

**Langstane Housing Association**  
**Report and Financial Statements**  
**For the year ended 31 March 2020**

**Registered Housing Association No. HAL145**

**FCA Reference No. 1916RS**

**Scottish Charity No. SC011754**

**Langstane Housing Association**

**Report and Financial Statements  
For the year ended 31 March 2020**

<b>CONTENTS</b>	<b>PAGE</b>
COMPANY INFORMATION	1
REPORT OF THE BOARD OF MANAGEMENT	2-8
INDEPENDENT AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS	9
INDEPENDENT AUDITOR'S REPORT	10-11
STATEMENT OF COMPREHENSIVE INCOME	12
STATEMENT OF FINANCIAL POSITION	13
STATEMENT OF CASH FLOWS	14
STATEMENT OF CHANGES IN RESERVES	15
NOTES TO THE FINANCIAL STATEMENTS	16-32

## Langstane Housing Association

### Company Information

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#### Board of Management

Mr J Knowles	Chairperson
Ms J Greener	Treasurer
Mr K Hutchens	Convenor of the Audit Committee
Mr C Lynch	
Mr I Jamieson	
Ms S Stephenson	Resigned 16/09/2019
Mr R Stewart	Resigned 5/11/2019
Mr J Marshall	
Mr M Martin	
Mr J Drummond	
Mr K McIntosh	
Ms A Stevenson	Appointed 16/09/19
Mr J Fraser	

#### Key Management Personnel

Helen Gauld	Chief Executive
Judith Sutherland	Director of Housing
Lynne Macfarlan	Director of Finance and Corporate Services
Marcie Balance	Director of Asset Management

#### Registered Office

680 King Street  
Aberdeen  
AB24 1SL

#### External Auditor

RSM UK Audit LLP  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
Scotland  
EH3 9QG

#### Internal Auditor

Quinn Internal Audit Services Ltd  
55 Lady Place  
Livingston  
West Lothian  
Scotland  
EH54 6TB

#### Bankers

Royal Bank of Scotland Aberdeen Queen's Cross Branch 40 Albyn Place AB10 1YN	Lloyds Banking Group 25 Gresham Street London EC2V 7HN	Santander Business Banking Santander House 100 Ludgate House London EC4M 7RE
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#### Solicitors

Harper MacLeod LLP The Ca'd'oro 45 Gordon Street G1 3PE	BTO Solicitors LLP 48 St Vincent Street Glasgow G2 5HS	TC Young LLP 7 West George Street Glasgow G2 1BA
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## **Langstane Housing Association**

### **Report of the Board of Management For the year ended 31 March 2020**

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The Board of Management presents their report and audited financial statements for the year ended 31 March 2020.

Langstane Housing Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No: 1916R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity No: SCO011754, a registered Property Factor No. PF 000688, and a registered Scottish Letting Agent No. LARN2001005.

#### **Principal activities**

The principal activity of Langstane Housing Association is the provision and management of affordable rented accommodation. Langstane Housing Association has a portfolio of 2,886 self contained homes, 6 hostels, 9 commercial units, 59 shared ownership homes, and manages 14 lead tenancies.

Operating in the North East of Scotland for over 40 years, Langstane is embedded in the Seaton community and heavily involved with support agencies across all three local authority areas (Aberdeen, Aberdeenshire and Moray).

#### **Subsidiaries**

Langstane has four wholly owned subsidiary companies. They are all non-charitable companies limited by shares with the exception of Stockethill Homes Limited which is limited by guarantee. These are:

- Langstane Property Limited
- Stockethill Homes Limited
- Langstane Development Limited – currently dormant
- Langstane Maintenance Limited – currently dormant

Stockethill Homes Limited undertook mid-market rental activities until 1 March 2020 when Langstane Property Limited took over these activities. Stockethill Homes Limited will be dormant going forward.

Langstane Housing Association and its subsidiary companies are known informally as the Langstane Group.

#### **Mission, vision and values**

Langstane's vision is to "be the best we can be" to achieve the stated mission of providing homes and services that make a positive difference to people's lives. The Group's principal area of operation continues to be Aberdeen City, together with Aberdeenshire and Moray.

To achieve its vision, Langstane will continue to invest in:

- our customers
- our people
- our homes
- our organisation, and
- our communities.

A five year business plan sets out how the Association and its subsidiary companies will prioritise its activities year on year. The plan is designed to ensure Langstane's strategy, policy, and services are delivered in accordance with its overall ambition and goals; sufficient resources are in place to achieve such agreed ambitions and goals; and risks are identified, recorded and mitigated.

Taking forward learning points from 2019-2020, Langstane is committed to developing and improving its governance and financial management standards in pursuit of delivering excellent customer focused services whilst adapting to changing circumstances, needs and expectations. The Group will deliver its services within a culture of continuous improvement.

#### **Corporate governance**

Langstane's voluntary Board of Management is elected by members of the Association. It is the Board's responsibility to provide strategic direction, to set the policies and overall direction taken.

Langstane's governance structure consists of one permanent sub Committee which is the Audit and Financial Management Committee. In addition, ad hoc sub Committees are set up to deal with specific matters. In 2019 a Governance and Financial Management Recovery Committee was created to ensure compliance with the Scottish Housing Regulator's governance and financial management standards. This Committee now oversees the Group's business improvement activities and monitors the impact of Covid-19.

Training and support is provided to governing body members to ensure the overall governance standards remain high and in keeping with regulatory requirements.

## Langstane Housing Association

### Report of the Board of Management For the year ended 31 March 2020

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#### Review of business and future developments (continued)

##### a) Overview

Financial year 2019/20 has seen the Association strengthen its governance and financial management practices and embed an improved performance framework. A business recovery plan was achieved which has been a key tool in moving towards full regulatory compliance in conjunction with an internal management plan which focusses on delivering our business plan objectives.

Looking ahead to financial year 20/21 we are following a continuous business improvement plan and consider ourselves to be fully compliant with regulatory standards.

##### b) Operational Performance

###### Housing

A focus continues to be on reducing current rent arrears by early intervention and the provision of advice and information particularly around welfare benefits. This saw an improved position at year end in terms of arrears collection. Work also continues to reduce former tenant debt.

While Covid-19 impacted slightly on the rent lost because of the restrictions on allocating vacancies at year end, following a review and implementing improved processes during the year, the overall re-let time has greatly improved.

###### Annual Assurance Statement

From April 2019 all social landlords are required to make an Annual Assurance Statement to the Scottish Housing Regulator regarding their compliance with regulatory governance and financial management standards. This annual statement is a way for boards and committees to assure themselves and their service users they comply with regulatory requirements or disclose areas where improvements are required. Langstane submitted its first Annual Assurance Statement by the deadline of 31 October 2019.

