project currently funded until 2019.

Services include:

Energy Advice - the energy advisor provides advice on energy efficiency, energy saving tips and helps tenant's access cheaper fuel tariffs.

Computer Training - is available every week in our office, with demand for the service remaining high following the roll out of the full digital service Universal Credit system in April 2018.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Housing Management (continued)

Value for Money – Delivering Affordable Rents

Following consultation with our Tenants' Focus Group, we issued a new information leaflet this year, entitled 'Delivering Affordable Rents' to support our commitment to providing good value for money for our customers. Prudent financial planning, together with informed financial and operational decisions, means we spend money wisely and look for ways to reduce expenditure through efficiencies whilst ensuring excellent service standards are maintained.

The Charter requires landlords to seek feedback from our tenants on their rent and we gather this information in our three yearly Tenant Satisfaction Survey and the annual rent review consultation process.

As part of our 2018 Tenant Satisfaction Survey, tenants were asked:

"Taking into account the accommodation and the services Lanarkshire Housing Association provides, do you think that the rent for this property represents good or poor value for money?"

In response to this question, 90.3% of tenants felt the rent for their property represents good value for money compared to the Scottish average of 83.8%. This is an improvement of 23% since the 2015 Tenant Satisfaction Survey.

Feedback of our 2018 rent review consultation confirmed the following:

- 86.8% tenants submitting a response confirmed the proposed rent level was either very good or fairly good;
- 13.2% respondents consider the rent level to be neither good/nor poor, fairly poor or very poor.

Following an appraisal of the rent consultation, the governing body decided to restrict the rent increase to 3.2% for the current year.

Relet Performance

Empty homes do not generate rental income and we therefore aim to minimise the time between a tenancy ending and a new tenant moving in. Our benchmark target is 18 days to relet a void property and 0.80% void rent loss as a result of empty homes. Most of our properties are in high demand and this year performance in allocating void properties was recorded at 16 days, which remains below our internal benchmark target. During 2018/19 we allocated 70 properties, which included two new property acquisitions leaving our housing stock total at 967 properties.

Tenant Engagement

We are committed to improving engagement with customers, with the Tenants' Focus Group now well developed and successful. Membership of the group provides clear access to our decision-making process, offering an opportunity for customers to shape services to meet their needs. This valuable engagement addressed a number of service delivery areas this year, including evaluation of our revised Annual Charter Performance Report and the rent review/rent setting process.

Tenant Satisfaction

We are required by the Scottish Housing Regulator to have robust systems in place to test the delivery of service to our customers and identify any areas which do not achieve our high standards. Against this background, we commissioned an independent Tenant Satisfaction Survey in June 2018, to establish tenant views in a number of areas.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Housing Management (continued)

Some key aspects of the Tenant Satisfaction Survey results were as noted below:

- 95% of tenants are satisfied with the overall service provided, compared to the Scottish average of 92%;
- 98% of tenants think we are good at keeping them informed about our services & decisions, compared to the Scottish average of 94%;
- 99% are satisfied with opportunities given to participate in our decision making processes, compared to the Scottish average of 88%;
- 90% are satisfied with the quality of their home overall, compared to the Scottish average of 89%;
- 93% are satisfied with the management of the neighbourhood they live in, compared to the Scottish average of 89%;

Whilst we were generally happy with the overall results, again we will continue to achieve improvements - particularly where these are below the Scottish average.

Owners Survey

As a Registered Factor, we seek owners' views on their satisfaction with the factoring service provided and our 2018 survey allows us to identify areas of strong performance, as well as those needing improvement.

The survey asked:

"Taking everything into account, how satisfied or dissatisfied are you with the factoring service provided by Lanarkshire Housing Association?"

90% of owners are satisfied with the property management service provided, which compares well to the Scottish average of 68%.

A further owner's survey will be undertaken in 2021.

Modernising our Information and Communication Technology (ICT) System

Our information technology systems continue to be developed, with texting and the Customer Relationship Management (CRM) system now in place. Mobile working is being developed to support staff and allow them immediate access to the rent and repair systems whilst working in the community. Our website has been redesigned in readiness for the introduction of a Tenant Portal in the forthcoming year.

