



**RUTHERGLEN AND CAMBUSLANG
HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

CONTENTS

	Pages
Management Committee, Director, Management Team and Professional Advisers	1
Report of the Management Committee (incorporating the Strategic Report)	2 - 4
Report of the Auditor to the Management Committee on Internal Financial Controls	5
Independent Auditor's Report to the Members of the Association on the Financial Statements	6 - 8
Statement of Comprehensive Income	9
Statement of Changes in Capital and Reserves	10
Statement of Financial Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 37

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

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, DIRECTOR, MANAGEMENT TEAM AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31 MARCH 2019

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

Eveline Thompson

Frances Cunningham

Christine McPhail (Co-opted – October 2018)

Edward Harkins (Co-opted – December 2018)

Edith Mina (Resigned - February 2019)

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 Farmeloa 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

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

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

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 2019.

Objectives and Strategy

The Association's overall strategy is to continue to provide good quality housing, promote innovation and encourage community involvement.

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;
- Meet our performance obligations to our lenders and the Scottish Housing Regulator;
- Provide quality homes and services at the right price for our tenants;
- Addressing staff succession planning and develop the skills of our team; and
- To consider the risk that Brexit presents to our continuing ability to deliver for our tenants and others who rely on the services we provide.

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 2019 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 £558k 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 and we are on target for 100% of our properties to meet the target by 2020;
- 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 and funding approval to construct a further 18.

With regards to the management of our stock, our performance continues to be excellent. Our overall arrears figure for the year was 4.26% and our rental loss through voids and bad debts was 0.72%. 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 and we received funding approval to build a further 18 homes in Cambuslang.

The Association carried out sensitivity testing on our 30-year financial 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. This was also factored into the review of our Business Plan and a revised Plan for the period 2019 – 2022 was agreed in March.

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.

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

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.

In preparation for the publication of the revised Regulatory Framework and the requirement of an Assurance Statement to be submitted to the Scottish Housing Regulator, the Management Committee carried out a self-assessment against the draft new Regulatory Requirements and Standards and we are confident that we can provide the assurance that we can meet these.

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

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.

The Management Committee has reviewed the effectiveness of the system of internal controls for the year ended 31 March 2019. No weaknesses were found in the internal controls that resulted in material losses, contingencies, or uncertainties that require disclosure in the financial statements.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

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; 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 3 September 2019 by:



Robert McLeary
Chairperson



RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the financial statements, we have reviewed your statement on page 3 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion, your Statement on Internal Financial Controls on page 3 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.



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

Dated: 3 September 2019

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Rutherglen and Cambuslang Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

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

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information. 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.

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

We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the financial statements of the Association's subsidiary in group financial statements required to be prepared under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2019, because of the immaterial nature of the subsidiary's transactions in the year.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the 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 is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Auditor's responsibilities for the audit of the financial statements

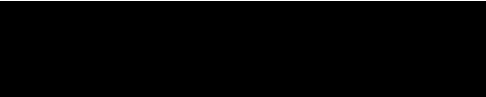
We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.



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: 3 September 2019

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	4	3,657,990	3,537,060
Operating expenditure	4	(3,040,740)	(2,671,413)
Operating surplus	4	617,250	865,647
Gain on disposal of property, plant and equipment		-	17,000
Interest receivable and other income	9	14,686	14,282
Interest payable and similar charges	10	(316,811)	(329,123)
Loss on impairment	12	(6,470)	-
Surplus for the year		308,655	567,806
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	24	(39,000)	-
Actuarial loss in respect of pension scheme	24	(288,000)	-
Total comprehensive income		(18,345)	567,806

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2018	215	17,569,559	17,569,774
Total comprehensive income	-	(18,345)	(18,345)
Shares issued during the year	14	-	14
Shares cancelled during the year	(100)	-	(100)
Balance at 31 March 2019	<u>129</u>	<u>17,551,214</u>	<u>17,551,343</u>

