PRINCIPAL

Scott-Moncrieff
business advisers and accountants

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS

Registration information

Financial Conduct Authority	Co-operative and Communities Benefit Societies Act 2014 Registered number 2029RS
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 176
Scottish Charity Number	SC041992

MANAGEMENT COMMITTEE, DIRECTOR, MANAGEMENT TEAM AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31 MARCH 2018

Chairperson of the Management Committee

Robert McLeary

Vice-Chairperson

Jean Stewart

Secretary

Geraldine Baird

Management Committee Members
Nora Dillon
Jean Gow
Gary Gow
Karen McCartney
Mary Ellen McKeown
Edith Mina
Eveline Thompson
Frances Cunningham – Co-opted 12 June 2018
Sandra Frame - Resigned 8 August 2017
Christine McPhail – Resigned 12 June 2018
Jack Thompson – Resigned 12 June 2018

Director
Dave Anderson

Management Team
Jim Kerr, Senior Housing Officer
Ronnie Cunningham, Senior Housing Officer
John McNulty, Maintenance Manager

Registered Office

Aspire Business Centre
16 Farmeloan Road
Rutherglen
Glasgow
G73 1DL

Auditor

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

Bankers

Bank of Scotland
82 Main Street
Rutherglen
Glasgow
G73 2HZ

Solicitors

MSM Hart Smith
43 Crow Road
Glasgow
G11 7SH

T C Young
7 West George Street
Glasgow
G2 1BA

Kelly & Co
184 Abercromby Street
Glasgow
G40 2RZ

The Management Committee has pleasure in presenting its report incorporating the Strategic Report together with the audited financial statements for the year ended 31 March 2018.

Objectives and Strategy

The Association's overall strategy is to provide high quality, affordable housing in our community and to endeavour to alleviate poverty through our housing and associated activities.

Our business objectives are:

- Continuation of our asset management strategy moving towards achieving the 2020 EESSH standard;
- Ensure that the Association and our tenants are not significantly adversely affected by the introduction of Universal Credit;
- Addressing succession planning for both the committee and the senior staff team;
- Provide a range of opportunities for effective resident involvement including governance, satisfaction, scrutiny, participation and communication;
- Enhancing our activities through the use of technology;
- Construct 37 flats for the elderly and infirm tenants in Cathcart Road, Rutherglen; and
- Meet our performance obligations to our lenders and the Scottish Housing Regulator.

Performance of Business

The Association has continued to perform efficiently and achieve high performance standards during the last year. We have been preparing for the roll out of Universal Credit in our area for the last few years and we feel that this preparatory work has been of benefit to the Association and our tenants. The full roll out will take place in October 2018 and we will continue to work with our tenants to mitigate the effect of this. We recognise that the success of the organisation going forward relies on the support that we can offer our tenants to live in affordable well maintained fuel efficient properties.

Despite the current challenging economic environment the Association has continued to perform efficiently and achieve high performance standards. Our key business achievements over the last year have been:

- the investment of £563k of capital improvements to our existing housing units in line with our asset management strategy;
- the achievement of SHQS in all of our properties apart from allowable exceptions;
- 89% of our stock meets the EESSH 2020 standard;
- a continuing programme of Committee appraisals and training to ensure the strong governance of the organisation; and
- a site start for the construction of 37 new homes.

With regards to the management of our stock, our performance continues to be excellent. Our overall arrears figure for the year was 3.1% and our rental loss through voids and bad debts was 0.3%. With regards to the maintenance of our stock we continue to provide a responsive repair service and invest in our planned maintenance programme.

As a result of the introduction of higher subsidies for new build development by the Scottish Government the Association is once again looking at developing new homes. We have a strong track record and expertise in development and our lenders have indicated that they are willing to support us. During the year work started on-site to build 37 new homes for social rent in Cathcart Road, Rutherglen. This project will be completed in March 2019.

As a result of our venture into development again the Association carried out sensitivity testing on our 30-year projections and revised these to take into account our additional units and loan commitment. This will ensure that we have sufficient resources available to meet our obligations and ambitions regarding tenants' needs and expectations, legislative requirements, and the scope to make significant progress to help build more sustainable communities in the future.

Performance of Business (continued)

The Association has a 3 year contract in place with Alexander Sloan to provide Internal Audit assurance to the governing body.

