

SHETTLESTON HOUSING ASSOCIATION LIMITED
GROUP ACCOUNTS
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Members, Executive Officers and Advisers

Management Committee

Gillian Johnston	Chairperson
James Tominey	Vice- Chairperson
Lesley Scoffield	Secretary (from 10 October 2017)
Morag Allan	Secretary (until 10 October 2017)
Mary Thomas	
Mary Hain	
Grace Barbour	
Patricia McLeish	
John Morrison	
Graham Jamieson	(resigned 1 December 2017)
Iris Jamieson	(resigned 1 December 2017)
Duncan McLeary	Co-opted, (resigned 21 September 2017)
Kirsty Morrison	Co-opted, (resigned 24 April 2018)
Frank Quinn	

Registered Office

Helen McGregor House
65 Pettigrew Street
Glasgow
G32 7XR

Auditor

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

Bankers

Royal Bank of Scotland plc
1304 Duke Street
Glasgow
G31 5PZ

Executive Officers

Tony Teasdale	Chief Executive Officer (appointed 30 October 2017)
Chris Cunningham	Director (retired 30 September 2017)
Jim Hempsey	Finance Manager
Jannette Rawls	Corporate Services Manager
Joe Whitley	Maintenance Manager
Anne McAlpine	Performance Manager
Avril Stewart	Housing Manager

Solicitors

T C Young LLP
7 West George St
Glasgow
G2 1BA

Brodies LLP
110 Queen St
Glasgow
G2 1BA

Shepherd & Wedderburn
LLP
1 West Regent St
Glasgow
G2 1RW

Internal auditor

TIAA
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

SHETTLESTON HOUSING ASSOCIATION LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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Registration information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered number SP1884RS
The Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 183
Scottish Charity Number	SC036687

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee presents its Report (incorporating the Strategic Report) and audited financial statements for the year ended 31 March 2018.

Principal Activity

The principal activity of the Group is the provision of social rented accommodation, the provision of estate caretaking services, the acquisition and letting of properties at market and mid-market rents and to obtain furniture, white goods and other household consumables that can be re-used and to provide these by gift or low affordable cost to persons in financial hardship.

Review of the Business and Future Developments

At the commencement of the 2017/18 financial year the Group adopted the following strategic objectives for the forthcoming and subsequent two years:

1. To improve the Association's service delivery and investigate the expansion and diversification of services following customer feedback;
2. To expand the housing stock of SHA through the development of new houses;
3. To ensure the growth of the organisation is properly and adequately funded through robust financial planning;
4. To maintain all stock to a good standard through a sustainable programme of planned repairs and maintenance;
5. To achieve effective tenant involvement in the Association and engage fully with the community in all activities, especially the regeneration of the area;
6. To develop staff and committee as a fundamental resource to the organisation;
7. To maintain the SHQS housing standard for all stock and to work towards the EESSH standard for 2020;
8. To support the operation of existing Wider Action initiatives and encourage the investigation and development of new initiatives;
9. To continuously review the performance of the Group, the risks of all activities, the organisational structure and context and ensure that all statutory requirements are met timeously and in full; and
10. To meet the standards set out in the Scottish Social Housing Charter.

Operational objectives to fit with these strategic objectives were also agreed and were reported on at the end of each quarter.

The Main Achievements of 2017/18

In considering the progress made against these objectives, the following key achievements should be noted:

- Site start at Carntyne Church to build 19 new amenity flats;
- Site start at Fenella Street to develop 34 properties for social rent and 8 for mid-market rent;
- Purchase of the site at St Marks Street for the development of 40 units;
- Design plans ongoing for the acquired site in Wellshot Road (old telephone exchange) to develop 12 units;
- Plans to purchase the site at Wellshot Halls continued to be developed;

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Main Achievements of 2017/18 (continued)

- Work commenced on nine properties acquired via the Glasgow City Council's Acquisition Strategy to fully upgrade these properties to offer improved living conditions for tenants within our community;
- Fernan Gardens newbuild site continued to win awards during 2017 which included:
 - Age Exclusive Development of the Year (Scottish Homes Award);
 - Affordable Housing Development of Year (Herald Property Awards); and
 - Prestigious Saltire Society Award (award been running since 1930 – real mark of quality and design).
- Eighty six steel estate properties were fully insulated and rendered during 2017. This means the Association has successfully improved 355 properties since the contract commenced in 2013 and leaves only 20 properties within the area which need an energy efficient upgrade. The Association will continue to investigate ways to help achieve this for residents;
- Seventy one homes received new kitchens;
- Forty nine properties in Shettleston and Academy Street benefited from bathroom upgrades;
- £120,000 was spent installing new controlled entry systems in north and south Shettleston inter-war tenement closes. Work commenced early February 2018 and included 32 closes;
- £276,000 was invested in renewing 120 central heating boilers;
- Improvement works were carried out in five backcourts. The work included new bin stores with large euro bins, recycling wheelie bins and new drying areas;
- Electrical upgrades were carried out in 83 properties at various addresses around Shettleston and Academy Street;
- Twenty new windows & doors were fitted in the Castlelaw estate;
- Twenty one new close landing windows were fitted;
- Success at the Shettleston's Community Growing Project continued as it won a prestigious award being named as the National Winner of the Cultivation Street 2017 and was awarded £10,000 by Multi Lotto who seek out good causes in Scotland. The Growing project was the first charity to be awarded the prize;
- Shettleston Energy Advice (SEA) project continued to offer advice and assistance to new tenants, resolve metering issues when properties are void to avoid supply issues for new tenants and helping tenants with metering issues especially those at risk of missing an annual service;
- The Association received its fourth Landlord Report from the Scottish Housing Regulator (SHR) and surpassed the Scottish average in the vast majority of the key performance indicators;
- The Association provided its third return to the Regulator on our compliance with working towards the Energy Efficiency Standard for Social Housing (ESSH) required by 2020. As at 31 March 2018, 81.7% of our stock met the standard which was a 3% increase from the previous year;
- In order to continue to improve our communication with owners, the Association sent out annual statements, a second Factoring newsletter and held a consultation meeting with owners in February 2018;
- £1,361,709 was the staggering amount our welfare rights service managed to gain for our tenants;
- 340 referrals were dealt with by the money advice team. The team works with tenants and the wider community;
- The Association continued to support the Glasgow Living Wage Campaign in 2017/18, endorsing Glasgow City Council's ambition to tackle poverty and in particular rising in-work poverty experienced by low income households;
- 123 children along with their parents, visited Santa's grotto and some also benefited from "cash for kids". This event was promoted via SMS, newsletter and posters in closes; and
- Succession planning was carried out to prepare for the departure of the Association's long serving Director. The transition went well with our new CEO now in post.

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Main Achievements of 2017/18 (continued)

In addition to these main achievements, the Association carried out standard functions to ensure;

- All statutory compliance requirements were met on time;
- Cashflow covenants set by our lender were met and the financial management was fully audited; and
- Annual Committee appraisal process was carried out to ensure compliance with regulatory requirements.