A statement of material compliance was made by the Board of Management whilst accepting that areas of improvement were required, and these were subsequently undertaken. Since then full compliance has been assessed although Langstane acknowledges it is an ongoing journey of continuous improvement.

###### Customer engagement

The Association continues to promote a tenant led approach to service delivery and encourages engagement through a variety of methods including social media and focused consultations on a range of topics. Tenants who have registered to participate in specific areas of the Association's work continue to provide useful feedback as customer facing policies and working practices are reviewed. In particular tenants contributed to the creation of an all encompassing value for money statement which has now been published.

###### Communities

The Association continues to work closely with a number of agencies to build on the relationships currently in place. This partnership approach assisted greatly in sharing information and good practice during the pandemic. The Langstane Support Team received funding from a local community media company who work in seven regeneration areas of Aberdeen City to assist in supporting vulnerable tenants affected by isolation during this period.

###### Asset Management

During the year ended 31 March 2020 Langstane continued to invest in its properties to ensure they meet and exceed the required standards, in particular the Social Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH) which is required by December 2020.

The following were completed and paid for in 2019/20:

- 18 kitchens and 101 bathrooms;
- 62 full heating replacements and 66 radiator upgrades;
- 103 reactive boiler replacements;
- 38 fuel switches (changing electric systems to either gas or air source heat pumps);
- 707 electrical safety inspections to tenant's homes and 90 electrical safety inspections to communal areas;
- Decoration at 13 schemes;
- 2 major external works projects to upgrade pointing at 43 Union Street, Aberdeen and render at Culbert Street, Portsoy;
- Upgrade of smoke detectors to meet new Tolerable Standard at 600 properties;
- Servicing and maintenance activities (gas safety, asbestos surveying and sampling, legionella management, fire safety equipment servicing, lift servicing and maintenance, electrical safety, gutter clearing, play park safety inspections, fire risk assessments and servicing of disabled adaptation equipment); and
- 44 disabled adaptations (part funded by Scottish Government grant).

Fire safety continues to be a priority for Langstane and the housing sector as a whole. The new Tolerable Standard for smoke detection must be complied with by February 2021 and Langstane made good progress, completing 600 installations during the year. The work will continue in 2020/21 and once complete work will move to upgrading detection systems in communal areas.

## Langstane Housing Association

### Report of the Board of Management For the year ended 31 March 2020

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#### Review of business and future developments (continued)

##### b) Operational Performance (continued)

Alongside the smoke detection work, fireproof noticeboards have been installed in communal areas to allow safety notices and information posters to be displayed and updated evacuation procedures are being displayed in all communal blocks. This work will continue through 2020/21.

Fire risk assessments have also continued, focusing on higher risk properties that are over 4 storeys with 15 schemes being risk assessed in 2019/20 and remedial works carried out. The number of fire risk assessments to be carried out over coming years will increase substantially to ensure every scheme has been assessed by 31 March 2022.

##### Health and Safety

During 2019/20 Langstane reviewed the remit and membership of its Health & Safety Group. The Group meets quarterly and will continue to focus on ensuring the Association's Health & Safety Policy is adhered to at all times. The Health & Safety Group produced its first Annual Health and Safety Report at the end of 2019/20 summarising the main health and safety activities and achievements of the year.

##### Employee involvement

Langstane's policy is to be open and transparent and to discuss and consult with employees on all matters likely to affect employees' interests. Langstane encourages employee involvement in all initiatives and believes that training, career development and promotion opportunities should be available to all employees.

Langstane strives to afford equal opportunities to all individuals and support the guaranteed job interview scheme. This scheme guarantees an interview for applicants who have, or consider themselves to have, a disability and they meet the essential criteria for any post advertised.

The objective is for staff to regard Langstane as being a great place to work and the aim is to create a place where people are committed to the ethos of the Association, productive and effective by endorsing the following objectives:

**Leadership** : Managers are accessible and approachable. Staff can trust their manager to give them direction in the context of a bigger picture or agenda; to share responsibility for their team's performance and to include them appropriately.

**Communication** : Timely and relevant corporate communication flows effectively and consistently through the organisation, keeping our people updated, informed and enfranchised.

**Professional development** : Staff can develop their knowledge and skills and enhance their ability to perform their current job. They can access opportunities to grow their career and realise their personal potential.

**Engagement** : Staff understand Langstane's goals; they have the desire and the means to contribute to achieving these goals to the best of their ability.

**Recognition and reward** : Staff contributions are recognised by managers, who find and use opportunities to celebrate and reward good work.

**Employee wellbeing** : Work is a safe place that supports and enhances employee wellbeing, creating an environment where people can give their best.

##### Challenges

Like all social housing associations, we have challenges to face and for Langstane these include:

- the need to deliver a challenging efficiencies agenda whilst improving customer service standards and therefore customer satisfaction levels
- understanding and meeting the needs of our tenants
- escalating post-Grenfell fire safety costs
- continuing to operate efficiently and effectively
- environmental sustainability
- regulatory compliance
- having IT systems and infrastructure which supports the business strategy
- having staff who are engaged, motivated and productive.

Langstane has dealt with these challenges in the year by:

- exceeding the efficiencies target for the year without adversely affecting tenant services
- improving conditions and satisfaction levels for our tenants
- implementing a responsive plan to meet fire safety requirements
- improving the energy efficiency of our homes
- working with external consultants to improve our governance and financial management standards
- developing an IT roadmap that will streamline our working practices and allow our tenants and other customers to access information out with office hours
- implementing a performance framework that focusses on continuous improvement.

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**Review of business and future developments (continued)**

**c) Financial performance**

The Association made a surplus of £1,757,633 in the year (2019: £1,363,049). This improved performance is due to greater efficiencies being made against plan and a stronger performance culture.

The Net Asset position is £20,500,232 (2019: £16,540,589) although within this there are Net Current Liabilities of £2,630,087. This arises due to the increase in Housing Loan repayments due within 12 months as the Santander loan capital repayments commence, increase in Trade Payables and Other Payables and the short-term element of deferred capital grant.

There is a net increase in the cash position of £535,711 with the closing cash balance being £3,582,950 at 31 March 2020.

As in previous years, there were no breaches of financial covenants or treasury management policy in the year.

Rental income remains the primary revenue stream. The aim is to maintain and grow this income by maintaining high occupancy rates while decreasing the number and length of time our homes remain empty alongside reducing rent arrear levels. In future the intention is to increase the number of affordable homes provided through a programme of acquisition.

Langstane is committed to deliver further operating and efficiency improvements, enabled by economies of scale, technology, good organisation and more streamlined ways of working.