Based on the information provided to the Scottish Housing Regulator during 2017/18, the Association will continue to be a low engagement organisation in 2018/19.

Risk and Uncertainties

RSL's are not immune from the current economic uncertainty and face challenges including potential interest rate rises, the effects of welfare reform, lower grant levels awarded, reduced pots of available grant, a lower number of lenders in the sector, higher loan margins and setup costs, pension deficits and increased SHR and lender monitoring. The Association has developed a Risk Management Strategy which reviews the risks facing the Association on a regular basis and this feeds into our risk register.

Governance

The Management Committee recognises the need for good governance of the organisation to ensure that it continues to provide a good service to its customers and to ensure its long term viability. The Management Committee has a wealth of experience in managing the affairs of the organisation. The Committee has a variety of skills and although each is a resident within the community they also possess professional skills which add to the strengths of the organisation. In recognition of the Regulatory requirements regarding the continuing effectiveness of Management Committee members, the Association carried out an appraisal of each member's skills and a training plan for the Committee is now in place. The Association also reviewed its succession planning framework.

Statement on Internal Financial Controls

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

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The key elements in place are:

1. formal policies and procedures to restrict the unauthorised use of the Association's assets;
2. experienced and suitably qualified staff take responsibility for important business functions;
3. forecasts and budgets are prepared which allow the Committee and Management Team to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
4. quarterly management accounts are prepared and significant variances from budgets are investigated as appropriate;
5. all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub committees comprising of Committee Members;
6. the appointment by the Management Committee of an internal auditor to carry out a review of each department; and
7. the Management Committee reviews reports from the Management Team, the internal auditor and the external auditor to provide reasonable assurance that the control procedures in place are being followed and ensures any recommendations made are actioned.

Statement on Internal Financial Controls (continued)

The Management Committee has reviewed the effectiveness of the system of internal controls for the year ended 31 March 2018. No weaknesses were found in the internal controls that resulted in material losses, contingencies, or uncertainties that require disclosure in the financial statements.

Statement of the Management Committee's Responsibilities

Housing Association legislation requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for the year ended on that date. In preparing those financial statements, the Committee are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

The Committee is 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.

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.

Auditor

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

Approved by the Management Committee and signed on its behalf on 4 September 2018 by:

[redacted]

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2018

In addition to our audit of the financial statements, we have reviewed your statement on pages 3 and 4 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 pages 3 and 4 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 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 Controls 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.

[redacted]

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

Dated: 4 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Rutherglen and Cambuslang Housing Association Limited (the Association) for the year ended 31 March 2018 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 2018 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 were:

- 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 are 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.

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 2018, 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 Association's 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 4, 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.

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.

[redacted]

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: 4 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	*2017* *£*
Turnover	4	**3,537,060**	*3,475,838*
Operating expenditure	4	**(2,671,413)**	*(2,776,115)*
Operating surplus	4	**865,647**	*699,723*
Gain/(loss) on disposal of property, plant and equipment		**17,000**	*(80,037)*
Interest receivable and other income	9	**14,282**	*15,038*
Interest payable and similar charges	10	**(329,123)**	*(359,956)*
Surplus for the year		**567,806**	*274,768*
Other comprehensive income		**-**	*-*
Total comprehensive income		**567,806**	*274,768*

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2017	**185**	**17,001,753**	**17,001,938**
Total comprehensive income	**-**	**567,806**	**567,806**
Shares issued during the year	**33**	**-**	**33**
Shares cancelled during the year	**(3)**	**-**	**(3)**
Balance at 31 March 2018	**215**	**17,569,559**	**17,569,774**

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	*154*	*16,726,985*	*16,727,139*
Total comprehensive income	*-*	*274,768*	*274,768*
Shares issued during the year	*43*	*-*	*43*
Shares cancelled during the year	*(12)*	*-*	*(12)*
Balance at 31 March 2017	*185*	*17,001,753*	*17,001,938*

The notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018 £	*2017* *£*
Tangible fixed assets			
Housing properties	12	**25,971,144**	*24,948,026*
Other fixed assets	12	**1,268,446**	*1,272,990*
		27,239,590	*26,221,016*
Investments			
Investment in subsidiary	15	**100**	*100*
Current assets			
Debtors	16	**641,575**	*849,265*
Cash and cash equivalents	17	**1,465,147**	*1,160,783*
Investments	18	**303,300**	*541,978*
		2,410,022	*2,552,026*
Creditors: amounts falling due within one year	19	**(1,597,247)**	*(2,842,210)*
Net current assets/(liabilities)		**812,775**	*(290,184)*
Total assets less current liabilities		**28,052,465**	*25,930,932*
Creditors: amounts falling due after more than one year	20	**(10,482,691)**	*(8,928,994)*
Total net assets		**17,569,774**	*17,001,938*
Capital and reserves			
Share capital	23a	**215**	*185*
Revenue reserves	23b	**17,569,559**	*17,001,753*
		17,569,774	*17,001,938*

The financial statements were authorised for issue by the Management Committee on 4 September 2018 and are signed on its behalf by:

[redacted] Secretary [redacted]

The notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	*2017* *£*
Net cash flows generated from operating activities	28	**1,350,012**	*1,528,201*
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,808,089)**	*(806,024)*
Proceeds from the sale of property, plant and equipment		**151,717**	*141,646*
Interest received		**5,306**	*6,238*
Grants received		**1,227,721**	*219,338*
		(423,345)	*(438,802)*
Cash flows from financing activities			
Issue of share capital		**33**	*43*
Repayment of borrowings		**(539,891)**	*(446,502)*
Interest paid		**(321,123)**	*(320,956)*
Withdrawal from /deposit in current asset investments		**238,678**	*(300,238)*
		(622,303)	*(1,067,653)*
Net changes in cash and cash equivalents		**304,364**	*21,746*
Cash and cash equivalents at 1 April	17	**1,160,783**	*1,139,037*
Cash and cash equivalents at 31 March	17	**1,465,147**	*1,160,783*

The notes form part of these financial statements.

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 (note 3).

These financial statements represent the results of the Association only, are presented in pounds sterling and are rounded to the nearest whole pound.

The Association is a registered social landlord in Scotland and its registered number is 176. The registered address is Aspire Business Centre, 16 Farmeloan Road, Rutherglen, Glasgow, G73 1DL.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal 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 2018, 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 2018 and of the results for the year ended on that date.

Going concern

The Management Committee anticipates that a surplus will be generated in the years to 31 March 2019 and 31 March 2020. 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 continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income, factoring service income and fees or revenue grants receivable from South Lanarkshire Council and from the Scottish Government. First tranche shared ownership sales are also included in turnover.

Apportionment of management expenses

Direct employee, administration and operating expenditure 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.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year which they are incurred.

2. Principal accounting policies (continued)

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

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 cost of such properties includes the following:

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

Works to existing properties will generally be capitalised under the following circumstances:

(i) 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

(ii) 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 the Statement of Comprehensive Income. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

Depreciation

1. Housing properties

   Housing properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount. 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 50 years
   - Bathrooms – over 20 years
   - Windows – over 40 years
   - Kitchens – over 15 years
   - Heating systems and boilers – over 15 years
   - Doors – over 40 years
   - Rewiring – over 40 years

2. Principal accounting policies (continued)

Depreciation (continued)

2. 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:-

Furniture, Fittings & Equipment	-	20% to 33% on cost
Office Premises	-	2% on cost

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

3. Investment property

The investment property is held at market value and no depreciation is therefore charged.

Shared equity

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Association's obligation ceases and the cost and grant are derecognised through the Statement of Comprehensive Income.

Consolidation

The Association and its subsidiary undertaking, Aspire Community Development Company Limited, comprise a small group and the Financial Conduct Authority has granted an exemption from preparing group financial statements. Thus group accounts have not been prepared and these accounts therefore represent the results of the Association and not of the group.

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 16.

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.

Current asset investments

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

2. Principal accounting policies (continued)

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 rate method.

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 loans to group undertakings.

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 constitute 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.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Government capital grants

Government capital grants, at amounts approved by The Scottish Government or South Lanarkshire Council, 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 over the useful life of the assets 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.

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 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.

2. Principal accounting policies (continued)

Pensions

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

Loans

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

Operating leases

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

Estimate	Basis of estimation
Useful lives of property and other fixed assets	The useful lives of housing properties and other fixed assets are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

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

Estimate	Basis of estimation
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPS pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
The valuation of the investment property	The investment property was valued by an appropriate employee surveyor using market data at the year end.
Split of office premises and investment property	Part of the Aspire Business Centre, which is owned by the Association, is used by the Association for its offices with part rented out to third parties at commercial rates. Under FRS 102, the part of the building used by the Association for offices must be accounted for as a tangible fixed asset and depreciated whilst the part of the building rented out must be accounted for as an investment property and held at market value. The Management Committee have based this split on the square footage of the building with 40.4% used by the Association and 59.6% rented to third parties and thus treated as an investment property.