Maintenance and Repairs

Repair Service

Throughout the year we aimed to provide tenants with a first class repairs service by setting challenging response times and targets. Tenants' homes are well maintained, with repairs and improvements carried out as required and our customers are given reasonable choice about when work is done.

Performance Report

During 2018/19 we completed 2,461 reactive repairs.

In monitoring our response times across categories of repairs, we achieved an excellent level of performance as outlined in the table below:

Repair Category	Average Response Times Achieved	Scottish Average*	Performance Outcome
Emergency	1.2 Hours	3.0 Hours	✓
Non-Emergency	2.9 Days	5.3 Days	✓
Repairs Completed 'Right First Time'	98.9%	92.0%	✓

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Maintenance and Repairs (continued)

Customer Satisfaction with our Repair Service

To ensure compliance with the Scottish Social Housing Charter, we consistently check the quality of the repairs and maintenance service provided to tenants. As part of the 2018 Tenant Satisfaction Survey our maintenance service was assessed for customer satisfaction in key service areas in order to identify strengths and weaknesses.

Tenants were asked:

"Thinking about the LAST time you had repairs or maintenance carried out, how satisfied or dissatisfied were you with the repairs and maintenance service provided by your landlord?"

95% of tenants said they were satisfied with the last repair to their home (this is above the Scottish average of 92%).

Throughout the year we also asked tenants to provide feedback on each reactive repair carried out, using a freepost repairs satisfaction feedback postcard. This year 96% of tenants were satisfied with the repair service.

Furthermore, we also received the following results when we asked:

"How satisfied or dissatisfied are you with our Repair Appointment System?"

100% of tenants were satisfied with our appointment system for repairs and we kept 100% of appointments made.

"Have you used our out of hours emergency repair service in the last year?"

25% confirmed they had used the service, with 92% of tenants happy with the service provided.

Annual Gas Safety Checks

To make sure that our properties are safe and comply with legislation, a 10 monthly cycle of Gas Safety servicing was undertaken to our 769 gas properties. The most recent programme had 100% of the scheduled work to the properties completed within the required timescale.

Capital Investment

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. 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. A stock condition survey in 2016 informed a subsequent review of our life cycle costing programme in 2017, effectively bringing these plans up to date. Both exercises were carried out independently by Brown and Wallace Construction Consultants, who noted that our stock is generally well maintained with previous programmes of major replacements having been undertaken.

Having already achieved the Scottish Housing Quality Standard, the Scottish Government's main measure of housing quality, our focus during the year was on completing significant bathroom and kitchen replacement programmes. In Bellshill Town Centre and across 4 areas of Motherwell a total of 79 bathrooms were replaced; and 56 kitchens were replaced in School View, Motherwell and in 2 areas of Bellshill. We also started the replacement of all bathrooms in the Forgewood Estate, Motherwell and at Stevenston Court, New Stevenston; and placed an order for gas infrastructure work in the Watling Street Estate, Motherwell.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Maintenance and Repairs (continued)

Capital Investment (continued)

We have completed all the improvements possible for meeting the Energy Efficiency Standard for Social Housing, which aims to reduce energy consumption, fuel poverty and the emission of greenhouse gases in Scotland, by raising all social housing to minimum standards by 2020. Currently 98.8% of our stock is compliant, with work only not carried out in properties which are exempt because access to complete it has been refused.

The end of the year saw us preparing for further planned maintenance work that will be carried out in 2019-20; expected to include heating and kitchen replacements throughout the Watling Street Estate in Motherwell.

With respect to the Association's overall housing stock we were able to slightly increase our number of units as a result of the purchasing strategy enabling the acquisition of resale properties on the open market. Two units were purchased in the year as well as a shared ownership unit being bought back. This strategy has been effective and will continue in the next financial year.

Additionally, the Association is undertaking a Feasibility Exercise in order to assess the financial viability of recommencing a new build development programme and explore the availability of suitable sites within the Association's area of operation. The outcome of this exercise will help shape the Association's development strategy for the future.