The importance of delivering value for money is a key concept for Langstane and we monitor delivery of value for money through different mechanisms:

- Tracking of projects and initiatives which deliver savings, efficiency improvements or additional benefits;
- Targeting and delivery of improved financial performance for the organisation;
- Calculation of the social value of our activities; and
- Benchmarking against other organisations to identify areas where we can make further improvements.

In order to help us to track efficiencies and drive value for money, we place particular attention on a suite of key financial performance ratios used across the sector. These include a set of key performance indicators the Regulator requires us to measure and report, along with other measures which help us gauge our performance and target further improvement. As part of this process, we benchmark ourselves against other housing associations.

**d) Credit payment policy**

Langstane follows the guidance set out in the Prompt Payment Code with regards to payment of trade creditors. Where contracts are silent, the Association aims to ensure payment of trade creditors in 30 days.

**e) Future developments**

Financial year 20/21 is a further year of consolidation for Langstane. We continue to embed our processes and procedures ensuring good standards of governance and financial management are maintained. There is another round of efficiencies to be achieved as we strengthen our financial position.

As part of this process Langstane began a consultation process with employees in quarter 4 of last financial year regarding closure of the two Defined Benefit Pension Schemes and the transfer of those members to the Defined Contribution Scheme. The impetus for considering this is as follows:

- the inherent risk attached to retaining the defined benefit schemes is too high. These are last man standing schemes and membership is dwindling by substantial numbers – the risk of deficit liabilities coming to Langstane is too great if we retain the schemes;
- the overall affordability of defined benefit schemes is a major concern for Langstane – the deficit payments are substantial, but equally the on-going contributions, as they rise to 32.4%, are prohibitive;
- the continued provision of defined benefit options, particularly given the increased costs described above, does not deliver best value for our tenants;
- the Board wish to see a fair and equitable pension scheme right across all staff with the same offering being affordable for all;
- Regulatory guidance requires an RSL to manage its resources to ensure its financial well-being and economic effectiveness.

This affects 51% of our staff and it is anticipated the matter will be concluded within the first half of financial year 20/21.

## Langstane Housing Association

### Report of the Board of Management For the year ended 31 March 2020

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#### Review of business and future developments (continued)

##### e) Future developments (continued)

Langstane still has a desire to develop new homes where need is identified and our position on this will be reviewed on an annual basis. In preparation for this we are preparing to review our long term funding requirements to ensure they meet our future plans. Equally important is our commitment to investment in our existing homes, especially in areas of priority for our tenants' e.g. new kitchens and bathrooms, energy efficiency measures and fire safety.

Affordability remains a priority to the Group and 30-year plans strive to ensure inflation only rental incomes are seen within 5 years. This is in addition to the energy efficiency measures being installed.

Langstane will also invest in its IT systems to utilise new and emerging technology to improve the quality of our stock, data, strategic decision-making and the customer service experience. Langstane will embrace technology which enhances our dynamic capability, allowing us to be more responsive to customer and staff needs, more efficient in our business and more informed in our strategic decision-making.

#### Risk Management

The Audit and Financial Management Committee oversees the effectiveness of the assurance arrangements, systems and processes adopted by Langstane to manage risk with a focus on the strategic risks. The Committee also provides specialist advice to the Board on any particular risks that may threaten the delivery of objectives or undermine the financial strength of the business. The Senior Management Team is responsible for the delivery of the strategy and managing risk, having day-to-day responsibility for operational performance and the management of risk within the business.

To be effective, risk management relies on the engagement of all parts of the business. This approach is an integral part of the way we work, with all key parts of the business owning and managing their own operational risk registers. These are regularly reviewed allowing for their escalation within the business as appropriate and potential inclusion in the strategic risk register.

The risk management process includes assessing each risk for its impact and probability, scored both before and after mitigating actions. A standardised risk-scoring methodology is used to ensure a consistent approach is adopted.

The Group's strategic risk register has been subject to audit and external review to ensure the risks detailed, alongside the control and mitigation actions, are proportionate and reasonable for the social housing sector and the Association.

#### Risk appetite

Our risk appetite is determined by the Board and is influenced by the capacity of the business to manage the risk if it were to materialise, the longer-term consequences of the risk and the return we achieve by taking such risks. The most significant judgements are associated with our decisions on investing in particular property schemes (currently on hold), our asset management strategy and reinvestment priorities, our customer offer and our obligations under regulation, legislation and our financial stability. In general, we have a low level of appetite for risk which would impact our record on regulatory compliance, health and safety record, and reputational damage. We have a higher level of risk appetite for potential new opportunities for growth.

The current key risks are identified as:

- Risks associated with a global pandemic
- The challenges presented by housing a high number of vulnerable people
- Failure to improve services
- Failure to comply with health and safety regulations
- Massive financial shock
- Failure to deliver transformational change
- Failure to achieve efficiencies
- IT security and cyber-attack threat.

#### Going concern

##### Coronavirus

In the last week of the financial year the country went into lockdown as a response to the Covid-19 pandemic. Langstane's offices closed, staff adjusted to working remotely and services moved to emergency repairs only, otherwise the Association strived for business as usual. Staff continue to prioritise the welfare of tenants. Contact with those known to be isolated was prioritised and continues as required.



## Langstane Housing Association

### Report of the Board of Management For the year ended 31 March 2020

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#### Going concern

##### Coronavirus (continued)

Financially Langstane has and continues to closely monitor the level of rent arrears and empty properties. Spend on maintenance and capital investment has been delayed due to Covid-19 restrictions. Some cost savings have been made in operating costs. Some staff were furloughed under the Coronavirus Job Retention Scheme.

Based on the results to date for the 2020/21 financial year, Langstane has not been materially adversely affected by the pandemic. The situation continues to be monitored and the budget and 5-year projections have been reviewed and stress tested for potential negative impacts. There is nothing that gives rise to any issue regarding going concern.

##### Going Concern position

The Board of Management has reviewed the results for this year and has also reviewed the financial projections for the next five years. It therefore has a reasonable expectation that Langstane has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### Board of Management

The members of the Board of Management and the Executive Officers are listed on Page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management.

The members of the Board of Management are also Trustees of the Charity. Members of the Board are appointed by the members at the Association's Annual General Meeting.

#### Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Board of Management is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board of Management must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

#### Board of Managements' Statement of Internal Financial Control

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

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

It is the Board of Management'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 or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;

**Report of the Board of Management  
For the year ended 31 March 2020**

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**Board of Managements' Statement of Internal Financial Control (continued)**

- forecasts and budgets are prepared which allow the Management Team and Board of Management to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly/quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Board of Management;
- the Audit Committee/Board of Management receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

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

**By Order of the Board of Management**



Company Secretary

Date: 14 September 2020

Langstane Housing Association

**Independent Auditor's Report to the Members of Langstane Housing Association Limited on  
Corporate Governance Matters  
For the year ended 31 March 2020**

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In addition to our audit of the Financial Statements, we have reviewed your statement on pages 7 to 8 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 to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 7 to 8 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.