Attainment Outstanding

- The review of the Allocations Policy scheduled to commence during 2017/18 was not carried out; This was due, in part, to awaiting statutory guidance on the legal framework for social housing allocations in line with the Housing (Scotland) Act 2014;
- A review of the Association's strategy to minimise the impact of Welfare Reform was outstanding. This mitigation plan is a priority moving forward into 2018/19;
- The decision was taken to develop a Retirement Housing Service, however, the review continues on our delivery, staff and financial plans;
- During 2017/18 the KPI targets for void repair timescales were overall unmet, including major repairs, all of which can impact on void loss and void costs to the Association;
- Committee numbers decreased during 2017/18 – now down to 10 members. A need to address this issue was identified and short life working group was established to consider ways of strengthening Committee and encouraging overall membership. This process will continue during 2018/19;
- Annual staff appraisals were not carried out during 2017/18 as the Association, following consultation with staff, identified a need to review how the appraisal process is applied within the organisation; and
- With regard to the Factoring service the Association is still working towards ensuring it is properly appointed as factor for all properties and estates for which it provides a factoring service. Despite efforts of staff calling meetings the attendance of owners in some areas has not been sufficient to conclude the Association's appointment;

Proposals to address all these outstanding issues are included in the actions within the Internal Management Plan for 2018/19.

Related Party Transactions

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Statement on Internal Financial Control

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

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

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

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

The Management Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Statement of the Management Committee's responsibilities

Housing Association legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association 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 Group and the Association will continue in business.

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

The Management Committee is also responsible for safeguarding the assets of the Group and the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

As far as the Committee members are aware, there is no relevant audit information of which the Group's auditor is unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure the Group's auditor is aware of such information.

Auditor

A resolution to reappoint Scott-Moncrieff, as the auditor will be brought to the members at the Annual General Meeting.

By order of the Committee



Lesley Scoffield
Secretary

Dated: 3 July 2018

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Shettleston Housing Association Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2018 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Statements of Changes in Capital and Reserves, the Group and Association Statements of Financial Position, the Group and Association Statements 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 Group's and the Parent Association's affairs as at 31 March 2018 and of the Group's and the Parent Association's 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, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, 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 Group and Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

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

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent 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.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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.

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 by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent 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 5, 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 Group's and Parent 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 Group or the Parent 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.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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

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 Parent 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 Parent 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 Parent Association and the Parent 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 July 2018

SHETTLESTON HOUSING ASSOCIATION LIMITED

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



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

Dated: 3 July 2018

SHETTLESTON HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	4	9,268,614	9,203,631
Operating expenditure	4	(7,509,163)	(7,632,593)
Operating surplus	4, 11	1,759,451	1,571,038
Gain on disposal of property, plant and equipment		74,044	136,789
Interest receivable and other income	9	2,066	1,813
Interest payable and similar charges	10	(1,613,455)	(1,450,697)
Surplus on ordinary activities before taxation		222,106	258,943
Tax on surplus on ordinary activities	12	(12,764)	(6,704)
Surplus for the year		209,342	252,239
<u>Other comprehensive income</u>			
Actuarial gain/(loss) recognised in the retirement benefit scheme	25	234,000	(100,000)
Total Comprehensive Income		443,342	152,239

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	Restated 2017 £
Turnover	4	8,909,270	8,650,591
Operating expenditure	4	(7,282,762)	(7,157,735)
Operating surplus	4, 11	1,626,508	1,492,856
Gain on disposal of property, plant and equipment		74,044	136,789
Interest receivable and other income	9	35,184	30,368
Interest payable and similar charges	10	(1,613,455)	(1,450,697)
Distribution from subsidiary – Gift aid		85,000	80,000
Surplus for the year		207,281	289,316
<u>Other comprehensive income</u>			
Actuarial gain/(loss) recognised in the retirement benefit scheme	25	234,000	(100,000)
Total Comprehensive Income		441,281	189,316

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

	Share Capital £	Revenue Reserve £	Capital Redemption Reserve £	Total Reserves £
Balance at 1 April 2017	258	19,099,184	551	19,099,993
Issue of share capital	5	-	-	5
Cancellation of share capital	(16)	-	16	-
Total comprehensive income	-	443,342	-	443,342
Balance at 31 March 2018	<u>247</u>	<u>19,542,526</u>	<u>567</u>	<u>19,543,340</u>

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES AS AT 31 MARCH 2017

	Share Capital £	Revenue Reserve £	Capital Redemption Reserve £	Total Reserves £
Balance at 1 April 2016	262	18,946,945	543	18,947,750
Issue of share capital	4	-	-	4
Cancellation of share capital	(8)	-	8	-
Total comprehensive income	-	152,239	-	152,239
Balance at 31 March 2017	<u>258</u>	<u>19,099,184</u>	<u>551</u>	<u>19,099,993</u>

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

	Share Capital £	Revenue Reserve £	Capital Redemption Reserve £	Total Reserves £
Balance at 1 April 2017 restated	258	18,899,153	551	18,899,962
Issue of share capital	5	-	-	5
Cancellation of share capital	(16)	-	16	-
Total comprehensive income	-	441,281	-	441,281
Distribution to subsidiary – gift aid	-	(45,000)	-	(45,000)
Balance at 31 March 2018	247	19,295,434	567	19,296,248

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES AS AT 31 MARCH 2017

	Share Capital £	Revenue Reserve £	Capital Redemption Reserve £	Restated Total Reserves £
Balance at 1 April 2016 restated	262	18,759,837	543	18,760,642
Issue of share capital	4	-	-	4
Cancellation of share capital	(8)	-	8	-
Total comprehensive income	-	189,316	-	189,316
Distribution to subsidiary – gift aid	-	(50,000)	-	(50,000)
Balance at 31 March 2017 restated	258	18,899,153	551	18,899,962

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 £	2017 £
Tangible fixed assets			
Housing properties	14a	60,106,318	54,867,457
Other fixed assets	14b	3,951,616	3,956,861
		<u>64,057,934</u>	<u>58,824,318</u>
Current assets			
Stock	15b	198,511	107,970
Debtors	16	502,448	1,837,862
Cash at bank and in hand	17	4,149,475	4,093,566
		<u>4,850,434</u>	<u>6,039,398</u>
Creditors: amounts falling due within one year	18	<u>(2,556,957)</u>	<u>(2,042,341)</u>
Net current assets		<u>2,293,477</u>	<u>3,997,057</u>
Total assets less current liabilities		<u>66,351,411</u>	<u>62,821,375</u>
Creditors: amounts falling due after more than one year	19	<u>(46,815,290)</u>	<u>(43,524,764)</u>
Retirement benefit scheme asset/(liability)	25	12,000	(189,000)
Provision for Liabilities	13	<u>(4,781)</u>	<u>(7,618)</u>
Net assets		<u>19,543,340</u>	<u>19,099,993</u>
Capital and reserves			
Share capital	22	247	258
Revenue reserve	22	19,542,526	19,099,184
Capital redemption reserve	22	567	551
		<u>19,543,340</u>	<u>19,099,993</u>