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

			2018			*2017*
	Turnover	**Operating expenditure**	**Operating surplus**	*Turnover*	*Operating expenditure*	*Operating surplus/deficit)*
	£	**£**	**£**	*£*	*£*	*£*
Social lettings (Note 5a)	**3,374,806**	**(2,540,884)**	**833,922**	*3,334,259*	*(2,595,046)*	*739,213*
Other activities (Note 5b)	**162,254**	**(130,529)**	**31,725**	*141,579*	*(181,069)*	*(39,490)*
	3,537,060	**(2,671,413)**	**865,647**	*3,475,838*	*(2,776,115)*	*699,723*

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2018 Total £	*2017 Total £*
Revenue from lettings					
Rent receivable net of service charges	**3,246,360**	**55,867**	**18,045**	**3,320,272**	*3,279,181*
Service charges	**37,720**	**955**	**763**	**39,438**	*41,703*
Gross income from rent and service charges	**3,284,080**	**56,822**	**18,808**	**3,359,710**	*3,320,884*
Less: Rent losses from voids	**(11,317)**	-	-	**(11,317)**	*(11,579)*
Net rent receivable	**3,272,763**	**56,822**	**18,808**	**3,348,393**	*3,309,305*
Release of deferred government capital grants	-	-	**1,413**	**1,413**	*1,727*
Other revenue grants	**25,000**	-	-	**25,000**	*23,227*
Total turnover from social letting activities	**3,297,763**	**56,822**	**20,221**	**3,374,806**	*3,334,259*
Expenditure on social letting activities					
Management and maintenance administration costs	**1,002,892**	**50,965**	**15,978**	**1,069,835**	*1,046,946*
Service charges	**37,720**	**955**	**763**	**39,438**	*41,703*
Planned cyclical maintenance including major repairs	**230,897**	-	-	**230,897**	*280,828*
Reactive maintenance costs	**354,079**	-	-	**354,079**	*415,821*
Ground maintenance	**33,890**	-	-	**33,890**	*30,312*
Bad debts – rents and service charges	**22,032**	-	-	**22,032**	*13,448*
Property insurance	**107,398**	-	-	**107,398**	*103,483*
Depreciation of social housing *	**674,933**	**4,902**	**3,480**	**683,315**	*662,505*
Operating expenditure on social letting activities	**2,463,841**	**56,822**	**20,221**	**2,540,884**	*2,595,046*
Operating surplus on letting activities, 2018	**833,922**	-	-	**833,922**	
Operating surplus on letting activities, 2017	*739,213*	-	-		*739,213*

Included within planned cyclical maintenance are costs of £72,625 (*2017: £74,513*) relating to major repairs.

* The depreciation charges for housing stock in the year were £568,899 (*2017: £548,441*). The net book value of disposed components was £114,416 (*2017: £114,064*) in accordance with the SORP.

5. (b). Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover 2018	Operating expenditure 2018	Surplus /(deficit 2018	*Total Turnover 2017*	*Operating expenditure 2017*	*Surplus /(deficit) 2017*
	£	£	£	£	£	£	£	*£*	*£*	*£*
Wider role activities	-	-	-	-	-	(834)	(834)	*-*	*(1,468)*	*(1,468)*
Commercial rent	-	-	-	110,101	110,101	(72,348)	37,753	*93,265*	*(85,978)*	*7,287*
Care and repair of property	-	-	-	-	-	-	-	*-*	*-*	*-*
Factoring	-	-	-	51,653	51,653	(51,653)	-	*47,814*	*(67,726)*	*(19,912)*
Development and construction of property activities	-	-	-	-	-	-	-	*-*	*-*	*-*
Housing property sales	-	-	-	-	-	-	-	*-*	*-*	*-*
Supporting people	-	-	-	-	-	-	-	*-*	*-*	*-*
Agency/management services for RSLs	-	-	-	-	-	-	-	*-*	*-*	*-*
Allowances for disposal of properties	-	-	-	-	-	-	-	*-*	*-*	*-*
Recharge repair – bad debts	-	-	-	-	-	(203)	(203)	*-*	*(14,776)*	*(14,776)*
Management charge to subsidiary	-	-	-	500	500	-	500	*500*	*-*	*500*
Tenant participation	-	-	-	-	-	(5,491)	(5,491)	*-*	*(11,121)*	*(11,121)*
Total from other activities-2018	-	-	-	162,254	162,254	(130,529)	31,725			
Total from other activities-2017	*-*	*-*	*-*	*141,579*				*141,579*	*181,069*	*(39,490)*