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

	Share Capital £	Revenue Reserve £	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	<u>215</u>	<u>17,569,559</u>	<u>17,569,774</u>

The notes form part of these financial statements.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	12	29,091,921	25,971,144
Other fixed assets	12	1,260,632	1,268,446
		<u>30,352,553</u>	<u>27,239,590</u>
Investments			
Investment in subsidiary	15	100	100
Current assets			
Debtors	16	693,856	641,575
Cash and cash equivalents	17	1,595,869	1,465,147
Investments	18	-	303,300
		<u>2,289,725</u>	<u>2,410,022</u>
Creditors: amounts falling due within one year	19	<u>(3,280,845)</u>	<u>(1,597,247)</u>
Net current (liabilities)/assets		<u>(991,120)</u>	<u>812,775</u>
Total assets less current liabilities		<u>29,361,533</u>	<u>28,052,465</u>
Creditors: amounts falling due after more than one year	20	<u>(10,931,190)</u>	<u>(10,482,691)</u>
Pension – defined benefit liability	24	<u>(879,000)</u>	-
Total net assets		<u>17,551,343</u>	<u>17,569,774</u>
Capital and reserve			
Share capital	23a	129	215
Revenue reserve	23b	17,551,214	17,569,559
		<u>17,551,343</u>	<u>17,569,774</u>

The financial statements were authorised for issue by the Management Committee on 3 September 2019 and are signed on its behalf by:

Robert McLeary
Chairperson

Geraldine Baird
Secretary

Jean Gow
Committee Member

The notes form part of these financial statements.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

	Notes	2019 £	2018 £
Net cash flows generated from operating activities	28	1,409,449	1,350,012
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,841,513)	(1,808,089)
Proceeds from the sale of property, plant and equipment		-	151,717
Interest received		5,882	5,306
Grants received		1,475,095	1,227,721
		<u>(2,360,536)</u>	<u>(423,345)</u>
Cash flows from financing activities			
Issue of share capital		14	33
Loan finance drawn down		1,651,835	-
Repayment of borrowings		(572,529)	(539,891)
Interest paid		(300,811)	(321,123)
Withdrawal from current asset investments		303,300	238,678
		<u>1,081,809</u>	<u>(622,303)</u>
Net changes in cash and cash equivalents		130,722	304,364
Cash and cash equivalents at 1 April	17	<u>1,465,147</u>	<u>1,160,783</u>
Cash and cash equivalents at 31 March	17	<u>1,595,869</u>	<u>1,465,147</u>

The notes form part of these financial statements.

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

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (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 Farmeloa 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 Association has taken advantage of the provisions made available through Financial Reporting Exposure Draft (FRED) 71, "Draft amendments to FRS 102 on Multi-employer defined benefit plans". These provisions will become effective as part of FRS 102 for accounting periods commencing on or after 1 January 2020, however the Association has chosen to early adopt these provisions for the current accounting period. Therefore for the year ended 31 March 2018, SHAPS was accounted for as a defined contribution scheme although the past service deficit liability was recognised as a liability. For the year ended 31 March 2019, SHAPS is accounted for as a defined benefit pension liability with the adjustment to reflect the movement between the past service deficit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 being recognised within Other Comprehensive Income in the Statement of Comprehensive Income as outlined in FRED 71. Further details in respect of this can be found in Note 24 to these financial statements.

The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2019 and of the results for the year ended on that date.

Going concern

The Management Committee anticipates that a surplus will be generated in the years to 31 March 2020 and 31 March 2021. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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

2. Principal accounting policies (continued)

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.

Income from rental and service charges, factoring and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and it can be measured reliably.

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.

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.

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

2. Principal accounting policies (continued)

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. 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.

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.

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

2. Principal accounting policies (continued)

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.

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.

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

2. Principal accounting policies (continued)

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 Association is entitled to them, it is probable they will be received and then can be measured reliably.