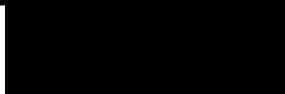
The financial statements were authorised for issue by the Management Committee on 3 July 2018 and were signed on its behalf by:

Gillian Johnston



Chairperson

James Tominey



Vice Chairperson

Lesley Scoffield



Secretary

Regulated Number: SP1884RS

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 £	Restated 2017 £
Tangible fixed assets			
Housing properties	14a	60,106,318	54,867,457
Other fixed assets	14c	3,211,367	3,262,179
		<u>63,317,685</u>	<u>58,129,636</u>
Investments			
Investments in subsidiaries	15a	2	2
Current assets			
Debtors due in more than one year	16	669,359	619,215
Debtors due in less than one year	16	613,665	2,051,069
Cash at bank and in hand	17	3,946,183	3,907,986
		<u>5,229,207</u>	<u>6,578,270</u>
Creditors: amounts falling due within one year	18	<u>(2,447,356)</u>	<u>(2,094,182)</u>
Net current assets		<u>2,781,851</u>	<u>4,484,088</u>
Total assets less current liabilities		<u>66,099,538</u>	<u>62,613,726</u>
Creditors: amounts falling due after more than one year	19	<u>(46,815,290)</u>	<u>(43,524,764)</u>
Retirement benefit scheme asset/(liability)	25	<u>12,000</u>	<u>(189,000)</u>
Net assets		<u>19,296,248</u>	<u>18,899,962</u>
Capital and reserves			
Share capital	22	247	258
Revenue reserve	22	19,295,434	18,899,153
Capital redemption reserve	22	567	551
		<u>19,296,248</u>	<u>18,899,962</u>

The financial statements were authorised for issue by the Management Committee on 3 July 2018 and were signed on its behalf by:

Gillian Johnston

Chairperson

James Tominey

Vice Chairperson

Lesley Scoffield

Secretary

Regulated Number: SPT884RS

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	2017 £
Net cash generated from operating activities	1	4,479,016	1,886,987
Cashflows from investing activities			
Purchase of property, plant and equipment		(6,961,135)	(4,408,492)
Proceeds from sale of property, plant and equipment		276,393	426,325
Grants received		3,376,019	2,318,619
Interest received		2,066	1,813
Cashflows from financing activities			
Interest paid		(1,591,455)	(1,369,697)
New secured loans		475,000	4,500,000
Repayment of borrowings		-	-
Issue of share capital		5	4
Net changes in cash and cash equivalents		55,909	3,355,559
Cash and cash equivalents at 1 April 2017		4,093,566	738,007
Cash and cash equivalents at 31 March 2018		4,149,475	4,093,566

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

1) Reconciliation of Surplus for year to Net Cash Inflow from Operating Activities

	2018	2017
	£	£
Surplus for the year	209,342	252,239
<u>Adjustments for non-cash items</u>		
Depreciation	1,525,170	1,436,325
Decrease/(increase) in debtors	1,335,414	(554,078)
Increase/(decrease) in creditors	454,246	(107,356)
Release of deferred Government capital grants	(192,318)	(140,382)
Strathclyde Pension Scheme – non cash movements	33,000	13,000
SHAPS Pension Scheme – non cash movements	5,000	89,490
Carrying value of tangible fixed asset disposals	202,349	289,536
(Increase)/decrease in stock	(90,541)	(47,556)
Taxation charge	12,764	6,704
<u>Adjustments for investing or financing activities</u>		
Proceeds from sale of tangible fixed assets	(276,393)	(426,325)
SHAPS past service deficit payment	(336,000)	(303,000)
Interest received	(2,066)	(1,813)
Interest payable	1,591,455	1,369,697
Taxation paid	(4,906)	(1,994)
Amortisation of arrangement fee	12,500	12,500
	<u>4,479,016</u>	<u>1,886,987</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

**ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	2017 £
Net cash generated from operating activities	1	4,344,193	1,757,786
Cashflows from investing activities			
Purchase of property, plant and equipment		(6,877,142)	(4,339,701)
Proceeds from sale of property, plant and equipment		276,393	426,325
Grants received		3,376,019	2,318,619
Interest received		35,184	30,368
Cashflows from financing activities			
Interest paid		(1,591,455)	(1,369,697)
New secured loans		475,000	4,500,000
Repayment of borrowings		-	-
Issue of share capital		5	4
Net changes in cash and cash equivalents		38,197	3,323,704
Cash and cash equivalents at 1 April 2017		3,907,986	584,282
Cash and cash equivalents at 31 March 2018		3,946,183	3,907,986

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE ASSOCIATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

1) Reconciliation of Surplus for year to Net Cash Inflow from Operating Activities

	2018 £	2017 £
Surplus for the year	207,281	289,316
<u>Adjustments for non-cash items</u>		
Depreciation	1,486,744	1,390,126
Decrease/(increase) in debtors	1,387,260	(610,065)
Increase/(decrease) in creditors	303,499	(135,740)
Release of deferred Government capital grants	(192,318)	(140,382)
Strathclyde Pension Scheme – non cash movements	33,000	13,000
SHAPS Pension Scheme – non cash movements	5,000	89,491
Carrying value of tangible fixed asset disposals	202,349	289,536
<u>Adjustments for investing or financing activities</u>		
Proceeds from sale of tangible fixed assets	(276,393)	(426,325)
SHAPS past service deficit payment	(336,000)	(303,000)
Interest received	(35,184)	(30,368)
Interest payable	1,591,455	1,369,697
Distribution to subsidiary	(45,000)	(50,000)
Amortisation of arrangement fee	12,500	12,500
	<u>4,344,193</u>	<u>1,757,786</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General Information

The Group is registered under The Co-operative & Community Benefit Societies Act 2014. 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 UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and Statement of Recommended Practice for Social Housing Providers issued in 2014.

The principal accounting policies are set out below:

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

The presentation currency is pound sterling and the financial statements are rounded to the nearest whole number.

The Association is a registered social landlord in Scotland and its registered number is 183. The registered address is included in the front page of the financial statements.

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

2. Accounting policies

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention 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 financial 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 31 March 2018.

(b) Going concern

The Management Committee anticipates that a surplus will be generated in the year to 31 March 2019 and the year to 31 March 2020. The Group has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover Association

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from Glasgow City Council and from the Scottish Government. Also included is any income from first tranche shared ownership disposals.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

(c) Turnover (continued)

Upkeep Shettleston Community Enterprises Limited and East End Housing Development Company Limited

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Upkeep Recycling

All income is included in the Statement of Comprehensive Income when the charitable company is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Donations are received by way of grants, donations and gifts and is included in full in the Statement of Comprehensive Income when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charitable company, are recognised when the charitable company becomes unconditionally entitled to the grant.
- Donated services and facilities are included at the value to the charitable company where this can be quantified. The value of services provided by volunteers has not been included in these financial statements.
- Income from charitable activities is recognised when the goods are sold.