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

6. Directors' emoluments

The directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. No directors or members of key management other than the Director received emoluments (excluding pension contributions) greater than £60,000. No emoluments were paid to any member of the Management Committee during the year.

	2018	2017
	£	£
Emoluments (excluding pension contributions) of Director	**68,071**	*60,503*

	2018	2017
	£	£
Total Management Committee, Director and staff expenses reimbursed in so far as not chargeable to income tax	**6,917**	*6,887*

The Director is a member of the Association's pension scheme described in note 24. The Director's pension contribution in the year to 31 March 2018 was £8,577 (*2017: £7,442*). The past service deficit attributable to the Director in the year to 31 March 2018 was £21,641 *(2017: £20,680)*.

Other than the expenses disclosed above, no member of the Committee received any remuneration for their services as members of the Management Committee. No Committee members were employed by the Association in the year. There were no loans to the Committee members, officers or employees during the year.

The Association considers key management personnel to be the Management Committee, the Director and the Management Team of the Association (as detailed on the first page of the accounts). Their emoluments (excluding pension contributions) for the year were £206,727 (*2017: £196,640*). Their employer National Insurance contributions for the year were £22,318 *(2017: £20,318)* and the employer pension contributions for the year were £26,048 (*2017: £24,187*). The past service pension deficit payment attributable to the key management personnel in the year ended 31 March 2018 was £65,723 *(2017: £62,804)*. The social security costs for this individual was £22,318 (*2017: £20,318*).

7. Employee information

	2018	2017
	No	No
The full time equivalent number of employees employed during th year was:		
Financial and administration	**9**	*9*
Maintenance	**4**	*4*
Housing management	**6**	*6*
	19	*19*

This is also the average headcount for 2018 and 2017.

	2018	2017
	£	£
Staff costs (including Director's Emoluments):		
Wages and salaries	**627,301**	*610,425*
Social security costs	**59,682**	*55,477*
Pension costs	**71,924**	*63,832*
	758,907	*729,734*

7. Employee information (continued)

	2018 £	*2017 £*
SHAPs past service deficit liability – remeasurement – impact of changes in assumptions ((credit)/charge)	**(6,246)**	*3,523*

This is included in management and administration costs.

During the year past service deficit contributions of £163,813 (*2017: £156,864*) were paid. Of this payment, £158,754 (*2017: £151,800*) was a payment in respect of the SHAPS past service deficit liability. The remainder of £5,059 (*2017: £5,064*) was pension management costs which have been included in the pension contributions total included in staff costs above.

8. Operating surplus

	2018 £	*2017 £*
Operating surplus is stated after charging:		
Depreciation – charged in respect of tangible fixed assets	**589,835**	*586,056*
Depreciation – loss on disposal of components	**114,416**	*114,064*
Auditor's remuneration (excluding VAT)		
- In their capacity as the auditor	**9,220**	*8,950*
- In respect of other services	**1,135**	*400*

9. Interest receivable and other income

	2018 £	*2017 £*
Interest receivable on deposits	**5,306**	*6,238*
Loan to subsidiary	**8,976**	*8,800*
	14,282	*15,038*

10. Interest payable and similar charges

	2018 £	*2017 £*
Loan interest	**321,123**	*320,956*
SHAPS deficit repayment plan – interest expense	**8,000**	*39,000*
	329,123	*359,956*

11. Taxation

The Association is a registered charity and thus the surplus generated from its charitable activities is not subject to corporation tax. No tax was due in respect of its non-charitable activities in the year (*2017: £nil*).