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.

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.

Up until 31 March 2018, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

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.

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

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:

<u>Estimate</u>	<u>Basis of estimation</u>
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.
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	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalisation has been included in the SHAPS defined benefit liability.
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.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

4. Particulars of turnover, operating expenditure and operating surplus/(deficit)	2019			2018		
	Turnover £	Operating expenditure £	Operating surplus £	Turnover £	Operating expenditure £	Operating surplus/deficit £
Social lettings (Note 5a)	3,507,423	2,802,160	705,263	3,374,806	(2,540,884)	833,922
Other activities (Note 5b)	150,567	238,580	(88,013)	162,254	(130,529)	31,725
	<u>3,657,990</u>	<u>3,040,740</u>	<u>617,250</u>	<u>3,537,060</u>	<u>(2,671,413)</u>	<u>865,647</u>

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2019 Total £	2018 Total £
Revenue from lettings					
Rent receivable net of service charges	3,356,926	49,423	17,114	3,423,463	3,320,272
Service charges	58,489	877	304	59,670	39,438
Gross income from rent and service charges	3,415,415	50,300	17,418	3,483,133	3,359,710
Less: Rent losses from voids	(7,603)	-	-	(7,603)	(11,317)
Net rent receivable	3,407,812	50,300	17,418	3,475,530	3,348,393
Release of deferred government capital grants	-	-	1,500	1,500	1,413
Other revenue grants – stage 3 adaptations	30,393	-	-	30,393	25,000
Total turnover from social letting activities	3,438,205	50,300	18,918	3,507,423	3,374,806
Expenditure on social letting activities					
Management and maintenance administration costs	1,136,959	20,107	15,134	1,172,200	1,069,835
Office repairs	89,578	-	-	89,578	-
Service charges	58,489	877	304	59,670	39,438
Planned cyclical maintenance including major repairs	283,714	18,355	-	302,069	230,897
Reactive maintenance costs	299,352	5,523	-	304,875	354,079
Ground maintenance	50,505	-	-	50,505	33,890
Bad debts – rents and service charges	17,418	-	-	17,418	22,032
Property insurance	108,644	-	-	108,644	107,398
Depreciation of social housing *	688,283	5,438	3,480	697,201	683,315
Operating expenditure on social letting activities	2,732,942	50,300	18,918	2,802,160	2,540,884
Operating surplus on letting activities, 2019	705,263	-	-	705,263	
Operating surplus on letting activities, 2018	833,922	-	-		833,922

*The depreciation charges for housing stock in the year were £589,374 (2018: £568,899). The net book value of disposed components was £107,827 (2018: £114,416) in accordance with the SORP. Included within planned cyclical maintenance are costs of £61,166 (2018: £72,625) relating to major repairs.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

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 2019 £	Operating expenditure 2019 £	Surplus/ (deficit) 2019 £	Total Turnover 2018 £	Operating expenditure 2018 £	Surplus/ (deficit) 2018 £
Wider role activities	£	£	£	£	£	£	£	£	£	£
Commercial rent	-	-	-	-	-	847	(847)	-	(834)	(834)
Care and repair of property	-	-	-	96,374	96,374	194,486	(98,112)	110,101	(72,348)	37,753
Factoring	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	53,693	53,693	43,247	10,446	51,653	(51,653)	-
Housing property sales	-	-	-	-	-	-	-	-	-	-
Supporting people	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Allowances for disposal of properties	-	-	-	-	-	-	-	-	-	-
Recharge repair – bad debts	-	-	-	-	-	-	-	-	-	-
Management charge to subsidiary	-	-	-	500	500	-	500	500	-	500
Tenant participation	-	-	-	-	-	-	-	-	(5,491)	(5,491)
Total from other activities- 2019	-	-	-	150,567	150,567	238,580	(88,013)			
Total from other activities- 2018	-	-	-	162,254	162,254			162,254	(130,529)	31,725

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

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

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 emoluments were paid to any member of the Management Committee during the year.