(d) Apportionment of management expenses

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

(e) Government revenue grants

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

(f) Interest receivable and other income

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

(g) Interest payable and similar expenses

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.

(h) Lessor

The Group rents out commercial property under formal leases. The rental income is recognised within other activities (note 6) on an accruals basis.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

(i) Fixed assets - Housing properties

Housing properties are stated at deemed cost based on an Existing Use Value at 1 April 2014. From this date, housing properties have been accounted for under historical cost. The development cost of housing properties includes the following:

- cost of acquiring land and buildings;
- development expenditure; and
- internal administrative costs relating to the acquisition and development of housing properties.

These costs are termed "qualifying costs" by the Scottish Government for approved Housing Association Grant.

Refurbishment expenditure on existing properties is capitalised to the extent that the expenditure represents improvements to the properties or replacement of components.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

(j) Fixed assets – investment properties

Investment properties are initially recorded at cost. Thereafter investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income.

(k) Fixed assets – other fixed assets

Other fixed assets are stated at cost less accumulated depreciation.

(l) Development administration costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent directly on this activity.

(m) Depreciation

Housing properties

Housing properties are stated at cost, less accumulated depreciation. 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 cost of new housing units are depreciated from the month the unit is first rented. The following major components and useful lives have been identified by the Association:

Land	- not depreciated
Structure	- over 50 years
Heating	- over 15 years
Digital	- over 15 years
Kitchen	- over 15 years
Bathroom	- over 30 years
Doors	- over 30 years
Windows	- over 30 years
Cladding	- over 50 years
Roof	- over 50 years
Gutters	- over 30 years
Electrical	- over 30 years

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

(m) Depreciation (continued)

Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:

Computer Equipment	- 33% on cost
Motor Vehicles	- 25% on cost
Furniture & Fittings	- 20% 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.

(n) Stock

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

(o) Debtors

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

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.

(p) 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.

(q) Creditors

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

(r) Financial Instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

(r) Financial Instruments (continued)

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.

(s) Government capital grants

Government capital grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Group as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Group to recognise income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate. The government capital grants relating to new housing units is amortised from the month the unit is first rented.

(t) Non-government capital and revenue grants

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

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

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

(u) 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 which have been given approval by The Scottish Government.

(v) Pensions (note 25)

Strathclyde Pension Fund

The Strathclyde Pension Fund is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Scottish Housing Association Pension Scheme (SHAPS)

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.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

(v) Pensions (note 25) (continued)

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.

(w) Financial Commitments

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated in the Statement of Comprehensive Income over the period of their useful lives.

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

Estimate

Valuation of Housing Properties

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPs Pension Scheme and Strathclyde Pension Scheme

The valuation of investment properties

Development costs capitalised

Basis of estimation

Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition of 1 April 2014. The assumptions used in the existing use value were reviewed and are considered reasonable.

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

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

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

These have relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

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

100% of the payroll cost of the development staff is capitalised whilst a proportion (ranging from 25% to 100%) of the payroll cost of maintenance staff is capitalised based on an estimate of the time spent by maintenance staff on managing capital additions (i.e. new components).

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

Group	2018 Operating Surplus/ (deficit) £	Turnover £	Operating Expenditure £	Restated 2017 Operating Expenditure £	Restated 2017 Operating Surplus/ (deficit) £
Income and Expenditure From lettings					
Social Lettings (Note 5a)	1,498,736	8,481,281	7,231,056	7,090,274	1,391,007
Other activities (Note 6a)	60,801	103,405	41,306	64,498	38,907
Upkeep Shettleston Community Enterprises Limited	77,777	322,632	93,809	286,003	36,629
East End Housing Development Company Limited	184,955	186,594	12,134	23,309	163,285
Upkeep Recycling	(62,818)	109,719	130,858	168,509	(58,790)
	1,759,451	9,203,631	7,509,163	7,632,593	1,571,038
Association					
Income and Expenditure From lettings					
Social Lettings (Note 5)	1,488,336	8,481,281	7,241,456	7,090,274	1,391,007
Other activities (Note 6b)	138,172	169,310	41,306	67,461	101,849
	1,626,508	8,650,591	7,282,762	7,157,735	1,492,856

*Note – the allocation of expenditure between social lettings and other activities for the 2017 comparative was restated due to a change in allocation policy this year. The total expenditure and thus surplus for 2017 was not impacted.

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

Group	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2018 Total £	Restated 2017 Total £
Income from rent and service charges					
Rent receivable net of service charges	7,990,159	-	95,530	8,085,689	7,879,671
Service charges	301,168	-	2,458	303,626	297,087
Gross income from rents and service charges	8,291,327				
Less voids	(105,283)	-	(1,259)	(106,542)	(87,741)
Net income from rents and service charges	8,186,044				
Stage 3 grants	150,000	-	96,729	8,282,773	8,089,017
Revenue grants	104,701	-	-	150,000	85,309
Grants from the Scottish Ministers	-	-	-	104,701	166,573
Amortisation of deferred Government Capital Grants	192,318	-	-	-	-
Total turnover from social letting activities	8,633,063			8,729,792	8,481,281
Expenditure					
Management and maintenance administration costs	2,889,533	-	21,544	2,911,077	3,019,775
Service charges	754,604	-	9,021	763,625	890,177
Planned cyclical maintenance including major repairs	1,265,887	-	13,101	1,278,988	989,400
Reactive maintenance costs	726,597	-	8,810	735,407	708,740
Bad debts – rents and service charges	(136)	-	-	(136)	40,699
Depreciation of social housing	1,396,983	-	19,302	1,416,285	1,302,790
Property insurance	124,324	-	1,486	125,810	138,693
Impairment charge	-	-	-	-	-
Operating costs for social letting activities	7,157,792			7,231,056	7,090,274
Operating Surplus on letting activities, 2018	1,475,271			1,498,736	
Operating Surplus on letting activities, 2017 restated	1,367,056				1,391,007