Finance Review

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. This planning process for 2018/19 identified the resources required to meet the immediate business priorities with the principal financial highlights of the year detailed below:-

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. This planning process for 2018/19 identified the resources required to meet the immediate business priorities with the principal financial highlights of the year detailed below:-

- Total investment amounting to £880,744 in component replacements were made. This expenditure saw the replacement of kitchens and bathrooms in 211 units throughout Motherwell, Bellshill and New Stevenson;
- Activity in our property acquisition strategy has been maintained with a further three units purchased at a cost of £180,000;
- Our conference suite and reception area at Head Office in Motherwell was refurbished at a cost of £100,000 incorporating improved disabled access and new audio visual equipment;
- Part of the loan portfolio was refinanced resulting in the strengthening of the rate mix between fixed and variable terms and reducing debt servicing costs;
- Further investment of £14,000 in IT systems continued with new software installed to generate improvements in both Component Accounting and Call Resource Management. This will benefit the management of the housing stock and provide greater flexibility in communicating with tenants and customers respectively; and
- An average weekly rent increase of £2.18 per house was applied in April 2018.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Financial Performance

Effective management in rental collection saw our total turnover surpass £4m for the first time. £3.87m was collected in housing rents, whilst a further £113k and £50k was received in respect of services charges and commercial rents. The release of capital grants along with grants for disabled adaptations amounted to £23k.

As part of our commitment towards delivering Value For Money, a full budget review and cost monitoring exercise was undertaken during the year to measure the effectiveness for all service areas, resulting in cost avoidance initiatives being introduced and some areas being identified for tendering in the next financial year.

The ruling in the Association's favour in the lead case in the Watling Street land contamination litigation and the subsequent award of costs has resulted in the recovery of £286,000. Whilst the litigation has not yet fully concluded, the recovery of these expenses alleviates the final pressure on the operating costs and with reduced activity on the court action, legal expenses should reduce in the forthcoming year.

As a result of the above, a surplus of £667,670 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.

Governance

Governing Document

The Association is a registered social landlord and is thus registered with The Scottish Housing Regulator and is also registered with the Financial Conduct Authority. It is also a registered charity with OSCR.

Recruitments and Appointment of the Management Committee

At the Annual General Meeting in accordance with the rules of the Association, Mr J McNally, Ms J Mitchell, Ms M Tougher and Ms C Blyth retire by rotation and they all offer themselves for re-election.

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.

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 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Governance (continued)

Organisational Structure

The Association has a Management Committee of 9 members and 3 vacancies currently exists. 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 and Housing 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

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their personal advantage. Transactions with Management Committee members are included in note 29.

Related party transactions with Lanarkshire Initiatives Limited, the Association's fully owned subsidiary, can be found at note 29.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Statement on Internal Financial Controls

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

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Any significant variance from budget is investigated as appropriate;
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as its internal auditor with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Corporate Governance and Finance Sub-Committee;
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR YEAR ENDED 31 MARCH 2019

Auditor

A formal tender process took place in respect of the external audit for 2019/20 with Scott-Moncrieff being successful.

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

Disclosure of Information to the Auditor

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

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

The report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 18 June 2019.

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 2019

Opinion

We have audited the financial statements of Lanarkshire Housing Association Limited (the 'Association') for the year ended 31 March 2019 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 a summary of 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 2019 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 Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 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 United Kingdom, including the Financial Reporting Council'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

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

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

Other information

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

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

We have nothing to report in this regard.

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 2019

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 2019, 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 where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

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

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 8 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 are 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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 2019

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.