**RSM UK Audit LLP**  
Statutory Auditor  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: 30 September 2020

### Opinion

We have audited the financial statements of Langstane Housing Association Ltd (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, and the Statement of Changes in Reserves and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

### Basis for opinion

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

### Conclusions relating to going concern

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

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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.

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

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

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

**Langstane Housing Association**

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

**For the year ended 31 March 2020**

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**Responsibilities of the Board of Management**

As explained more fully in the Board of Management's responsibilities statement set out on page 7, the Board of Management 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 Board of Management determines 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 Board of Management 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 Board of Management either intends 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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



**RSM UK Audit LLP**  
Statutory Auditor  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: 30 September 2020

**Langstane Housing Association****Statement of Comprehensive Income  
For the year ended 31 March 2020**

	Notes	£	2020 £	£	2019 £
<b>TURNOVER</b>	2.		15,891,425		15,876,970
Operating Costs	2.		(12,242,149)		(12,506,454)
Gain On Sale Of Housing Stock	7.		80,571		39,368
<b>OPERATING SURPLUS</b>	9.		3,729,847		3,409,884
Interest Receivable and Other Income		9,421		2,004	
Interest Payable and Similar Charges	8.	(1,924,635)		(1,921,274)	
Other Finance Charges	11.	(57,000)		(127,565)	
			(1,972,214)		(2,046,835)
<b>Surplus for the year</b>			<u>1,757,633</u>		<u>1,363,049</u>
<b>Other Comprehensive Income</b>					
Adjustment relating to opening pension liability			-		(342,083)
Actuarial Gains/(Losses) on defined benefit pension plan	26.		2,202,000		(710,000)
<b>TOTAL COMPREHENSIVE INCOME</b>			<u>3,959,633</u>		<u>310,966</u>

The notes on pages 16 to 32 form part of these financial statements.

**Langstane Housing Association**

**Statement of Financial Position  
For the year ended 31 March 2020**

	Notes	2020 £	2019 £
<b>FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	12.(a)	147,369,490	150,035,932
Other fixed assets	12.(b)	<u>3,395,796</u>	<u>3,457,607</u>
		150,765,286	153,493,539
<b>INVESTMENTS</b>			
Investment in subsidiaries	15.	<u>4</u>	<u>4</u>
<b>CURRENT ASSETS</b>			
Stock		14,500	14,500
Trade and other debtors	16.	708,641	1,075,096
Cash and cash equivalents		<u>3,582,950</u>	<u>3,047,239</u>
		4,306,091	4,136,835
<b>CREDITORS: Amounts falling due within one year</b>	17.	<u>(6,936,178)</u>	<u>(6,336,953)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,630,087)</u>	<u>(2,200,118)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		148,135,203	151,293,425
<b>CREDITORS: Amounts falling due after more than one year</b>	18.	(43,027,573)	(45,483,296)
<b>PENSION LIABILITY</b>			
Scottish Housing Association Pension Scheme	26.	(188,000)	(2,656,000)
<b>DEFERRED GRANTS</b>			
Social Housing Grants	19.	(81,207,221)	(83,294,137)
Other Grants	19.	<u>(3,212,177)</u>	<u>(3,319,403)</u>
		(84,419,398)	(86,613,540)
<b>NET ASSETS</b>		<u><u>20,500,232</u></u>	<u><u>16,540,589</u></u>
<b>RESERVES</b>			
Share Capital	22.	113	103
Revenue Reserves		20,688,119	19,196,486
Pension Reserve		(188,000)	(2,656,000)
		<u>20,500,232</u>	<u>16,540,589</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 14 September 2020.

  
Chairperson

  
Vice Chairperson

  
Secretary

The notes on pages 16 to 32 form part of these financial statements.



**Langstane Housing Association**

**Statement of Cashflows**

**For the year ended 31 March 2020**

	Notes	2020 £	2019 £
<b>Net Cash Inflow from Operating Activities</b>	20.	5,213,457	4,030,519
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(1,002,352)	(3,573,825)	
Purchase of Other Fixed Assets	(93,887)	(42,115)	
Social Housing Grant Received	-	331,180	
Investment in subsidiaries	-	(3)	
Proceeds on Disposal of Properties	136,000	69,269	
Proceeds on Disposal of Other Fixed Assets	-	8,650	
<b>Net Cash Outflow from Investing Activities</b>		(960,239)	(3,206,844)
<b>Financing Activities</b>			
Loan Advances Received	-	5,000,000	
Interest Received on Cash and Cash Equivalents	9,421	2,004	
Interest Paid on Loans	(1,924,635)	(1,963,934)	
Loan Principal Repayments	(1,777,038)	(1,645,253)	
Other Finance Repayments	(25,265)	(23,889)	
Share Capital Issued	10	3	
<b>Net Cash (Outflow) / Inflow from Financing</b>		(3,717,507)	1,368,931
<b>Increase in Cash</b>		535,711	2,192,606
<b>Opening Cash &amp; Cash Equivalents</b>		3,047,239	854,633
<b>Closing Cash &amp; Cash Equivalents</b>	21.	3,582,950	3,047,239
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		3,582,950	3,047,239
		<b>3,582,950</b>	<b>3,047,239</b>

The notes on pages 16 to 32 form part of these financial statements.



**Langstane Housing Association**

**Statement of Changes in Reserves  
For the year ended 31 March 2020**

	Share Capital £	Pension Reserve £	Revenue Reserves £	Total £
<b>Balance as at 1st April 2018</b>	106	-	16,229,520	16,229,626
Issue of Shares	3	-	-	3
Cancellation of Shares	(6)	-	-	(6)
Other comprehensive income - pension scheme	-	(2,656,000)	1,603,917	(1,052,083)
Surplus for Year	-	-	1,363,049	1,363,049
<b>Balance as at 31st March 2019</b>	<b>103</b>	<b>(2,656,000)</b>	<b>19,196,486</b>	<b>16,540,589</b>
<b>Balance as at 1st April 2019</b>	103	(2,656,000)	19,196,486	16,540,589
Issue of Shares	10	-	-	10
Other comprehensive income - pension scheme	-	2,202,000	-	2,202,000
Statement of comprehensive income - pension scheme	-	266,000	(266,000)	-
Surplus for Year	-	-	1,757,633	1,757,633
<b>Balance as at 31st March 2020</b>	<b>113</b>	<b>(188,000)</b>	<b>20,688,119</b>	<b>20,500,232</b>

The notes on pages 16 to 32 form part of these financial statements.