12. Tangible fixed assets

Cost of valuation	Housing properties held for letting £	Housing properties under construction £	Shared ownership properties £	Office premises £	Investment property £	Furniture fittings & equipment £	Total £
As at 1 April 2017	**26,073,367**	**219,338**	**283,561**	**525,000**	**781,470**	**265,832**	**28,148,568**
Additions	**563,058**	**1,228,639**	**-**	**-**	**-**	**16,392**	**1,808,089**
Disposals	**(190,895)**	**-**	**(51,557)**	**-**	**-**	**-**	**(242,452)**
At 31 March 2018	**26,445,530**	**1,447,977**	**232,004**	**525,000**	**781,470**	**282,224**	**29,714,205**
Depreciation							
As at 1 April 2017	**1,533,969**	**-**	**94,271**	**42,000**	**-**	**257,312**	**1,927,552**
Charge for year	**565,419**	**-**	**3,480**	**10,500**	**-**	**10,436**	**589,835**
On disposals	**(24,676)**	**-**	**(18,096)**	**-**	**-**	**-**	**(42,772)**
At 31 March 2018	**2,074,712**	**-**	**79,655**	**52,500**	**-**	**267,748**	**2,474,615**
Net Book Value							
At 31 March 2018	**24,370,818**	**1,447,977**	**152,349**	**472,500**	**781,470**	**14,476**	**27,239,590**
At 31 March 2017	*24,539,398*	*219,338*	*189,290*	*483,000*	*781,470*	*8,520*	*26,221,016*

Additions to housing properties in the year includes £nil capitalised interest (*2017: £nil*) and £nil capitalised administration costs (*2017: £nil*). £563,058 (*2017: £580,960*) of component replacements were capitalised in the year. All housing properties are freehold. Properties with a cost of £106,681 (*2017: £168,738*) and accumulated depreciation of £21,417 (*2017: £6,820*) have been disposed in the year for net proceeds of £151,717 (*2017: £141,646*). Grant due to be repaid on these properties is £62,014 (*2017: £59,765*). Components with a cost of £135,771 (*2017: £127,682*) and accumulated depreciation of £21,355 (*2017: £13,618*) have been disposed in the year.

The fair value as at 31 March 2018 of the investment property and office premises held totalled £1,300,000 (*2017: £1,300,000*). This is based on a valuation performed by D M Hall in March 2018. 59.6% of the Aspire business centre is rented out to 3rd parties and is accounted for as an investment property. The remaining 40.4% is used by the Association and is accounted for as office premises at historic (deemed) cost.

13. Housing stock

The number of units of housing accommodation available for let at 31 March 2018 was:

	Units in management 2018	*Units in management 2017*
General needs housing	**818**	*820*
Supported housing accommodation	**4**	*4*
	822	*824*
Shared ownership accommodation	**9**	*11*
	831	*835*

There are no units managed by other bodies.

14. Commercial units

The number of commercial units available for let at 31 March 2018 was:

	Units in management 2018 No.	Units in management 2017 No.
Lock ups	**35**	35
Aspire business centre	**1**	1
Shops	**3**	3
	39	39

Part of the Aspire business centre is used as offices by the Association and part of it is rented out to 3rd parties (refer to note 3).

15. Investment in subsidiary company

	2018 £	*2017 £*
Shares in subsidiary company	**100**	*100*

Aspire Community Development Company Limited is a wholly owned subsidiary which was incorporated in Great Britain on 27 August 1999 and is registered in Scotland.

The 2018 draft subsidiary company accounts show a loss for the year of £5,172 (*2017 restated: profit of £2,767*) and net assets of £11,787 (*2017 restated: £16,959*).

16. Debtors

	2018 £	*2017 £*
Rental arrears	**103,834**	*85,448*
Less: Provision for bad and doubtful debts	**(38,312)**	*(34,460)*
	65,522	*50,988*
Amounts due from subsidiary	**351,142**	*328,676*
Factoring arrears	**64,959**	*73,135*
Prepayments and accrued income	**159,952**	*177,128*
Grant receivable	**-**	*219,338*
	641,575	*849,265*

17. Cash and cash equivalents

	2018 £	*2017 £*
Balances held in current accounts	**1,264,183**	*860,671*
Balances held in deposit accounts	**200,964**	*300,112*
	1,465,147	*1,160,783*

18. Investments

	2018 £	*2017 £*
Balances held in deposit accounts greater than 3 months	**303,300**	*541,978*

19. Creditors: amounts falling due within one year

	2018 £	*2017 £*
Bank loans	**432,081**	*1,473,124*
Accruals	**7,500**	*7,200*
Other taxation and social security	**16,107**	*14,630*
Other creditors	**709,524**	*981,438*
Deferred Government capital grant (note 21)	**1,413**	*1,727*
Housing Association grant repayable	**267,105**	*205,091*
SHAPS pension deficit liability (note 24)	**163,517**	*159,000*
	1,597,247	*2,842,210*

Included in other creditors is £24,863 (*2017: £23,780*) in respect of outstanding pension contributions.