Scott-Moncrieff, Statutory Auditor

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

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 18 June 2019

LANARKSHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF LANARKSHIRE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the financial statements, we have reviewed your Statement on Internal Financial Controls on page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 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, your Statement on Internal Financial Controls on page 9 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

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

Date: 18 June 2019

LANARKSHIRE HOUSING ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £	2018 £
Turnover	4	4,050,543	3,871,996
Less: Operating expenditure	4	<u>(3,396,757)</u>	<u>(3,030,122)</u>
Operating surplus	4	653,786	841,874
Loss on disposal of property, plant and equipment		-	(23,310)
Interest receivable	10	10,389	8,508
Interest and financing costs	11	(283,505)	(332,265)
Award for recovery of legal fees	30	286,000	
Surplus before taxation		666,670	494,807
Taxation	12		
Surplus for the year		666,670	494,807
Other Comprehensive Income			
Actuarial gain in respect of the pension scheme	24	12,000	2,296,000
Total Comprehensive Income for the year		<u>678,670</u>	<u>2,790,807</u>

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 2019**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2018	96	19,139,648	19,139,744
Total Comprehensive Income	-	678,670	678,670
Issue of share capital	6	-	6
Cancellation of shares	(12)	-	(12)
Balance at 31 March 2019	<u>90</u>	<u>19,818,318</u>	<u>19,818,408</u>

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2018**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2017	98	16,348,841	16,348,939
Total Comprehensive Income	-	2,790,807	2,790,807
Issue of share capital	2	-	2
Cancellation of shares	(4)	-	(4)
Balance at 31 March 2018	<u>96</u>	<u>19,139,648</u>	<u>19,139,744</u>

The notes form part of these financial statements.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 £	2018 £
Fixed Assets			
Housing properties	13	28,073,995	27,717,621
Other fixed assets	13	928,533	842,363
		29,002,528	28,559,984
Investment in subsidiary	16	2	2
		29,002,530	28,559,986
Current assets			
Stocks		4,303	4,103
Debtors	17	532,174	262,371
Cash and cash equivalents	18a	860,572	1,300,311
Investments	18b	1,173,373	1,165,795
		2,570,422	2,732,580
Creditors: amounts falling due within one year	19	(1,473,563)	(1,552,520)
Net current assets		1,096,859	1,180,060
Total assets less current liabilities		30,099,389	29,740,046
Creditors: amounts falling due after more than one year	20	(9,166,981)	(9,592,302)
Retirement benefit scheme deficit	24	(1,114,000)	(1,008,000)
Net assets		19,818,408	19,139,744
Capital and reserves			
Share capital	23	90	96
Revenue reserve		19,818,318	19,139,648
		19,818,408	19,139,744

The financial statements were authorised for issue by the Management Committee on 18 June 2019 and signed on its behalf by:

Fiona Tonner Chair

Catriona Blyth Secretary

John Glenny Treasurer

The notes form part of these financial statements.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
Net cash generated from operating activities	28	<u>1,715,494</u>	<u>1,395,039</u>
Cash flow from investing activities			
Purchase of housing properties		(1,060,744)	(832,653)
Purchase of other fixed assets		(104,242)	(6,819)
Proceeds from sale of housing properties		-	64,936
Government capital grants received		35,763	28,856
Repayment of government capital grants		(255,820)	(64,936)
Interest received		10,389	8,508
		<u>(1,374,654)</u>	<u>(802,108)</u>
Cash flow from financing activities			
Interest paid		(254,505)	(250,265)
Repayment of borrowings		(518,502)	(950,210)
Issue of share capital		6	2
Increase in investments in deposit accounts		(7,578)	(7,838)
		<u>(780,579)</u>	<u>(1,208,311)</u>
Net change in cash and cash equivalents		<u>(439,739)</u>	<u>(615,380)</u>
Cash and cash equivalents at 1 April		<u>1,300,311</u>	<u>1,915,691</u>
Cash and cash equivalents at 31 March		<u><u>860,572</u></u>	<u><u>1,300,311</u></u>

The notes form part of these financial statements.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. 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 2019. 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 2019, 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 2019 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. 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 2020 and the year to 31 March 2021. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies (continued)

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 24)

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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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.

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.

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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Estimate

Valuation of housing properties

Useful lives of property, plant and equipment

The main components of housing properties

Recoverable amount of rental and other trade receivables

The obligations under the Strathclyde pension scheme

The allocation of costs for shared ownership

The valuation of investment property

Basis of estimation

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.