## Langstane Housing Association

### Notes to the Financial Statements For the year ended 31 March 2020

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#### 1. PRINCIPAL ACCOUNTING POLICIES

##### **Legal Status**

Langstane Housing Association Limited is a Registered Social Landlord incorporated under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 and is a Scottish Charity. Langstane Housing Association Limited meets the definition of a Public Benefit Entity. Details of the registered office are provided on page 1.

The principal activity of the Association is the provision of social housing and associated housing management and property maintenance services.

##### **Basis of Preparation**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention. There are no instruments at fair value.

These statements are presented in £'000's Sterling, unless otherwise stated.

##### **Going Concern**

The Board of Management consider that it is appropriate to prepare the financial statements on the going concern basis. The Board of Management has reviewed the budgets and cashflow projections as part of the annual budget discussion for 2020/21, the development and approval of the three-year business plan and the submission to the Scottish Housing Regulator of the five-year financial projections. The Board has also taken account of the impact of COVID 19 by reviewing sensitivity analysis undertaken by management which includes updated forecasts, cashflow projections and stress testing of cashflow and loan covenants. The Board are satisfied that there is no significant long-term impact on the Association's financial position and no material uncertainties have been identified at this time. The Association is in a net current liabilities position at the year end, however this is mainly due to the deferred capital grants due to be released in one year which is a non-cash item coupled with increases in loans and trade payables at year end. The Board are satisfied that the cashflow projections show that liabilities will be met when due. On that basis, the Board of Management has a reasonable expectation that the Association has adequate resources to continue for the foreseeable future and that it continues to be appropriate to adopt the going concern basis of accounting in preparing the financial statements.

##### **Key Judgements and Estimates**

Preparation of the financial statements requires management to make significant judgements and estimates concerning the future. Judgements and estimates are based on experience, advice from experts and other factors. The resulting accounting may not equal the eventual results. The items in the financial statements where such judgements and estimates have been made are disclosed below.

##### **a) The Categorisation of Housing Properties**

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

##### **b) Identification of cash generating units**

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

##### **c) Financial Instruments**

The Association's loans from its funders are judged by management to be basic financial instruments under the definition in FRS 102 and are accounted for under the amortised cost method as detailed below. This includes loans with break clauses.

##### **d) Rent Arrears - Bad Debt Provision**

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

**e) Life Cycle of Components**

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors. The useful lives are revisited at each reporting date.

**f) Defined benefit pension liability**

Management's estimate of the defined benefit pension obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the obligation and the annual defined benefit expenses.

**g) Classification on gain on disposal of housing properties**

Gains or losses on disposal of housing properties are deemed to be part of the operating activities of the Association. The gain in the prior year has been reclassified to operating activities.

**Turnover**

Turnover represents rental and service charge income receivable (net of voids), grants receivable from Government and non-government sources, Government grants released from deferred income and sales of housing, comprising first tranche sales of shared ownership properties.

Rental and service charge income is recognised from the date that the property is let. Income from first tranche sales of shared ownership properties is recognised on legal completion of the sales transaction. Grants are covered below.

**Housing Association Grant and Other Grants**

Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process. Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model. These are held as deferred capital grants.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

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

**Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme where retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations as a whole. The Association accounts for this Scheme as a defined benefit pension scheme in accordance with FRS102.

**Tangible Fixed Assets – Housing Properties**

Housing properties are properties for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development expenditure and interest charged on the funds used to finance housing projects in the development period up to practical completion.

Works to existing properties will generally be capitalised under the following circumstances: where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to operating costs within the Statement of Comprehensive Income.

The major components of housing properties are summarised below. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued.)**

<b>Component</b>	<b>Useful Economic Life</b>
Land	Not depreciated
Structure	80 years
Roof	60 years
Kitchens	15 years
Electrics	30 years
Bathrooms	25 years
Heating Systems	20 years
Entry Systems	20 years
Windows	25 years
Lifts	30 years

**Impairment**

Reviews for impairment indicators of housing properties are carried out on an annual basis and any resultant impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. Indicators of impairment can be: contamination of land; a change in government policy that has a material impact on the net income; a change in demand with a material increase in the level of voids; or obsolescence of a property. If there is an indication of impairment, an impairment review is undertaken whereby the carrying amount of the asset is compared to the recoverable amount. If the recoverable amount is lower than the carrying value, the Association will record an impairment. The recoverable amount is the higher of value in use of the asset, based on its service potential, and fair value less costs to sell.

**Depreciation and Impairment of Other Non-Current Assets**

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

Website and software	4 years
Commercial properties	50 years
Association office buildings	50 years
Vehicles	5 years
Office equipment	5 years
Computer equipment	4 years

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

**Sales of Housing Properties**

Langstane has developed properties for sale on a shared ownership basis, which allows prospective home owners to purchase initial tranches at market value. After one year the sharing owner may increase his/her share of ownership. The apportioned cost of the initial tranche is recorded as a current asset with the remaining balance held as a tangible fixed asset. The sale of initial tranches is accounted for through income, where sales proceeds are shown in turnover and the appropriate proportion of the cost of the property sold charged to cost of sale. Sales of subsequent tranches are accounted as disposals of tangible fixed assets.

Any grants received that cannot be repaid from the proceeds of sale are abated and credited to income.

Disposals of housing property within operating surplus are treated as a non-current asset disposals and any gain or loss on disposal accounted for within operating surplus.

**Leases/Leased Assets**

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

**Investment in Subsidiaries**

The Association's investment in its subsidiary companies are accounted for at cost less any impairment. The Association has been exempted from the preparation of consolidated accounts by the Financial Conduct Authority on the basis that the amounts involved are not material.

1. **PRINCIPAL ACCOUNTING POLICIES** (Continued.)

**Taxation**

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

**Housing Property Managed by Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

**Stock**

Stock of maintenance materials have been valued at lower of cost and net realisable value. Cost is defined as supplier invoice price.

**Financial Instruments**

The Association has elected to apply the provisions of Section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments Issues" of FRS102, in full, to all of its financial instruments.

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

*Financial Assets – Debtors*

Debtors, which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument. A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

*Financial Liabilities – Trade Creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

*Borrowings*

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

Commitments to receive a loan are measured at cost less impairment.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash at bank and in hand and short term deposits maturing within one year.