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

	2018 £	2017 £
Bank loans	8,493,097	7,991,945
SHAPS pension deficit liability (note 24)	486,483	648,000
Deferred Government capital grant (note 21)	1,503,111	289,049
	10,482,691	8,928,994
Bank loan analysis:		
Due between one and two years	447,913	438,070
Due between two and five years	1,446,154	1,424,467
Due in five years or more	6,599,030	6,129,408
	8,493,097	7,991,945

Loans are secured by specific charges on the Association's properties and are repayable at rates between Libor +0.5% and a fixed rate of 7.16% over the next 30 years.

21. Deferred Government capital grants

	2018 £	2017 £
Housing grants		
At 1 April	290,776	73,165
Grants received in year	1,227,721	219,338
Disposals	(12,560)	-
Released to income in year	(1,413)	(1,727)
At 31 March	1,504,524	290,776
Split:		
Due within one year	1,413	1,727
Due between one and two years	44,713	7,994
Due between two and five years	133,198	23,981
Due in five years or more	1,325,200	257,074
At 31 March	1,504,524	290,776

22. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	1,465,147	1,160,783
Term deposits	303,300	541,978
Financial assets measured at amortised cost	578,547	774,867
	2,346,994	2,477,628
Financial liabilities		
Financial liabilities measured at amortised cost	10,433,137	11,331,376

Financial assets measured at amortised cost comprise rental arrears, amounts due from subsidiary, factoring arrears, accrued income and grant receivable.

Financial liabilities measured at amortised cost comprise bank loans, accruals, other creditors, Housing Association grant repayable and the SHAPS pension deficit liability.

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

23a. Share capital

	2018 £	*2017* *£*
At beginning of year	**185**	*154*
Shares issued during the year	**33**	*43*
Shares forfeited in year	**(3)**	*(12)*
At end of year	**215**	*185*

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.

23b. Revenue reserves

Revenue reserves represents the cumulative surpluses and deficits.

24. Pension obligations

Rutherglen and Cambuslang Housing Association Limited (the Association) participates in the Scottish Housing Associations' Pension Scheme (SHAPS) (the "Scheme").

The Scheme is a multi-employer defined benefit scheme which provides benefits to over 150 non-associated employers. The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60th accrual rate; Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; 1/120th accrual rate, contracted in; and a Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

The Association has elected to operate the final salary with a $1/60^{th}$ accrual rate and CARE with a $1/80^{th}$ accrual rate. These schemes are open to existing and new employees however there are no employees currently in the CARE $1/80^{th}$ scheme.

During the accounting period the Association paid contributions at the rate of 12.6% of pensionable salaries. Member contributions were 12.5%. There was an additional annual employer past service deficit contribution (including administration costs of £158,754 and £5,059 respectively) of £163,813 (*2017: £156,864*) made in the year. The net past service deficit contribution for 2018/19 is £163,517.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

As at the Statement of Financial Position date there were 16 (*2017: 12*) active members of the Scheme employed by the Association. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

24. Pension obligations (continued)

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 76%.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

- Investment return pre retirement		5.30% per annum
- Investment return post retirement -	Non-pensioners	3.40% per annum
- Investment return post retirement -	Pensioners	3.40% per annum
- Rate of salary increases		4.10% per annum
- Rate of pension increases	- pension accrued pre 6 April 2005	2.00% per annum
	- pension accrued from 6 April 2005	1.70% per annum
	- (for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation		2.60% per annum

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

24. Pension obligations (continued)

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017 is £4,852,498 (*2017: £6,224,523*).