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2018 Total £	Restated 2017 Total £
Income from rent and service charges					
Rent receivable net of service charges	7,990,159	-	95,530	8,085,689	7,879,671
Service charges	301,168	-	2,458	303,626	297,087
Gross income from rents and service charges	8,291,327	-	97,988	8,389,315	8,176,758
Less voids	(105,283)	-	(1,259)	(106,542)	(87,741)
Net income from rents and service charges	8,186,044	-	96,729	8,282,773	8,089,017
Stage 3 grants	150,000	-	-	150,000	85,309
Revenue grants	104,701	-	-	104,701	166,573
Grants from the Scottish Ministers	-	-	-	-	-
Amortisation of deferred Government Capital Grants	192,318	-	-	192,318	140,382
Total turnover from social letting activities	8,633,063	-	96,729	8,729,792	8,481,281
Expenditure					
Management and maintenance administration costs	2,889,533	-	21,544	2,911,077	3,019,775
Service charges	754,604	-	9,021	763,625	890,177
Planned cyclical maintenance including major repairs	1,265,887	-	13,101	1,278,988	989,400
Reactive maintenance costs	736,997	-	8,810	745,807	708,740
Bad debts – rents and service charges	(136)	-	-	(136)	40,699
Depreciation of social housing	1,396,983	-	19,302	1,416,285	1,302,790
Property insurance	124,324	-	1,486	125,810	138,693
Impairment charge	-	-	-	-	-
Operating costs for social letting activities	7,168,192	-	73,264	7,241,456	7,090,274
Operating Surplus on letting activities, 2018	1,464,871	-	23,465	1,488,336	
Operating Surplus on letting activities, 2017 restated	1,367,056		23,951		1,391,007

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6a. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

Group	Grants from Scottish Ministers £	Other revenue grants £	Supporting People income £	Other income £	Total Turnover £	Restated 2017 Total Turnover £	Operating expenditure - bad debts £	Other operating expenditure £	2018 Operating surplus or (deficit) £	Restated 2017 Operating surplus or (deficit) £
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	46,769	46,769	49,411	-	41,306	5,463	(18,050)
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	9,300	9,300	9,300	-	-	9,300	9,300
Housing options	-	-	-	-	-	-	-	-	-	-
Furniture packages	-	-	-	-	-	-	-	-	-	-
Adaptations	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	46,038	46,038	44,694	-	-	46,038	47,657
Total from other activities, 2018	-	-	-	102,107	102,107	-	-	41,306	60,801	-
Total from other activities, 2017	-	-	-	103,405	-	103,405	807	63,691	-	38,907

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6b. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

Association	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	2018		Restated 2017		Operating expenditure - bad debts £	Other operating expenditure £	2018 Operating surplus or (deficit) £	Restated 2017 Operating surplus or (deficit) £
					Total Turnover £	Total Turnover £	Total Turnover £	Total Turnover £				
Wider role activities #	-	-	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	46,769	46,769	49,411	49,411	49,411	-	41,306	5,463	(18,050)
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	9,300	9,300	9,000	9,000	9,000	-	-	9,300	9,300
Furniture Packages	-	-	-	-	-	-	-	-	-	-	-	-
Adaptations	-	-	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	123,409	123,409	110,599	110,599	110,599	-	-	123,409	110,599
Total from other activities, 2018	-	-	-	179,478	179,478				-	41,306	138,172	
Total from other activities, 2017	-	-	-					169,310	807	66,654		101,849

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. Directors' Emoluments

Group and Association

The directors are defined as the members of the Management Committee, the Chief Executive and anyone who reports directly to the Chief Executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year. The Association considers key management personnel to be the Management Committee and Executive Officers (as listed on the front page of the financial statements).

	2018 £	2017 £
Emoluments (excluding pension contributions) of:		
Former Chief Executive	43,338	83,998
New Chief Executive	35,620	-

ted to £4,310 (2017: £7,890). These contributions do not include past service deficit contributions.

There was a new Chief Executive appointed in the year who is also a member of this Scheme. The pension contribution was £3,616 (2017: £nil).

Numbers of Directors whose emoluments exceed
£60,000 during the year were as follows
(excluding pension contributions):-

	2018 Number	2017 Number
£60,001 - £65,000	1	2
£65,001 - £70,000	2	2
£70,001 - £75,000	1	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	1

The total emoluments (excluding pension contributions) for those earning more than £60,000 were £269,123 (2017: £342,627). The total pension contributions (excluding past service deficit contributions) for those earning more than £60,000 were £21,761 (2017: £26,800).

The total emoluments (including pension contributions but excluding past service deficit contributions) paid to key management personnel was £443,212 (2017: £398,035). The social security costs for these individuals was £46,413 (2017: £33,274).

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. Employee Information	2018 Number	2017 Number
The average number of persons employed during the year on a full time equivalent basis was:		
Housing Management	15	15
Maintenance	10	11
Development	4	4
Finance	7	6
Administration	10	9
Factoring	1	1
Housing Support	3	3
Wider role	7	8
Welfare Rights Officers	2	2
	<u>59</u>	<u>59</u>
Association		
Upkeep Shettleston Community Enterprises Limited	55	65
Upkeep Recycling	3	5
	<u>117</u>	<u>129</u>

The average headcount for the group was 121 (2017: 133). The headcount for the Association is 63 (2017: 63).

Group staff costs	2018 £	2017 £
Staff costs (including directors' emoluments):		
Wages and salaries	3,217,042	3,411,614
Social security costs	288,295	328,230
Pension costs	295,546	282,049
Defined benefit pension charge – Strathclyde Pension Fund (Note 25)	28,000	10,000
SHAPS re-measurements (Note 25)	(12,000)	11,490
	<u>3,816,883</u>	<u>4,043,383</u>
Association staff costs		
Staff costs (including directors' emoluments):		
Wages and salaries	2,029,269	2,101,848
Social security costs	194,048	215,899
Pension costs	257,894	241,381
Defined benefit pension charge – Strathclyde Pension Fund (Note 25)	28,000	10,000
SHAPS re-measurements (Note 25)	(12,000)	11,490
	<u>2,497,213</u>	<u>2,580,618</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

9.	Interest receivable and other income	Group 2018 £	Group 2017 £	Association 2018 £	Association 2017 £
	Interest received on deposits	2,066	1,813	2,066	1,813
	Interest received on loans to subsidiaries	-	-	33,118	28,555
		<u>2,066</u>	<u>1,813</u>	<u>35,184</u>	<u>30,368</u>
10.	Interest payable and similar charges			2018	2017
	Group and Association			£	£
	On private loans			1,591,455	1,369,697
	Defined benefit finance charge – Strathclyde Pension Fund (Note 25)			5,000	3,000
	SHAPS – unwinding of discount (Note 25)			17,000	78,000
				<u>1,613,455</u>	<u>1,450,697</u>
11.	Operating surplus	Group 2018 £	Group 2017 £	Association 2018 £	Association 2017 £
	Operating surplus is stated after charging:				
	Depreciation – social housing	1,219,766	1,179,591	1,219,766	1,179,591
	Depreciation – replaced components net book value	196,519	123,199	196,519	123,199
	Depreciation – other fixed assets	108,885	133,535	70,459	87,336
	Auditor's remuneration (excluding VAT)				
	- In their capacity as auditors	24,450	23,750	13,000	12,750
	- In respect of other services	4,000	3,875	2,000	1,950
		<u></u>	<u></u>	<u></u>	<u></u>
12.	Taxation			2018	2017
	Group			£	£
	Provision has been made for United Kingdom corporation tax at 19% (2017: 20%)			15,601	4,906
	Deferred tax (note 13)			(2,837)	1,798
				<u>12,764</u>	<u>6,704</u>