Langstone Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

Notes	2020				2019			
	Turnover £	Operating Costs £	Gain on sale of housing stock £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Gain on sale of housing stock £	Operating Surplus / (Deficit) £
Affordable letting activities	15,487,897	11,945,292	80,571	3,623,176	15,317,624	11,734,129	39,368	3,622,863
Other Activities	403,628	296,857	-	106,671	659,346	772,325	-	(212,979)
<b>Total</b>	<b>15,891,525</b>	<b>12,242,149</b>	<b>80,571</b>	<b>3,729,847</b>	<b>15,976,970</b>	<b>12,506,454</b>	<b>39,368</b>	<b>3,409,884</b>

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Hostels £	Shared ownership £	2020 Total £	2019 Total £
<b>Revenue from Lettings</b>					
Rent Receivable Net of Service Charges	12,292,241	209,620	157,763	12,659,624	12,218,526
Service Charges	699,527	3,450	16,542	719,519	708,289
<b>Gross Income from rent and service charges</b>	<b>12,991,768</b>	<b>213,070</b>	<b>174,305</b>	<b>13,379,143</b>	<b>12,926,815</b>
Less: Rent losses from voids	(147,189)	-	-	(147,189)	(272,418)
<b>Net Rents Receivable</b>	<b>12,844,579</b>	<b>213,070</b>	<b>174,305</b>	<b>13,231,954</b>	<b>12,654,397</b>
Grants released from deferred income	-	-	-	2,108,536	2,663,227
Rechargeable Repairs	-	-	-	147,407	-
<b>Total turnover from affordable letting activities</b>	<b>12,844,579</b>	<b>213,070</b>	<b>174,305</b>	<b>16,487,897</b>	<b>15,317,624</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	3,228,015	14,430	31,970	3,274,415	2,871,255
Service Costs	670,955	5,341	-	676,296	643,351
Planned and cyclical maintenance, including major repairs	2,042,821	33,265	-	2,078,086	1,607,842
Reactive maintenance costs	1,840,534	28,978	1,273	1,870,785	2,049,919
Rechargeable Repairs	182,182	-	-	182,182	-
Bad Debts - rents and service charges	303,174	-	(1,963)	301,211	413,929
Depreciation of affordable let properties	3,480,309	11,125	72,882	3,564,317	4,147,633
<b>Operating costs of affordable letting activities</b>	<b>11,747,990</b>	<b>93,140</b>	<b>104,162</b>	<b>11,945,292</b>	<b>11,734,129</b>
Gain on sale of housing stock	-	-	-	80,571	39,368
<b>Operating surplus on affordable letting activities</b>	<b>1,096,589</b>	<b>119,930</b>	<b>70,143</b>	<b>3,623,176</b>	<b>3,622,863</b>

Langstane Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Income	Total Turnover	Operating Costs Other	Operating Surplus /(Deficit) 2020	Operating Surplus /(Deficit) 2019
	£	£	£	£	£	£
Wider Role Activities	-	77,862	77,862	105,913	(28,051)	(3,552)
Commercial leases	-	87,302	87,302	58,447	28,855	26,419
Managed Associations	-	23,560	23,560	32,854	(9,294)	178,960
Development administration	6,702	-	6,702	99,643	(92,941)	(378,234)
Other activities	-	14,655	14,655	-	14,655	16,553
Charitable donations	-	3,917	3,917	-	3,917	(375)
Rechargeable Repair - Bad Debts	-	-	-	-	-	(52,750)
Mid-Market Rent income	-	181,316	181,316	-	181,316	-
Management charge from subsidiaries	-	8,214	8,214	-	8,214	-
<b>Total From Other Activities</b>	<b>6,702</b>	<b>396,826</b>	<b>403,528</b>	<b>296,857</b>	<b>106,671</b>	<b>(212,979)</b>

**Langstane Housing Association**

**Notes to the Financial Statements (continued)  
For the year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. Key Management Personnel**

Key management personnel are defined as members of the Board, the Chief Executive and the Directors as noted on page 1.

	2020	2019
	£	£
Aggregate Emoluments payable to Key Management Personnel with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>214,962</u>	<u>215,490</u>
Pension contributions made on behalf of Key Management Personnel with emoluments greater than £60,000	<u>19,653</u>	<u>26,837</u>
Emoluments paid to Key Management Personnel	<u>234,615</u>	<u>242,327</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>85,137</u>	<u>85,137</u>

Board of Management members received £3,687 (2019:£1,486) in the year by way of reimbursement of expenses. No remuneration is paid to Board of Management members in respect of their duties in the Association.

The number of Key Management Personnel, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	2	2
£80,001 to £90,000	1	1

**6. EMPLOYEE INFORMATION**

	Number	Number
The average monthly number of full time equivalent persons employed during the year was:	<u>69</u>	<u>72</u>
The average total number of Employees employed during the year was	<u>81</u>	<u>84</u>
Staff Costs were:	£	£
Wages and Salaries	2,282,354	2,323,913
Social Security Costs	220,221	225,162
Other Pension Costs	238,172	254,162
Temporary, Agency and Seconded Staff	24,616	53,191
	<u>2,765,363</u>	<u>2,856,428</u>



**Langstane Housing Association**

**Notes to the Financial Statements (continued)  
For the year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. GAIN ON SALE OF HOUSING STOCK**

	2020	2019
	£	£
Sales Proceeds	136,000	69,269
Cost of Sales	(55,429)	(29,901)
	<u>80,571</u>	<u>39,368</u>

**8. INTEREST PAYABLE & SIMILAR CHARGES**

	2020	2019
	£	£
On Bank Loans & Overdrafts	1,926,816	1,949,654
On Other Loans	13,438	14,280
	<u>1,940,254</u>	<u>1,963,934</u>
Less: Interest Capitalised	(15,619)	(42,660)
	<u>1,924,635</u>	<u>1,921,274</u>

Interest capitalised was incurred at 4.3% (2019 - 4.7%).

**9. Operating surplus**

	2020	2019
	£	£
Operating Surplus is stated after charging/(crediting):-		
Depreciation - Tangible Owned Fixed Assets	3,720,015	3,672,315
Auditors' Remuneration - Audit Services	21,500	22,110
Auditors' Remuneration - Other Services	5,800	1,830
Gain on sale of fixed assets	(80,571)	(41,078)

**10. TAX ON OPERATING ACTIVITIES**

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

**11. OTHER FINANCE INCOME / CHARGES**

	2020	2019
	£	£
Unwinding of Discounted Liabilities	-	75,565
Net Interest on pension obligation	57,000	52,000
	<u>57,000</u>	<u>127,565</u>