Past service deficit repayment liability	**2018**	*2017*
	£	*£*
Provision at start of year	**807,000**	*916,277*
Unwinding of the discount factor (interest expense)	**8,000**	*39,000*
Deficit contribution paid	**(158,754)**	*(151,800)*
Re-measurements – impact of any changes in assumptions	**(6,246)**	*3,523*
Provision at end of year	**650,000**	*807,000*
Liability split as:		
< 1 year	**163,517**	*159,000*
1-2 years	**168,000**	*161,800*
2-5 years	**318,483**	*486,200*
> 5 years	**-**	*-*
	650,000	*807,000*

Statement of Comprehensive Income impact	**2018**	*2017*
	£	*£*
Interest expense	**8,000**	*39,000*
Re-measurements – impact of any change in assumptions	**(6,246)**	*3,523*
Rate of discount	**1.51%**	*1.06%*

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

Defined contribution scheme

The Association participates in the SHAPS Defined Contribution scheme following the auto-enrolment date of May 2017. Employee contributions to this scheme are 5% and employer contributions to this scheme are 10%. At 31 March 2018 there were 5 members in the Defined Contribution scheme *(2017: none)*.

25. Capital commitments

	2018	*2017*
	£	*£*
Contracted but not provided	**3,033,524**	*4,248,203*

The above commitments will be financed by:

	2018	*2017*
	£	*£*
Private finance	**1,999,347**	*1,999,347*
Government grants	**1,034,177**	*2,248,856*
Association's own resources	**-**	*-*
	3,033,524	*4,248,203*

25. Capital commitments (continued)

	2018 £	*2017* £
Committed but not contracted for	-	-

26. Operating lease commitments

The Association's annual commitments for rental payments under non-cancellable operating leases at 31 March 2018 were set out below:-

	2018 Office Equipment £	*2017 Office Equipment* £
Total commitment due within:		
Within one year	**22,959**	*17,268*
Between two to five years	**27,480**	*24,917*
	50,439	*42,185*

27. Legislative provisions

The Association is incorporated in Scotland under the Co-operative and Community Benefit Societies Act 2014.

28. Net cash flow from operating activities

	2018 £	*2017* £
Surplus for the year	**567,806**	*274,768*
Adjustments for non-cash items:		
Depreciation of housing properties including loss on disposal of components	**683,315**	*662,505*
Depreciation of property, plant and equipment	**20,936**	*37,615*
Carrying value of disposed assets	**85,264**	*161,918*
HAG repayable on disposal of property	**62,014**	*59,765*
Decease/(increase) in debtors	**207,690**	*(203,678)*
(Decrease)/increase in creditors	**(270,137)**	*473,252*
SHAPS deficit movements	**1,754**	*42,523*
Amortised grant included in gain on sale	**(12,560)**	-
Adjustments for investing and financing activities:		
Proceeds from the sale of property, plant and equipment	**(151,717)**	*(141,646)*
Interest payable	**321,123**	*320,956*
Interest received	**(5,306)**	*(6,238)*
Release of deferred capital government grant	**(1,413)**	*(1,727)*
SHAPS deficit contribution paid	**(158,754)**	*(151,800)*
Forfeited share capital	**(3)**	*(12)*
	1,350,012	*1,528,201*

29. Related party transactions

Aspire Community Development Company Limited

Aspire Community Development Company Limited ("Aspire") is a wholly owned subsidiary of Rutherglen and Cambuslang Housing Association Limited ("the Association").

The Association rented out rooms from the Caledonia Centre, owned by Aspire in the year at a cost of £5,000 (*2017: £5,000*).

During the year, management charges of £500 (*2017: £500*) were recharged by the Association to Aspire for services rendered by the Director of the Association in respect of Aspire.

Insurance costs were incurred by the Association in the year in respect of Aspire £2,990 (2017: £2,989) and were recharged in the year.

During the year £15,000 (*2017: £ nil*) was transferred over to Aspire by the Association to help with its cashflow. This is included within the intercompany debt outstanding at the year-end.

Interest of £8,976 was charged in respect of the balances outstanding (*2017: £8,800*).

At the year-end £351,142 was owed by Aspire to the Association and is included within debtors (*2017: £328,676*).

Management Committee

The Association has Management Committee members who are also tenants. The total rent received in the year relating to tenant Management Committee members is £6,619 (*2017: £9,793*). The total rent arrears relating to tenant Management Committee members included within debtors at the year-end is £nil (*2017: £nil*). The total rent paid in advance of the year end was £364 (*2017: £557*).

Two Management Committee members own properties which are factored by the Association. Factoring charges for Committee members were £859 (*2017: £955).* There were arrears of £48 (*2017: £nil*) at the year-end. There were payments in advance at the year-end of £110 (*2017: £ nil*).