	2019 £	2018 £
Emoluments (excluding pension contributions) of Director	<u>69,875</u>	<u>68,071</u>
	2019 £	2018 £
Total Management Committee, Director and staff expenses reimbursed in so far as not chargeable to income tax	<u>8,551</u>	<u>6,917</u>

The Director is a member of the Association's pension scheme described in note 24. The employer's pension contribution in the year on behalf of the director to 31 March 2019 was £8,804 (2018: £8,577). The past service deficit attributable to the Director in the year to 31 March 2019 was £21,343 (2018: £21,641).

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 £212,205 (2018: £206,727). Their employer National Insurance contributions for the year were £22,309 (2018: £22,318) and the employer pension contributions for the year were £26,738 (2018: £26,048). The past service pension deficit payment attributable to the key management personnel in the year ended 31 March 2019 was £64,817 (2018: £65,723).

The number of key management whose emoluments exceed £60,000 in the year are as follows:

	2019 No	2018 No
£60,001 - £70,000	<u>1</u>	<u>1</u>

7. Employee information

	2019 No	2018 No
The full time equivalent number of employees employed during the year was:		
Financial and administration	8.5	9
Maintenance	5.5	4
Housing management	4	6
	<u>18</u>	<u>19</u>
Average headcount	<u>18.5</u>	<u>19</u>

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

7. Employee information (continued)	2019 £	2018 £
Staff costs (including Director's Emoluments):		
Wages and salaries	637,569	627,301
Social security costs	61,464	59,682
Pension costs	76,627	71,924
	775,660	758,907

During the year past service deficit contributions of £168,576 (2018: £163,813) were paid. Of this payment, £163,517 (2018: £158,754) was a payment in respect of the SHAPS past service deficit liability. The remainder of £5,059 (2018: £5,059) was pension management costs which have been included in the pension contributions total included in staff costs above.

8. Operating surplus	2019 £	2018 £
Operating surplus is stated after charging:		
Depreciation – charged in respect of tangible fixed assets	589,374	589,835
Depreciation – loss on disposal of components	107,827	114,416
Auditor's remuneration (excluding VAT)		
- In their capacity as the auditor	9,270	9,000
- In respect of other services	620	600

9. Interest receivable and other income	2019 £	2018 £
Interest receivable on deposits	5,882	5,306
Loan to subsidiary	8,804	8,976
	14,686	14,282

10. Interest payable and similar charges	2019 £	2018 £
Loan interest	300,811	321,123
Defined benefit pension liability – interest charge (Note 24)	16,000	8,000
	316,811	329,123

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 (2018: £nil).

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

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 2018	26,445,530	1,447,977	232,004	525,000	781,470	282,224	29,714,205
Additions	557,717	3,260,261	-	-	-	23,535	3,841,513
Disposals	(138,237)	-	-	-	-	-	(138,237)
Impairment	-	-	-	-	(6,470)	-	(6,470)
At 31 March 2019	26,865,010	4,708,238	232,004	525,000	775,000	305,759	33,411,011
Depreciation							
As at 1 April 2018	2,074,712	-	79,655	52,500	-	267,748	2,474,615
Charge for year	585,894	-	3,480	10,500	-	14,379	614,253
On disposals	(30,410)	-	-	-	-	-	(30,410)
At 31 March 2019	2,630,196	-	83,135	63,000	-	282,127	3,058,458
Net Book Value							
At 31 March 2019	24,234,814	4,708,238	148,869	462,000	775,000	23,632	30,352,553
At 31 March 2018	24,370,818	1,447,977	152,349	472,500	781,470	14,476	27,239,590

Additions to housing properties in the year includes £nil capitalised interest (2018: £nil) and £nil capitalised administration costs (2018: £nil). £557,717 (2018: £563,058) of component replacements were capitalised in the year. All housing properties are freehold. Properties with a cost of £nil (2018: £106,681) and accumulated depreciation of £nil (2018: £21,417) have been disposed in the year for net proceeds of £nil (2018: £151,717). Grants due to be repaid on these properties is £nil (2018: £62,014). Components with a cost of £138,237 (2018: £135,771) and accumulated depreciation of £30,410 (2018: £21,355) have been disposed in the year.