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 cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.

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.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

The investment property was 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 2019**

4. Particulars of turnover, operating expenditure and operating surplus

	2019			2018		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
Income and Expenditure From lettings						
Social Lettings (Note 5)	3,987,872	(3,340,301)	647,571	3,812,500	(2,974,679)	837,821
Other activities (Note 6)	62,671	(56,456)	6,215	59,496	(55,443)	4,053
	<u>4,050,543</u>	<u>(3,396,757)</u>	<u>653,786</u>	<u>3,871,996</u>	<u>(3,030,122)</u>	<u>841,874</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2019 Total £	2018 Total £
Income from rent and service charges					
Rent receivable net of service charges	3,409,942	355,287	99,543	3,864,772	3,681,872
Service charges	101,722	11,302	-	113,024	126,787
	<u>3,511,664</u>	<u>366,589</u>	<u>99,543</u>	<u>3,977,796</u>	<u>3,808,659</u>
Gross income from rents and service charges					
Less voids	(12,530)	-	-	(12,530)	(8,735)
	<u>3,499,134</u>	<u>366,589</u>	<u>99,543</u>	<u>3,965,266</u>	<u>3,799,924</u>
Net income from rents and service charges					
Release of deferred government capital grants	-	11,478	-	11,478	9,690
Other revenue grants	-	11,128	-	11,128	2,866
	<u>3,499,134</u>	<u>389,195</u>	<u>99,543</u>	<u>3,987,872</u>	<u>3,812,500</u>
Total turnover from social letting activities					
Expenditure					
Management and maintenance administration costs	(1,554,089)	(190,015)	(38,003)	(1,782,107)	(1,677,686)
Service charges	(106,009)	(12,047)	(2,409)	(120,465)	(112,700)
Planned cyclical maintenance including major repairs	(246,190)	(27,976)	-	(274,166)	(226,977)
Reactive maintenance costs	(302,890)	(34,419)	-	(337,309)	(313,978)
Bad debts – rents and service charges	(28,119)	-	-	(28,119)	(5,929)
Depreciation of social housing	(624,952)	(56,897)	(22,521)	(704,370)	(598,251)
Impairment of social housing	-	-	-	-	-
Exceptional costs* - legal fees	(93,765)	-	-	(93,765)	(39,158)
	<u>(2,956,014)</u>	<u>(321,354)</u>	<u>(62,933)</u>	<u>(3,340,301)</u>	<u>(2,974,679)</u>
Operating costs for social letting activities					
	<u>543,120</u>	<u>67,841</u>	<u>36,610</u>	<u>647,571</u>	
Operating surplus on letting activities, 2019					
	<u>751,462</u>	<u>69,379</u>	<u>16,980</u>		<u>837,821</u>
Operating surplus on letting activities, 2018					

* These exceptional costs are legal fees incurred in regard to the ongoing legal case in respect of Watling Street – please see note 30.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	2019 Total Turnover £	2018 Total Turnover £	Operating costs - bad debts £	Other operating costs £	2019 Operating surplus £	2018 Operating surplus £
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	5,989	5,989	5,946	-	(5,646)	343	402
The Energy Trust Grant	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	6,689	6,689	4,447	-	(6,210)	479	566
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	-	-	-	49,993	49,993	49,103	-	(44,600)	5,393	3,085
Total from other activities, 2019	-	-	-	62,761	62,761		-	(56,456)	6,215	
Total from other activities, 2018	-	-	-	59,496		59,496	-	(55,443)		4,053

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 2019**

7. Employees

	2019	2018
	£	£
Staff costs (including Directors' Emoluments) consist of:		
Wages and salaries	884,474	833,946
Social security costs	94,076	86,913
Pension costs	199,630	151,796
Defined benefit pension adjustment (Note 24)	89,000	154,000
	<u>1,267,180</u>	<u>1,226,655</u>

	2019	2018
	Number	Number
The number of full time equivalents employed by the Association during the year was:	<u>20</u>	<u>20</u>

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 (2018: £nil).