Langstane Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Lead Tenancies Held for Letting £	Shared Ownership Held for Letting £	Total £
<b>COST</b>					
As at 1st April 2019	193,339,094	2,301,065	416,937	2,015,692	198,072,788
Additions	871,398	146,573	-	-	1,017,971
Disposals	(239,655)	-	-	(41,517)	(281,172)
As at 31st March 2020	<b>193,970,837</b>	<b>2,447,638</b>	<b>416,937</b>	<b>1,974,175</b>	<b>198,809,587</b>
<b>DEPRECIATION</b>					
As at 1st April 2019	47,871,379	-	18,541	146,936	48,036,856
Charge for Year	3,480,309	-	11,126	72,882	3,564,317
Disposals	(158,438)	-	-	(2,638)	(161,076)
As at 31st March 2020	<b>51,193,250</b>	<b>-</b>	<b>29,667</b>	<b>217,180</b>	<b>51,440,097</b>
<b>NET BOOK VALUE</b>					
As at 31st March 2020	<b>142,777,587</b>	<b>2,447,638</b>	<b>387,270</b>	<b>1,756,995</b>	<b>147,369,490</b>
As at 31st March 2019	145,467,715	2,301,065	398,396	1,868,756	150,035,932

Additions to housing properties includes capitalised development administration costs of £nil (2019: £191,326) and capitalised major repair costs to existing properties of £nil (2019: £nil).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £4,982,160 (2019 : £5,225,704). The amount capitalised is £871,398 (2019: £1,567,943) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £871,398 (2019 : £1,567,943) and improvements of £nil (2019 : £nil). The Association's Lenders have standard securities over Housing Property with a carrying value of £93,830,924 (2019 - £87,598,199).

Notes to the Financial Statements (continued)  
For the year ended 31 March 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. FIXED ASSETS (Continued)

b) Other Tangible Assets	Furniture, Fittings & Equipment £	Office Premises £	Commercial Property £	Motor Vehicles £	Total £
<b>COST</b>					
As at 1st April 2019	1,252,449	3,480,434	1,279,705	132,760	6,145,348
Additions	37,956	-	-	55,931	93,887
Disposals	-	-	-	(31,428)	(31,428)
As at 31st March 2020	<b>1,290,405</b>	<b>3,480,434</b>	<b>1,279,705</b>	<b>157,263</b>	<b>6,207,807</b>
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2019	1,140,755	766,295	672,585	108,106	2,687,741
Charge for year	50,797	62,160	18,884	23,857	155,698
Eliminated on disposal	-	-	-	(31,428)	(31,428)
As at 31st March 2020	<b>1,191,552</b>	<b>828,455</b>	<b>691,469</b>	<b>100,535</b>	<b>2,812,011</b>
<b>NET BOOK VALUE</b>					
As at 31st March 2020	<b>98,853</b>	<b>2,651,979</b>	<b>588,236</b>	<b>56,728</b>	<b>3,395,796</b>
As at 31st March 2019	111,694	2,714,139	607,120	24,654	3,457,607

The net book value of assets held under finance lease amounts to £124,270 (2019 - £141,969).

## 13. CAPITAL COMMITMENTS

	2020 £	2019 £
Capital Expenditure that has been contracted for but has not been provided for:	-	55,979

## 14. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

	2020 £	2019 £
<b>Land and Buildings</b>		
Not later than one year	36,168	11,227
Later than one year and not later than five years	142,413	1,315
<b>Other</b>		
Not later than one year	4,728	14,184
Later than one year and not later than five years	1,182	15,366

**Langstane Housing Association**

**Notes to the Financial Statements (continued)  
For the year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>15. INVESTMENTS</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Investments	<b>4</b>	<b>4</b>

Details of the Association's subsidiaries at 31 March 2020 are as follows:

<b>Name of undertaking</b>	<b>Registered Office</b>	<b>Nature of business</b>	<b>Class of shares held</b>	<b>Direct % held</b>
Langstane Developments Limited	680 King Street, Aberdeen, AB24 1SL	Dormant	Ordinary	100
Langstane Maintenance Limited	As above	Dormant	Ordinary	100
Langstane Property Limited	As above	Provision of rented accommodation	Ordinary	100
Stockethill Homes Limited	As above	Provision of rented accommodation	Ordinary	100

**16. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Arrears of Rent & Service Charges	2,066,426	1,973,707
Less: Provision for Doubtful Debts	<u>(1,711,962)</u>	<u>(1,686,934)</u>
	354,464	286,773
Other Receivables	<u>354,177</u>	<u>788,323</u>
	<u>708,641</u>	<u>1,075,096</u>

**17. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Finance Leases	25,729	25,265
Housing Loans (note 18)	2,073,287	1,645,721
Trade Payables	987,546	681,056
Rent in Advance	175,254	162,486
Social Housing and Other Grants (note 19)	2,108,536	2,041,893
Other Taxation and Social Security	135,111	128,972
Amounts Due to Group Undertakings	-	4,373
Other Payables	428,134	299,778
Accruals and deferred income	1,002,581	1,347,409
	<u>6,936,178</u>	<u>6,336,953</u>

At the balance sheet date there were pension contributions outstanding of £76,542 (2019 - £76,144).

Langstane Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£	£
Finance Lease	26,836	52,565
Housing Loans	43,000,737	45,430,731
	<u>43,027,573</u>	<u>45,483,296</u>
<b>Housing Loans</b>		
Amounts due within one year	2,073,287	1,645,721
Amounts due in one year or more but less than two years	2,073,287	2,074,213
Amounts due in two years or more but less than five years	23,720,760	23,724,200
Amounts due in more than five years	17,206,690	19,632,318
	<u>45,074,024</u>	<u>47,076,452</u>
Less: Amount shown in Current Liabilities (note 17)	2,073,287	1,645,721
	<u>43,000,737</u>	<u>45,430,731</u>
<b>Finance Lease</b>		
Amounts due within one year	25,729	25,265
Amounts due in one year or more but less than two years	26,836	26,719
Amounts due in two years or more but less than five years	-	25,846
Amounts due in more than five years	-	-
	<u>52,565</u>	<u>77,830</u>
Less: Amount shown in Current Liabilities	25,729	25,265
	<u>26,836</u>	<u>52,565</u>

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

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Lloyds Bank PLC	Standard Security over 1335 properties	5.4%	2028 & 2031	Fixed
Santander	Standard Security over 251 properties	5.6%	2035	Fixed
Bank of Scotland PLC	Standard Security over 495 properties	1.7%	2023	Variable

The Bank of Scotland finance constitutes a revolving credit facility which is repayable in one installment due in 2023. The remaining borrowings are repayable on a quarterly or six-monthly basis with the principal being amortised over the terms of the loan.