The fair value as at 31 March 2019 of the investment property and office premises held totalled £1,300,000 (2018: £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.

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

13. Housing stock

The number of units of housing accommodation available for let at 31 March 2019 was:

	Units in management 2019	Units in management 2018
General needs housing	818	818
Supported housing accommodation	4	4
	<u>822</u>	<u>822</u>
Shared ownership accommodation	9	9
	<u>831</u>	<u>831</u>

There are no units managed by other bodies.

14. Commercial units

The number of commercial units available for let at 31 March 2019 was:

	Units in management 2019 No.	Units in management 2018 No.
Lock ups	35	35
Aspire business centre	1	1
Shops	3	3
	<u>39</u>	<u>39</u>

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).

	2019 £	2018 £
15. Investment in subsidiary company		
Shares in subsidiary company	<u>100</u>	<u>100</u>

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 2019 draft subsidiary company accounts show a profit for the year of £38,188 (2018: loss of £5,172) and net assets of £49,975 (2018: £11,787).

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

	2019 £	2018 £
16. Debtors		
Rental arrears	148,114	103,834
Less: Provision for bad and doubtful debts	(52,278)	(38,312)
	<u>95,836</u>	<u>65,522</u>
Amounts due from subsidiary	338,546	351,142
Factoring arrears	56,511	64,959
Other debtors	21,566	9,364
Prepayments and accrued income	181,397	150,588
	<u>693,856</u>	<u>641,575</u>
17. Cash and cash equivalents		
Balances held in current accounts	887,353	1,264,183
Balances held in deposit accounts	708,516	200,964
	<u>1,595,869</u>	<u>1,465,147</u>
18. Investments		
Balances held in deposit accounts greater than 3 months	-	303,300
19. Creditors: amounts falling due within one year		
Bank loans	2,014,771	432,081
Accruals	237,330	7,500
Other taxation and social security	14,528	16,107
Other creditors	710,469	709,524
Deferred Government capital grant (note 21)	36,642	1,413
Housing Association grant repayable	267,105	267,105
SHAPS pension deficit liability (note 24)	-	163,517
	<u>3,280,845</u>	<u>1,597,247</u>

Included in other creditors is £28,754 (2018: £24,863) in respect of outstanding pension contributions.

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

20. Creditors: amounts falling due after more than one year	2019 £	2018 £
Bank loans	7,989,713	8,493,097
SHAPS pension deficit liability (note 24)	-	486,483
Deferred Government capital grant (note 21)	2,941,477	1,503,111
	<u>10,931,190</u>	<u>10,482,691</u>
Bank loan analysis:		
Due between one and two years	479,597	447,913
Due between two and five years	1,533,185	1,446,154
Due in five years or more	5,976,931	6,599,030
	<u>7,989,713</u>	<u>8,493,097</u>
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 6.81% over the next 30 years.		
The net book value of housing properties secured at the year-end was £18,813,050 (2018 - £18,962,187)		
21. Deferred Government capital grants	2019 £	2018 £
<u>Housing grants</u>		
At 1 April	1,504,524	290,776
Grants received in year	1,475,095	1,227,721
Disposals	-	(12,560)
Released to income in year	(1,500)	(1,413)
	<u>2,978,119</u>	<u>1,504,524</u>
At 31 March	<u>2,978,119</u>	<u>1,504,524</u>
Split:		
Due within one year	36,642	1,413
Due between one and two years	43,780	44,713
Due between two and five years	131,341	133,198
Due in five years or more	2,766,356	1,325,200
	<u>2,978,119</u>	<u>1,504,524</u>
22. Financial instruments	2019 £	2018 £
Financial assets		
Cash and cash equivalents	1,595,869	1,465,147
Term deposits	-	303,300
Financial assets measured at amortised cost	611,642	578,547
	<u>2,207,511</u>	<u>2,346,994</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>11,066,652</u>	<u>10,433,137</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
23a. Share capital		
At beginning of year	215	185
Shares issued during the year	14	33
Shares forfeited in year	(100)	(3)
At end of year	<u>129</u>	<u>215</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.