	2019	2018
	£	£
Emoluments of the current Chief Executive (excluding pension contributions)	<u>85,693</u>	<u>82,450</u>

The Association's pension contribution for the Chief Executive in the year amounted to £18,879 (2018: £14,421).

Numbers of Directors whose emoluments (excluding pension contributions) exceed £60,000 during the year were as follows:-	2019	2018
	Number	Number
£85,000 - £89,999	1	-
£80,000 - £84,999	-	1
£75,000 - £79,999	-	-
£70,000 - £74,999	-	1
£65,000 - £69,999	1	-
£60,000 - £64,999	6	5
	<u>8</u>	<u>7</u>
	£	£
Emoluments (excluding pension contributions) to those earning more than £60,000	<u>532,081</u>	<u>461,273</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

8. Directors' emoluments (continued)

Total pension contributions to directors whose emoluments exceeded £60,000 were £115,899 (2018: £78,258). 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	-	-

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 £592,403 (2018: £557,365). Pension contributions on behalf of the key management personnel amounted to £115,899 (2018: £84,644).

9. Auditor's remuneration

	2019 £	2018 £
The remuneration of the auditor for the year in respect of audit services (excluding VAT)	9,500	9,000
Amounts paid to the auditor by the Association in respect of non-audit services (excluding VAT)	250	250

10. Interest receivable

	2019 £	2018 £
Bank interest	10,389	8,509

11. Interest payable and similar charges

	2019 £	2018 £
Bank loans	254,505	250,265
Defined benefit pension adjustment (Note 24)	29,000	82,000
	283,505	332,265

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
FOR THE YEAR ENDED 31 MARCH 2019

13. Tangible fixed assets	Housing properties held for letting £	Completed shared ownership housing properties £	Office premises £	Motor vehicles £	Computer equipment, office equipment & furniture and fittings £	Investment properties - Commercial properties £	Total £
Cost or valuation							
At 1 April 2018	28,228,603	1,416,556	607,534	14,136	73,698	455,000	30,795,527
Additions – housing units	180,000	-	-	-	-	-	180,000
Additions – components	880,744	-	-	-	-	-	880,744
Additions – other fixed assets	-	-	51,330	-	52,912	-	104,242
Disposals – housing units	-	-	-	-	-	-	-
Disposals – components	(149,124)	-	-	-	-	-	(149,124)
Disposals – other fixed assets	-	-	-	(14,136)	(9,809)	-	(23,945)
Transfers	26,690	(26,690)	-	-	-	-	-
At 31 March 2019	29,166,913	1,389,866	658,864	-	116,801	455,000	31,787,444
Depreciation							
At 1 April 2018	1,836,881	90,657	236,264	14,136	57,605	-	2,235,543
Provided for year	557,588	22,521	11,390	-	6,682	-	598,181
Disposals – housing units	-	-	-	-	-	-	-
Disposals – components	(24,863)	-	-	-	-	-	(24,863)
Disposals – other fixed assets	-	-	-	(14,136)	(9,809)	-	(23,945)
Transfers	1,993	(1,993)	-	-	-	-	-
At 31 March 2019	2,371,599	111,185	247,654	-	54,478	-	2,784,916
Net Book Value							
At 31 March 2019	26,795,314	1,278,681	411,210	-	62,323	455,000	29,002,528
At 31 March 2018	26,391,722	1,325,899	371,270	-	16,093	455,000	28,559,984

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

13. Tangible fixed assets (continued)

The depreciation charge for housing stock in the year was £580,159 (2018: £531,681). The net book value of disposed components was £124,261 (2018: £66,570) 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 £704,370 (2018: £598,251).

Additions to housing property include no capitalised interest (2018: £nil) and no capitalised administration costs (2018: £nil). All housing properties are freehold. Properties with a cost of £nil (2018: £24,237) and accumulated depreciation of £nil (2018: £927) have been disposed in the year for net proceeds of £nil after grant repaid of £nil (2018: £64,936 after grant repaid of £64,936).