Association

As a charity, Shettleston Housing Association's charitable activities are not subject to taxation. However the surpluses from non-charitable activities are subject to taxation. No corporation tax was due in 2018 or 2017.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

13. Provision for liabilities and charges: Deferred Taxation	2018 £	2017 £
Group		
Accelerated capital allowances	<u>4,781</u>	<u>7,618</u>
Provision at start of year	7,618	
Deferred tax charge in Statement of Comprehensive Income for the year (note 12)	<u>(2,837)</u>	
Provision at end of year	<u>4,781</u>	

14a. Tangible Fixed Assets – Housing Properties

Group and Association

	Housing units for let Completed £	Housing units for let under Construction £	Shared ownership Completed £	Shared ownership under Construction £	Total £
Cost					
At 1 April 2017	54,166,225	2,542,539	1,230,344	-	57,939,108
Additions during year	2,184,884	4,672,611	-	-	6,857,495
Transfers	538,189	(328,279)	(209,910)	-	-
Disposals	(450,677)	-	-	-	(450,677)
At 31 March 2018	<u>56,438,621</u>	<u>6,886,871</u>	<u>1,020,434</u>	<u>-</u>	<u>64,345,926</u>
Depreciation					
At 1 April 2017	3,001,842	-	69,809	-	3,071,651
Charge for year	1,200,464	-	19,302	-	1,219,766
Transfers	11,911	-	(11,911)	-	-
Disposals	(51,809)	-	-	-	(51,809)
At 31 March 2018	<u>4,162,408</u>	<u>-</u>	<u>77,200</u>	<u>-</u>	<u>4,239,608</u>
Net Book Value					
At 31 March 2018	<u>52,276,213</u>	<u>6,886,871</u>	<u>943,234</u>	<u>-</u>	<u>60,106,318</u>
At 31 March 2017	<u>51,164,383</u>	<u>2,542,539</u>	<u>1,160,535</u>	<u>-</u>	<u>54,867,457</u>

Development administration costs capitalised amount to £429,499 (2017: £453,260). £3,294,335 (2017: £2,286,161) of expenditure on new components was capitalised in the year. Ten units (2017: Fourteen) were sold via right to buy in the year for net proceeds of £276,398 (2017: £426,325). The costs of the units were £214,740 (2017: £301,400) with a net book value of £202,349 (2017: £289,536).

Components with a cost of £235,937 (2017: £136,442) and accumulated depreciation of £39,418 (2017: £13,243) were disposed of in the year.

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

14b. Tangible Fixed Assets – Other Tangible Assets

Group	Investment Properties £	Motor Vehicles £	Office Premises £	Furniture & Fittings £	Computer Equipment £	Total £
Cost						
At 1 April 2017	3,005,160	134,240	800,546	463,464	481,531	4,884,941
Additions	65,124	5,614	-	18,146	14,756	103,640
Disposals	-	(600)	-	-	-	(600)
At 31 March 2018	<u>3,070,284</u>	<u>139,254</u>	<u>800,546</u>	<u>481,610</u>	<u>496,287</u>	<u>4,987,981</u>
Depreciation						
At 1 April 2017	-	117,371	46,855	380,760	383,094	928,080
Charge for year	-	10,665	16,010	41,016	41,194	108,885
Disposals	-	(600)	-	-	-	(600)
At 31 March 2018	<u>-</u>	<u>127,436</u>	<u>62,865</u>	<u>421,776</u>	<u>424,288</u>	<u>1,036,365</u>
Net Book Value						
At 31 March 2018	<u>3,070,284</u>	<u>11,818</u>	<u>737,681</u>	<u>59,834</u>	<u>71,999</u>	<u>3,951,616</u>
At 31 March 2017	<u>3,005,160</u>	<u>16,869</u>	<u>753,691</u>	<u>82,704</u>	<u>98,437</u>	<u>3,956,861</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

14c. Tangible Fixed Assets – Other Tangible Assets

Association	Investment Properties £	Office Premises £	Furniture & Fittings £	Computer Equipment £	Total £
Cost					
At 1 April 2017	2,374,976	800,546	289,056	474,370	3,938,948
Additions	-	-	4,891	14,756	19,647
At 31 March 2018	<u>2,374,976</u>	<u>800,546</u>	<u>293,947</u>	<u>489,126</u>	<u>3,958,595</u>
Depreciation					
At 1 April 2017	-	46,855	253,065	376,849	676,769
Charge for year	-	16,010	13,712	40,737	70,459
At 31 March 2018	<u>-</u>	<u>62,865</u>	<u>266,777</u>	<u>417,586</u>	<u>747,228</u>
Net Book Value					
At 31 March 2018	<u>2,374,976</u>	<u>737,681</u>	<u>27,170</u>	<u>71,540</u>	<u>3,211,367</u>
At 31 March 2017	<u>2,374,976</u>	<u>753,691</u>	<u>35,991</u>	<u>97,521</u>	<u>3,262,179</u>

15a. Investments

Association	2018 £	2017 £
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>

Shettleston Housing Association Limited owns 1 ordinary £1 share in Upkeep Shettleston Community Enterprises Limited. The investment is held at cost. This represents a 100% shareholding in Upkeep Shettleston Community Enterprises Limited, a company registered in Scotland, whose principal activity is the provision of estate caretaker services. Upkeep Shettleston Community Enterprises Limited made a profit of £80,210 (2017: £51,063) for the year ended 31 March 2018 and had net assets of £167,570 (2017: £132,360).

Shettleston Housing Association Limited owns 1 ordinary £1 share in East End Housing Development Company Limited. The investment is held at cost. This represents a 100% shareholding in East End Housing Development Company Limited, a company registered in Scotland. This company rents out property. East End Housing Development Company Limited made a profit of £53,391 (2017: £41,796) for the year ended 31 March 2018 and had net assets of £73,690 (2017: net assets of £60,299).

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

15a. Investments (continued)

Shettleston Housing Association Limited, by virtue of having common control, controls Upkeep Recycling, a charitable company limited by guarantee. This charitable company provides affordable second hand furniture. Upkeep Recycling made a deficit of £46,540 (2017: a deficit of £49,936) for the year ended 31 March 2018 before a gift aid distribution of £45,000 (2017: £50,000) to give a net movement in funds of (£1,540) (2017: £64). The charitable company had net assets of £5,834 (2017: £7,374).