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 is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with the documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. 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 1/60th accrual rate and CARE with a 1/80th accrual rate. These schemes are open to existing and new employees however there are no employees currently in the CARE 1/80th 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 of £168,576 (2018: £163,813) made in the year which includes £5,059 (2018: £5,059) of administration costs. The net past service deficit contribution for 2019/20 is £168,423.

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 13 (2018: 16) active members of the Scheme employed by the Association. The Association continues to offer membership of the Scheme to its employees.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
24. Pension obligations (continued)
Year ended 31 March 2018

Up until 31 March 2018, it was not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was 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 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. The information regarding the 30 September 2018 valuation, including the annual funding update is not yet available from TPT.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
24. Pension obligations (continued)

Past service deficit repayment liability	2018 £
Provision at start of year	807,000
Unwinding of the discount factor (interest expense)	8,000
Deficit contribution paid	(158,754)
Re-measurements – impact of any changes in assumptions	(6,246)
Provision at end of year	<u>650,000</u>
Liability split as:	
< 1 year	163,517
1-2 years	168,000
2-5 years	318,483
> 5 years	-
	<u>650,000</u>
 Statement of Comprehensive Income impact	 2018 £
Interest expense	8,000
Re-measurements – impact of any change in assumptions	(6,246)
Rate of discount	1.51%

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.

Year ended 31 March 2019**Accounting treatment from 1 April 2018**

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus SHAPS will be accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 31 March 2018, in respect of the SHAPs deficit repayment plan, amounts included within creditors due less than one year was £163,517 and amounts included within creditors due greater than one year were £486,483. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £39,000 to recognise a liability of £689,000 as at 1 April 2018.

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

24. Pension obligations (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2019 £'000
Fair value of plan assets	5,723
Present value of defined benefit obligation	(6,602)
Defined benefit liability to be recognised	(879)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(5,804)
Current service cost	(113)
Expenses	(5)
Interest expense	(150)
Actuarial (losses)/gains due to scheme experience	(128)
Actuarial (losses)/gains due to changes in demographic assumptions	(17)
Actuarial (losses)/gains due to changes in financial assumptions	(399)
Benefits paid and expenses	78
Contributions by plan participants	(64)
Defined benefit liability at the end of the period	(6,602)

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	5,115
Interest income	134
Experience on plan assets (excluding amounts included in interest income) - gain	256
Contributions by the employer	232
Benefits paid and expenses	64
Contributions by plan participants	(78)
Fair value of plan assets at end of period	5,723

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

24. Pension obligation (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

Period from
31 March 2018 to
31 March 2019
£'000

Current service cost	113
Admin expenses	5
Net interest expense	16

Defined benefit costs recognised in Statement of Comprehensive Income	134
--	------------

Defined benefit costs recognised in Other Comprehensive Income

Period ended
31 March 2019
£'000

Experience on plan assets (excluding amounts included in net interest cost - gain)	256
Experience gains and losses arising on the plan liabilities – gain	(128)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(17)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(399)
Total amount recognised in other comprehensive income – (loss)	(288)