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 March 2016 (by Jones Lang LaSalle Limited) which is considered to be reflective of the fair value as at 31 March 2019 by the Management Committee.

As at 31 March 2019, housing properties used as security for existing loans reported a net book value of £18,598,560.

14. Housing stock

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

	2019	2018
General Needs Housing	836	833
Supported Housing Accommodation	87	87
Shared Ownership Accommodation	44	45
	<u>967</u>	<u>965</u>

15. Commercial units

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

	2019	2018
Commercial Units	<u>7</u>	<u>7</u>

16. Investments

	2019 £	2018 £
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 2019, Lanarkshire Initiatives Limited made a loss after taxation of £1,055 (2018: loss of £774). At 31 March 2019, Lanarkshire Initiatives Limited had net assets of £3,600 (2018: £4,655).

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

17. Debtors	2019 £	2018 £
Gross rent and service charges	119,944	129,003
Less: Bad debt provision	(34,218)	(27,193)
	85,726	101,810
Other debtors	250,557	116,353
Prepayments and accrued income	195,891	44,208
	532,174	262,371

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

18a. Cash and cash equivalents	2019 £	2018 £
Cash at bank and in hand	860,572	1,300,311

18b. Investments	2019 £	2018 £
Balances held in deposit accounts	1,173,373	1,165,795

19. Creditors: amounts falling due within one year	2019 £	2018 £
Bank loans	522,750	578,207
Trade creditors	324,438	121,680
Rental advances	87,089	71,855
Other taxes and social security	25,911	26,127
Contract retentions	49,299	35,544
Accruals and deferred income	68,283	56,017
Other creditors	117,306	114,239
Amounts due to subsidiary	4,124	5,229
Amounts due to the Scottish Government	262,885	518,705
Deferred capital grants (see note 21)	11,478	24,917
	1,473,563	1,552,520

Included in accruals is £21,973 of outstanding pension contributions (2018: £17,643).

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

20. Creditors: amounts falling due after more than one year	2019 £	2018 £
Deferred capital grants (see note 21)	348,198	310,474
Bank loans	8,818,783	9,281,828
	9,166,981	9,592,302

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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

Bank loans are split:	2019 £	2018 £
Due between one and two years	513,871	578,207
Due between two and five years	1,508,294	1,734,622
Due in five years or more	6,796,618	6,968,999
	<u>8,818,783</u>	<u>9,281,828</u>

The loans from the Bank of Scotland together with any bank overdraft are secured by standard securities over the properties on which the loans were granted. The loans from Lloyds Bank plc are secured by first legal charge over the properties on which the loans were granted. The loans from 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 the Lloyds Bank plc are repayable on a monthly basis over 30 years inclusive of interest, which are either fixed at 4.4% or at a rate of 0.60% above bank base rate per annum.

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

	2019 £	2018 £
Balance at 1 April 2018	335,391	316,225
Additional capital grant received	35,763	28,856
Released to Statement of Comprehensive Income	(11,478)	(9,690)
Balance at 31 March 2019	<u>359,676</u>	<u>335,391</u>
Due:		
< 1 year	11,478	24,917
1-2 years	11,478	24,917
2-5 years	34,434	74,751
>5 years	302,286	210,806
	<u>359,676</u>	<u>335,391</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

22. Financial instruments

	2019 £	2018 £
Financial assets		
Cash and cash equivalents	2,033,945	2,466,106
Financial assets measured at amortised cost	422,556	222,654
Financial liabilities		
Financial liabilities measured at amortised cost	10,167,868	10,711,448

Financial assets measured at amortised cost comprised rent arrears, other debtors and accrued income.

Financial liabilities measured at amortised cost comprised bank loans, trade creditors, contract retentions, accruals, other creditors, amounts due to subsidiary and amounts due to the Scottish Government.

No financial assets or financial liabilities are held at fair value.

23. Share capital and reserves	2019 £	2018 £
At start of year	96	98
Issued in year	6	2
Redeemed in year	(12)	(4)
At end of year	90	96

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.