**Langstane Housing Association**

**Notes to the Financial Statements (continued)  
For the year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. DEFERRED GRANTS**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Social Housing Grants</b>		
Balance as at 1st April	85,336,030	87,646,875
Additions	-	331,180
Released / Repaid as the result of property disposal	(18,963)	(714,086)
Amortisation in year	(2,054,923)	(1,927,939)
<b>Balance as at 31st March</b>	<b>83,262,144</b>	<b>85,336,030</b>
<b>Other Grants</b>		
Balance as at 1st April	3,319,403	3,373,016
Amortisation in year	(53,613)	(53,613)
<b>Balance as at 31st March</b>	<b>3,265,790</b>	<b>3,319,403</b>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Amounts due within one year	2,108,536	2,041,893
Amounts due in one year or more	84,419,398	86,613,540
	<b>86,527,934</b>	<b>88,655,433</b>

**20. STATEMENT OF CASH FLOWS**

<b>Reconciliation of operating surplus</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Operating Surplus	3,729,847	3,409,884
Depreciation	3,720,015	3,672,315
Gain on sale of housing stock	(80,571)	(39,368)
Amortisation of Capital Grants	(2,108,536)	(2,041,893)
Change in stocks	-	(4,500)
Change in debtors	366,455	(35,648)
Change in creditors	134,637	(480,567)
Unwinding of Discount on Pension Liability	(548,390)	(449,698)
Share Capital Written Off	-	(6)
<b>Balance as at 31st March</b>	<b>5,213,457</b>	<b>4,030,519</b>

Langstane Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. CASH FLOW - NET DEBT ANALYSIS

Analysis of changes in net funds	At 1 April 2019 £	Cash flows £	Other changes £	At 31 March 2020 £
<b>Cash</b>				
Cash and cash equivalents	3,047,239	535,711	-	3,582,950
<b>Borrowings</b>				
Debt due within one year	(1,645,721)	1,645,721	(2,073,287)	(2,073,287)
Debt due in more than one year	(45,430,731)	356,707	2,073,287	(43,000,737)
	<u>(47,076,452)</u>	<u>2,002,428</u>	<u>-</u>	<u>(45,074,024)</u>
Total	<u>(44,029,213)</u>	<u>2,538,139</u>	<u>-</u>	<u>(41,491,074)</u>

22. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2020 £	2019 £
At 1st April	103	106
Issued in year	10	3
Cancelled in year	-	(6)
At 31st March	<u>113</u>	<u>103</u>

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.

23. HOUSING STOCK

The number of units of accommodation in management at the year and was:-	2020 No.	2019 No.
General Needs	2,886	2,880
Hostels (bed spaces)	76	76
Lead Tenancies	14	14
Shared Ownership	59	61
	<u>3,035</u>	<u>3,031</u>

Housing Units owned by the Association and leased to another body:

Name of Organisation	2020 No.	2019 No.
Langstane Property Limited	41	-
Stockethill Homes Limited	-	41





**Langstane Housing Association**

**Notes to the Financial Statements (continued)  
For the year ended 31 March 2020**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. RELATED PARTY TRANSACTIONS**

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

	2020	2019
	£	£
Transactions with Board of management (and their close family) were as follows:		
Rent received from Tenants on the Board of management (and their close family):	9,037	8,738
	<u>261</u>	<u>251</u>
At the year end total rent arrears owed by the tenant members of the Board of Management (and their close family):		
	<u>1</u>	<u>1</u>
Members of the Board of Management who are tenants:		

**25 CONTINGENT LIABILITIES**

Langstane Housing Association participates in the Scottish Housing Association Pension Scheme (the Scheme). The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore, in certain circumstances the Association may become liable for the obligations of a third party.

**Langstane Housing Association**

**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26. RETIREMENT BENEFIT OBLIGATIONS**

**Scottish Housing Association Pension Scheme**

Langstane Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is funded and is contracted out of the state scheme. The Association is an admitted body under the Scottish Housing Association Pension Fund, the assets of which are held in a separate trustee administered fund.

The last formal valuation of the Scheme was performed as at 30th September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions towards the past service deficit.

All employer's in the Scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. For the year ended 31 March 2020, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. Under the defined benefit pension accounting approach, the SHAPS pension liability as at 31 March 2020 is £188,000 (2019 - £2,656,000).

The Association made payments totaling £660,000 (2019: £655,000) to the Scheme during the year.

**Principal Actuarial Assumptions**

Assumptions as at:	2020	2019
	% p.a.	% p.a.
Salary increases	2.62	3.30
Inflation (RPI)	2.62	3.30
Inflation (CPI)	1.62	2.30
Discount rate	2.38	2.30

Allowance for commutation for cash at retirement	75%	75%
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Membership of the Scheme comprises of the following:

	2020	2019
	No.	No.
Employee members	41	41
Deferred pensioners	47	45
Pensioners	52	51
	<u>140</u>	<u>137</u>

**Mortality Rates**

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 as summarised below:

	Males	Females
	(Years)	(Years)
Current Pensioners	21.5	23.2
Future Pensioners	22.8	24.5

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. RETIREMENT BENEFIT OBLIGATIONS (continued)

Fair value of scheme assets by category	2020	2019
	£000	£000
Growth Assets	8,309	7,220
Matching Plus	2,772	1,691
Liability Driven Investment	4,269	5,507
Net Current Assets	117	15
	<u>15,467</u>	<u>14,433</u>

None of the above assets includes any direct investment in the Association's assets.

Net Pension Liability	2020	2019
	£000	£000
Fair value of employer's assets	15,467	14,433
Present value of scheme liabilities	(15,655)	(17,089)
	<u>(188)</u>	<u>(2,656)</u>

Reconciliation of fair value of employer assets	2020	2019
	£000	£000
Opening fair value of employer assets	14,433	14,168
Interest income	338	366
Contributions by Members	156	165
Contributions by the Employer	660	655
Experience on plan assets (excluding amounts included in interest income)	247	(457)
Estimated Benefits Paid	(367)	(464)
Closing fair value	<u>15,467</u>	<u>14,433</u>

The actual return on plan assets (including any changes in share of assets) over the period to 31 March 2020 was £585,000 (2019: (£91,000)).

Reconciliation of defined benefit obligations	2020	2019
	£000	£000
Opening defined benefit obligation	17,089	16,418
Current Service Cost	322	284
Expenses	15	15
Interest expense	395	418
Contributions by members	156	165
Actuarial Losses (gains) due to scheme experience	27	(778)
Actuarial Losses (gains) due to changes in demographic assumptions	(106)	50
Actuarial Losses (gains) due to changes in financial assumptions	(1,876)	981
Benefits paid and expenses	(367)	(464)
Closing defined benefit obligation	<u>15,655</u>	<u>17,089</u>

Analysis of amount charged to the Statement of Comprehensive Income	2020	2019
	£000	£000
Charged to operating costs:		
Service cost	322	284
Expenses	15	15
Net interest expense	57	52
Net Charge to the Statement of Comprehensive Income	<u>394</u>	<u>351</u>

Actuarial Gain / (Loss) recognised in other comprehensive income	2020	2019
	£000	£000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	247	(457)
Experience gains and losses arising on the plan liabilities - gain (loss)	(27)	778
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	106	(50)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,876	(981)
	<u>2,202</u>	<u>(710)</u>