Fund allocation for employer's calculated share of assets

31 March 2019
£'000

Liability Driven Investment	2,036
Global Equity	921
Absolute Return	485
Corporate Bond Fund	401
Alternative Risk Premia	320
Infrastructure	240
Secured Income	200
Emerging Markets Debt	183
Risk Sharing	166
Insurance-Linked Securities	148
Over 15 Year Gilts	147
Property	114
Credit Relative Value	99
Distressed Opportunities	98
Private Debt	74
Long Lease Property	69
Fund of Hedge Funds	16
Net Current Assets	6
Total Assets	5,723

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**24. Pension Obligation (continued)**

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2019 % per annum
Discount rate	2.30
Inflation (RPI)	3.30
Inflation (CPI)	2.30
Salary growth	3.30
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary**Active members**

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	5	246	54
Females	8	268	51
Total	13	514	52

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	-	-	-
Females	2	8	45
Total	2	8	45

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	-	-	-
Females	9	71	63
Total	9	71	63

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

24. Pension Obligation (continued)

Employer debt on withdrawal

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.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £4,852,498. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available from TPT.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for Rutherglen and Cambuslang Housing Association is 0.03% of liabilities, which is expected to be approximately £2,000. This is included within the closing defined benefit liability as detailed above.

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 2019 there were 5 members in the Defined Contribution scheme (2018: 5).

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

25. Capital commitments

	2019 £	2018 £
--	-----------	-----------

Contracted but not provided	2,069,453	3,033,524
-----------------------------	-----------	-----------

The above commitments will be financed by:

	2019 £	2018 £
--	-----------	-----------

Private finance	1,224,654	1,999,347
Government grants	844,799	1,034,177

	2,069,453	3,033,524
--	-----------	-----------

	2019 £	2018 £
--	-----------	-----------

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 2019 were set out below:

	2019 Office Equipment £	2018 Office Equipment £
Total commitment due within:		
Within one year	15,295	22,959
Between one and two years	7,625	15,295
Between two to five years	4,560	12,185
	27,480	50,439

27. Legislative provisions

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

RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION LIMITED

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

	2019 £	2018 £
28. Net cash flow from operating activities		
Surplus for the year	308,655	567,806
<i>Adjustments for non-cash items:</i>		
Depreciation of housing properties including loss on disposal of components	697,201	683,315
Depreciation of property, plant and equipment	24,879	20,936
Impairment of investment property	6,470	-
Carrying value of disposed assets	-	85,264
HAG repayable on disposal of property	-	62,014
(Increase)/decrease in debtors	(52,281)	207,690
Increase/(decrease) in creditors	229,196	(270,137)
SHAPS deficit movements	-	1,754
SHAPS current service cost and expense	65,517	-
Amortised grant included in gain on sale	-	(12,560)
<i>Adjustments for investing and financing activities:</i>		
Proceeds from the sale of property, plant and equipment	-	(151,717)
Interest payable	300,811	321,123
Interest received	(5,882)	(5,306)
Release of deferred capital government grant	(1,500)	(1,413)
SHAPS deficit contribution paid	(163,517)	(158,754)
Forfeited share capital	(100)	(3)
	1,409,449	1,350,012

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 (2018: £5,000).

During the year, management charges of £500 (2018: £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 £3,100 (2018: £2,990) and were recharged in the year.

During the year £nil (2018: £15,000) 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. During the year £20,000 (2018: £nil) was transferred to the Association by Aspire to pay the intercompany debt.

Interest of £8,804 was charged in respect of the balances outstanding (2018: £8,976).

At the year-end £338,546 was owed by Aspire to the Association and is included within debtors (2018: £351,142).

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

29. Related party transactions (continued)

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 £6,625 (2018: £6,619). The total rent arrears relating to tenant Management Committee members included within debtors at the year-end is £nil (2018: £nil). The total rent paid in advance of the year end was £404 (2018: £364).

Two Management Committee members own properties which are factored by the Association. Factoring charges for Committee members were £810 (2018: £859). There were arrears of £21 (2018: £48) at the year end. There were payments in advance at the year end of £nil (2018: £110).