15b. Stock

Group	2018 £	2017 £
Work in progress	141,531	46,166
Stock of materials	55,980	60,804
Furniture stock	1,000	1,000
	<u>198,511</u>	<u>107,970</u>

16. Debtors < 1 year

	Group 2018 £	Group 2017 £	Associatio n 2018 £	Association 2017 £
Amounts falling due within one year:				
Rental arrears	344,500	428,473	344,500	428,473
Less: provision for bad debts	(192,618)	(202,668)	(192,618)	(202,668)
	<u>151,882</u>	<u>225,805</u>	<u>151,882</u>	<u>225,805</u>
Trade debtors	29,841	20,188	-	-
Amounts owed by subsidiaries	-	-	176,463	265,414
Grant receivable	-	1,149,222	-	1,149,222
Other debtors and prepayments	320,725	442,647	285,320	410,628
	<u>502,448</u>	<u>1,837,862</u>	<u>613,665</u>	<u>2,051,069</u>

Debtors > 1 year

Amounts owed by subsidiaries	-	-	669,359	619,215
	<u>-</u>	<u>-</u>	<u>669,359</u>	<u>619,215</u>

17. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Associatio n 2018 £	Association 2017 £
Balances held in current accounts	241,747	192,908	38,455	7,328
Balances held in deposit accounts	3,907,728	3,900,658	3,907,728	3,900,658
	<u>4,149,475</u>	<u>4,093,566</u>	<u>3,946,183</u>	<u>3,907,986</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

	Group	<i>Group</i>	Associatio n	<i>Association</i>
	2018	<i>2017</i>	2018	<i>2017</i>
	£	<i>£</i>	£	<i>£</i>
18. Creditors				
Amounts falling due within one year				
Trade creditors	757,677	320,980	570,615	221,663
Amounts owed to subsidiaries	-	-	195,175	217,138
Other creditors	173,642	333,995	152,978	316,027
Rent in advance	333,691	323,078	333,691	323,078
Capital works and retentions	160,022	166,450	160,022	166,450
Accruals and deferred income	502,404	328,546	439,917	309,490
Corporation tax	15,601	4,906	-	-
Other tax and social security	77,883	88,004	58,921	63,954
Deferred government capital grants	192,318	140,382	192,318	140,382
SHAPS past service deficit liability	343,719	336,000	343,719	336,000
	2,556,957	2,042,341	2,447,356	2,094,182
19. Creditors – Amounts falling due outwith one year			2018	<i>2017</i>
			£	<i>£</i>
Group and Association				
Bank loans			34,525,000	34,512,500
Other loans			475,000	-
Deferred government capital grants			10,773,029	7,641,264
SHAPS past service deficit liability			1,032,281	1,371,000
Other creditors			9,980	-
			46,815,290	43,524,764
Loans:				
Due between one and two years			-	-
Due between two and five years			-	-
Due in five years or more			35,000,000	34,512,500
			35,000,000	34,512,500

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 0.77% and 6.23% in instalments. The loans are due to be repaid in full by 31 March 2040.

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

20. Deferred government capital grants	2018	2017
	£	£
Group and Association		
At 1 April	7,781,646	5,603,409
Grants received in year	3,376,019	2,318,619
Released to income in year	(192,318)	(140,382)
As at 31 March	10,965,347	7,781,646
Deferred government capital grants:		
Due in less than one year	192,318	140,382
Due between one and two years	192,318	237,142
Due between two and five years	576,954	711,426
Due in five years or more	10,003,757	6,692,696
	10,965,347	7,781,646
21. Financial Instruments	2018	2017
	£	£
Group		
Financial Assets		
Cash and cash equivalents	4,148,510	4,093,566
Financial assets measured at amortised cost	573,581	1,766,526
Financial Liabilities		
Financial liabilities measured at amortised cost	39,245,699	37,455,817
Financial assets measured at amortised cost comprised rental arrears, trade debtors, grant receivable and other debtors.		
Financial liabilities measured at amortised cost comprised trade creditors, other creditors, capital works and retentions, accruals, SHAPS past service deficit liability and bank loans.		
Association	2018	2017
	£	£
Financial Assets		
Cash and cash equivalents	3,945,218	3,907,986
Financial assets measured at amortised cost	681,403	2,612,113
Financial Liabilities		
Financial liabilities measured at amortised cost	38,238,377	37,536,614
Financial assets measured at amortised cost comprised rental arrears, amounts owed by subsidiaries, grant receivable and other debtors.		
Financial liabilities measured at amortised cost comprised trade creditors, amounts owed to subsidiaries, other creditors, capital works and retentions, accruals, SHAPS past service deficit liability and bank loans.		

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

22. Share capital and reserves

	2018 £	2017 £
Group and Association		
At beginning of year	258	262
Shares of £1 each fully paid and issued during the year	5	4
Shares forfeited in year	(16)	(8)
At end of year	<u>247</u>	<u>258</u>

Each share entitles a member to one vote. There is no right to any distribution.

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

The capital redemption reserve includes all issued shares that have been cancelled.

23. Capital Commitments

	2018 £	2017 £
Group and Association		
Contracted for but not provided in these accounts	9,687,448	9,562,000
This is to be funded by:		
Government grant	8,036,212	5,671,000
Private finance	1,651,236	3,891,000
Owners' grants	-	-
Owners' contributions	-	-
	<u>9,687,448</u>	<u>9,562,000</u>
Approved by the Management Committee but not contracted for	-	-

24. Revenue commitments

Group

Operating Leases

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

	2018 Land and Buildings £	2018 Office Equipment £	2017 Land and Buildings £	2017 Office Equipment £
Operating leases which expire				
Within one year	19,344	31,153	23,400	31,153
1-2 years	15,750	31,153	45,000	31,153
2-5 years	32,813	31,153	-	62,306
	<u>67,907</u>	<u>93,459</u>	<u>68,400</u>	<u>124,612</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

24. Revenue commitments (continued)

Association

	2018 Office equipment £	2017 Office equipment £
Operating leases which expire:		
Within one year	31,153	31,153
1-2 years	31,153	31,153
2-5 years	31,153	62,306
	<u>93,459</u>	<u>124,612</u>

25. Pensions

Scottish Housing Association Pension Scheme (SHAPS)

Shettleston Housing Association Limited (the "Association") participates in the Scottish Housing Association Pension Scheme (SHAPS) (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. There are six benefit structures available, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate;
- Career average revalued earnings with a 1/80th accrual rate;
- Career average revalued earnings with a 1/120th accrual rate, contracted-in; and
- 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.

Shettleston Housing Association Limited has elected to operate a 1/70th CARE scheme and Defined Contribution scheme from 1 April 2014 having previously operated a final salary scheme with a 1/60th accrual rate structure.

The Trustee commissions an actuarial valuation of the Scheme every three 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.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the year, Shettleston Housing Association Limited paid contributions in respect of the CARE 1/70th Scheme at the rate of 10.2% of pensionable salaries. Member contributions were 10.2%. Employer contributions to the Defined Contribution Scheme ranged from 2% to 9.45% and employees contributed at various levels from 1% upwards. There was an additional annual employer past service deficit contribution of £336,000 (net of administration costs) made in the year ended 31 March 2018 (2017 - £303,000).