24. 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 1/60th accrual scheme to a CARE 1/45th accrual scheme. The defined benefit scheme closed to new members on 01 April 2018, but remains open to existing members. During the year, the Association paid employer contributions at a rate of 23.5%. From 1 April 2019, the Association will pay contributions at a rate of 29.9%, plus service deficit payments of £7,000 per month.

An updated valuation of the Strathclyde Pension Fund was performed as at 31 March 2019.

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:

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

24. Pensions (continued)

Assumptions as at	31 March 2019	31 March 2018
Pension increases	2.35%	2.2%
Salary increases	2.35%	2.7%
Discount rate	2.60%	2.7%

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

Mortality	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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%	982
0.5% increase in the Salary Increase Rate	3%	251
0.5% increase in the Pension Increase Rate	8%	711

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

Net Pension Liability as at	31 March 2019 £000	31 March 2018 £000
Estimated Employer Assets (A)	7,468	6,905
Present Value of Scheme Liabilities	8,582	7,913
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	8,582	7,913
Net Pension Liability (A) – (B)	(1,114)	(1,008)

Analysis of the amount charged to operating profit:

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Service cost	299	305
Contributions	(210)	(151)
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge	89	154
Net Interest cost	29	82

LANARKSHIRE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

24. Pensions (continued)

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

	Year to 31 March 2019 £ 000	Year to 31 March 2018 £ 000
Actuarial gain/(loss) recognised as other comprehensive income	12	2,296
	Year to 31 March 2019 £ 000	Year to 31 March 2018 £ 000
Deficit in scheme at beginning of year	(1,008)	(3,068)
Current service cost	(299)	(305)
Employer contributions	210	151
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net interest cost	(29)	(82)
Actuarial gain/(loss)	12	2,296
Deficit at end of year	(1,114)	(1,008)

25. 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.

26. Commitments – capital and repairs

As at 31 March 2019, the Association had commitments in respect of capital and repairs work of:

	2019 £	2018 £
Commitment	681,388	174,295
To be funded by: The Association's reserves	681,388	174,295
Approved but not contracted for	Nil	Nil

LANARKSHIRE HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019****27. Commitments under operating leases**

As at 31 March 2019 the Association had total commitments under non-cancellable operating leases as set out below:-

	2019 £	2018 £
Operating leases which expire:		
Within one year	30,562	27,607
Between one and two years	15,081	18,652
In two to five years	7,288	3,171
	<u>52,931</u>	<u>49,430</u>

28. Net cash flow generated from operating activities

	2019 £	2018 £
Surplus for the year	666,670	494,807
<u>Adjustments for non cash items:</u>		
Carrying amount of tangible fixed asset disposals	-	23,310
Depreciation of tangible fixed assets (including loss on disposal of components)	722,442	617,660
(Increase)/decrease in stocks	(200)	1,062
(Increase) in debtors	(269,803)	(22,477)
Increase/(decrease) in creditors	245,759	(122,450)
Proceeds from sale of tangible fixed assets	-	(64,936)
Release of deferred Government Capital Grant	(11,478)	(9,690)
Non cash movement relating to pension liability	118,000	236,000
Forfeited share capital	(12)	(4)
<u>Adjustments for investing and financing activities:</u>		
Interest received	(10,389)	(8,508)
Interest payable	254,505	250,265
Net cash generated from operating activities	<u>1,715,494</u>	<u>1,395,039</u>

29. 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 £208 (2018: £152) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £1,313 (2018: £713) 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 2019 was £4,124 (2018: £5,229) and is included in creditors.

The Association has Management Committee members who are also tenants. The total rent received in the year relating to tenant Management Committee members is £4,317 (2018: £8,033). The total rent arrears relating to tenant Management Committee members included within debtors at the year-end is £nil (2018: £Nil).

LANARKSHIRE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

30. 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 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.

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 2018.

The Association was awarded £286,000 (2018: £nil) of costs against the pursuers of which £236,000 is outstanding at the year-end and is included within other debtors (2018: £nil).

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 can however be subject to appeal and the pursuers have intimated that they intend to lodge such an appeal.