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. Pensions (continued)

As at the Balance Sheet date there were 44 (2017: 42) active members of the Scheme employed by Shettleston Housing Association Limited. The annual pensionable payroll in respect of these members was £1,607,697 (2017: £1,435,135). Shettleston Housing Association Limited 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.

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 75.7%.

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.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. Pensions (continued)

Past service deficit repayment liability

	2018 £	2017 £
Liability at start of year	1,707,000	1,920,510
Unwinding of the discount factor (interest expense)	17,000	78,000
Deficit contribution paid	(336,000)	(303,000)
Re-measurements – impact of any changes in assumptions	(12,000)	11,490
Liability at end of year	1,376,000	1,707,000

	2018 £	2017 £
Liability split as:		
< 1 year	343,719	336,000
1-2 years	348,764	346,000
2-5 years	683,517	1,025,000
	1,376,000	1,707,000

Statement of Comprehensive Income Impact

	2018 £	2017 £
Interest expense	17,000	78,000
Re-measurements – impact of any change in assumptions	(12,000)	11,490

	2018	2017
Assumptions		
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.

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 currently participating 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.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. Pensions (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 £11,021,429 (2017: £14,295,161).

Strathclyde Pension Fund

Shettleston Housing Association Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended. Six members of staff are members of the Scheme.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their 2018 valuations are as follows;

Assumptions as at	31 March 2018	31 March 2017
Pension increase rate	2.4%	2.4%
Salary increase rate	3.6%	4.4%
Discount rate	2.7%	2.6%

Mortality

Life expectancy for both current and future pensioners is based on the Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.4 years	23.7 years
Future Pensioners	23.4 years	25.8 years

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2018 £(000)	31 Mar 2017 £(000)
Opening Defined Benefit Obligation	1,701	1,273
Current Service Cost	68	55
Interest Cost	45	45
Contributions by Members	12	13
Actuarial (gains)/losses	(192)	340
Past Service (gains)/losses	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(28)	(25)
Closing Defined Benefit Obligation	1,606	1,701

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

25. Pensions (continued)

Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2018 £(000)	31 Mar 2017 £(000)
Opening Fair Value of Employer Assets	1,512	1,197
Expected Return on Assets	40	42
Contributions by Members	12	13
Contributions by the Employer	40	45
Contributions in respect of Unfunded Benefits	-	-
Actuarial gains/(losses)	42	240
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(28)	(25)
Closing Fair Value of Employer Assets	1,618	1,512
Net pension asset/(liability)	12	(189)

Analysis of amounts included in Statement of Comprehensive Income

Year Ended:	2018 £(000)	2017 £(000)
Expected Return on pension scheme assets	40	42
Interest on pension scheme liabilities	(45)	(45)
Net Return – finance charge	(5)	(3)
	2018 £(000)	2017 £(000)
Current service cost	(68)	(55)
Contribution by employers	40	45
Charge to staff costs	(28)	(10)

The expected Employer's contributions for the year to 31 March 2019 will be approximately £45,000.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. Pensions (continued)

Analysis of amount recognised in Statement of Comprehensive Income

	2018 £(000)	2017 £(000)
Actual return less expected return on scheme assets	42	240
Changes in assumptions underlying the present value of scheme liabilities	192	(340)
Actuarial gain/(loss) recognised in other comprehensive income	234	(100)

26. Housing Stock

Group and Association

The number of units of accommodation in management was as follows:-

	Units in Management 2018	Units in Management 2017
General Needs Housing	2,289	2,289
Supported Housing Accommodation	-	-
Shared Ownership Accommodation	33	40
	2,322	2,329

27. Other property

The other property held are as follows:-

	Group Units in Management 2018	Group Units in Management 2017	Association Units in Management 2018	Association Units in Management 2017
Investment properties - EEHDC	13	12	-	-
Investment properties – mid-market units – Association	24	24	24	24
Commercial units – Association	9	9	9	9
Garages – Association	16	16	16	16
Main Offices- Association	1	1	1	1
	63	62	50	50

28. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014. Upkeep Shettleston Community Enterprises Limited, East End Housing Development Company Limited and Upkeep Recycling are incorporated under the Companies Act 2006.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

29. Transactions with the Management Committee

No member of the Association received any fee or remuneration during the year (2017: £nil). Members of the Management Committee were reimbursed for out of pocket travel and accommodation expenses amounting to £1,384 (2017: £1,903).

Some members of the Management Committee are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge receivable in the year relating to tenant Management Committee members is £25,657 (2017: £27,778). The total rent and service charge arrears relating to tenant Management Committee members included within debtors at the year end is £71 (2017: £7). The total rent and service charge prepaid relating to tenant Management Committee members included within creditors at the year end is £1,069 (2017: £912).

30. Transition adjustments

As part of the triennial review of FRS 102, the Financial Reporting Council (FRC) issued proposed changes in the form of Financial Reporting Exposure Draft 68 (FRED 68) 'Payments by subsidiaries to their charitable parents that qualify for gift aid in respect of the accounting treatment of gift aid'. FRED 68 clarified that gift aid payments are distributions that should be recognised in equity and should not be accounted for as expenditure. FRED 68 also confirmed that these distributions should not be accrued at the year-end (unless a deed of covenant is in place), but that they will still qualify for taxation relief for the current year as long as the amount is paid within nine months of the year end.

The revised FRS 102 comes into force for accounting periods beginning on or after 1 January 2019. However the changes being introduced as a result of FRED 68 have been early adopted, as allowed, as part of the preparation of the financial statements for the year ended 31 March 2018.

The following adjustments account for the change in treatment of the gift aid distribution and reconcile the position of these financial statements to the most recent set of signed financial statements.

Restated capital and reserves as at 1 April 2016

Association	£
Capital and reserves as previously stated at 1 April 2016	18,790,642
Gift aid adjustment – 2016 – gift aid accrued by Upkeep Shettleston Community Enterprises Limited at 31 March 2016	(30,000)
Restated capital and reserves as at 1 April 2016	<u>18,760,642</u>

Restated surplus for year ended 31 March 2017

Association	£
Surplus as previously stated at 31 March 2017	249,316
Gift aid adjustment – 2017 – gift aid paid by East End Housing Development Company Limited in the year ended 31 March 2017 and Upkeep Shettleston Community Enterprises Limited.	80,000
Gift aid 2017 – gift aid recognised at 31 March 2017 from East End Housing Development Company Limited but paid 2017/18	(40,000)
Restated surplus for year ended 31 March 2017	<u>289,316</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

30. Transition adjustments (continued)

Restated capital and reserves as at 31 March 2017

£

Association

Capital and reserves as previously stated as at 31 March 2017	18,939,962
Gift aid adjustment 2017 – gift aid recognised at 31 March 2017 from East End Housing Development Company Limited but paid 2017/18	(40,000)
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Restated capital and reserves as at 31 March 2017	18,899,962
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