

SHETTLESTON HOUSING ASSOCIATION LIMITED
GROUP ACCOUNTS
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Members, Executive Officers and Advisers

Management Committee

Gillian Johnston	Chairperson
Lesley Scoffield	Secretary (to 9 November 2018) Vice- Chairperson (from 9 November 2018)
John Morrison	Secretary (from 9 November 2018)
James Tominey	Vice- Chairperson (to 9 November 2018)
Mary Hain	
Grace Barbour	
Frank Quinn	
Bonnie Blake	(appointed 27 September 2018)
Derek McFarlane	(appointed 27 September 2018)
Edward Robertson	(appointed 27 September 2018)
Margaret Russell	(appointed 27 September 2018)
Christine Thomson	(appointed 27 September 2018)
Jennifer Kiernan	(appointed 27 September 2018, (resigned 16 April 2019)
Morag Allan	(resigned 4 December 2018)
Mary Thomas	(resigned 27 September 2018)
Patricia McLeish	(resigned 27 September 2018)
Kirsty Morrison	Co-opted (resigned 24 April 2018)

Executive Officers

Tony Teasdale	Chief Executive Officer
Jim Hempsey	Finance Manager (retired 6 July 2018)
Fiona Nicholl	Director of Finance & Corporate Services (appointed 22 August 2018)
Jannette Rawls	Corporate Services Manager (retired 31 July 2018)
Joe Whitley	Maintenance Manager (retired 20 September 2018)
Anne McAlpine	Director of Customer & Community Services (appointed 1 August 2018)
Avril Stewart	Housing Manager (resigned 30 November 2018)
Colette McKenna	Director of Property Services (appointed 12 November 2018)

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

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 2019**

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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 2019

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

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

During 2018/19 the Group adopted the following strategic objectives for the year:

1. Deliver high quality housing and customer services;
2. Provide excellent quality homes;
3. Deliver effective governance and risk management;
4. Achieve effective communication and engagement with our customers and the wider community;
5. Deliver wider action initiatives to meet local needs;
6. Ensure strong financial management and value for money; and
7. Develop our staff, leadership and working arrangements.

The Strategic Objectives outlined above are translated into practical tasks with timescales and targets with named individuals taking ownership of delivery and is incorporated into the Summary Delivery Plan along with our Key Performance Indicators (KPIs).

Progress against the Summary Delivery Plan and KPIs was reported to Committee and the full staff team on a quarterly basis throughout the year.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

The Main Achievements of 2018/19

The past year has been one of significant change, following the appointment of the CEO in the second half of 2017/18 and the subsequent creation of a new senior team many of whom were appointed during 2018/19.

Changes were aimed at ensuring that the Association continues to be fit for purpose, able to build on past achievements and to deliver our strategic objectives going forward.

At the same time the Association continued to successfully deliver a wide range of services to meet the needs of tenants and other service users in the community, to continue the investment programme in existing and new housing stock and to meet compliance and funder requirements.

This following is a summary of the key achievements and progress during the year:

Governance and corporate

Our Annual Committee appraisal process was carried out to ensure compliance with regulatory requirements and through this it was recognised that there was a need to strengthen recruitment to the Association's Management Committee. A successful campaign was run to attract interest in Committee membership, with a series of well attended sessions held over the spring and summer of 2018 to raise awareness of what is involved in being a Committee Member. This ultimately resulted in the election of seven new Committee members following a contested election at the September 2018 AGM. Five of these remain on the Committee and have undertaken a rigorous training programme.

A review was carried out of the Association's Committee structure and Committee reporting arrangements. The outcome of the review has delivered a more streamlined meeting cycle and changes to reporting formats and content aimed at ensuring improved quality and readability of information to members.

The Association has operated for some time as the parent of a relatively complex Group, with three wholly-owned but non-registered subsidiaries. A review of these subsidiaries was commenced during the year, resulting in one (Upkeep Recycling) being wound up as it was no longer considered to be a going concern. A value for money review was carried out for our main subsidiary – Upkeep Shettleston Community Enterprises Limited ('Upkeep') – which delivers most for our reactive and void maintenance work as well as cyclical maintenance contracts, close cleaning, landscaping and other services. This concluded that on balance the arrangement was providing value for money and identified a number of areas for improvement to enhance the existing arrangement.

At the start of the year a review was undertaken aimed at ensuring that the Association has a senior staff structure in place that is:

- fit for purpose and will enable the delivery of SHA's plans into the future;
- cost effective and represents value for money;
- enables cohesive and confident leadership – building strategic capacity and capability; and
- retains where possible the existing talent within SHA

The implementation of this helped contribute to a significant turnover of senior staff within the year but the Association was able to successfully recruit into the new structure, bringing a range of new skills and experience into the organisation to help meet the challenges ahead.

New staff appraisal arrangements were introduced.

In response to issues and concerns identified through an independent survey of staff views in 2017, and subsequently, steps were taken to improve communication within the staff team.

We introduced new arrangements for monitoring, reporting and action planning to ensure ongoing compliance with health and safety requirements within the Association and our subsidiary Upkeep.

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

SHETTLESTON HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2019

The Main Achievements of 2018/19 (continued)

New arrangements were introduced to ensure compliance with the new GDPR requirements relating to the handling of personal data, which came into force in May of 2018.

Finance

A comprehensive review was carried out of our forward financial projections within the Business Plan to have regard to revised projections regarding future maintenance spend. Other achievements included:

- All statutory compliance requirements were met on time;
- Successful negotiation for the 2019/20 insurances resulting in significant savings;
- Enhancing the management accounts reporting; and
- Enhancing the budget reporting.

Investment

Over £4.5million was invested in the Association's existing housing stock in 2018/19 and covered all aspects of maintenance, however this included £2.6million on planned capital projects:

- 50 new energy efficient boilers installed;
- 15 new controlled entry systems and close doors;
- 56 homes had new kitchens and bathrooms fitted;
- 42 homes were fitted with new bathrooms and an electrical upgrade;
- 22 closes had replacement common windows;
- 1,492 new smoke detector systems fitted; and
- 24 flats remodelled to improve space standards.

We also carried out medical adaptations to 56 homes at a cost of £72,435 and grant funding was received to assist with this.

Progress was made with our programme for new homes:

- We completed refurbishment work on nine sandstone tenement flats at South Vesalius Street that had been acquired with a grant from the City Council; and
- Work on-site progressed at our Carntyne Church (19 new homes) and our Fenella Street (46 new homes, including 8 for Mid-Market rent) new build developments.

Two new sites were acquired at:

- The former St Mark's primary school where a planning application has been submitted for 40 new family homes; and
- The former telephone exchange site at Wellshot Road.

We bought back 6 homes from sharing owners.

A review was carried out of the Association's approach to risk assessment and appraisal of the financial viability of future development projects. New criteria have been agreed aimed at ensuring that all development projects are financially viable going forward and that all risks are minimised.

A review was also carried out of the Association's plans for future investment in the existing housing stock. This identified that a significantly greater level of investment would be required than previously assumed in the Business Plan.

SHETTLESTON HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2019

The Main Achievements of 2018/19 (continued)

Housing Services

We continued to deliver our landlord services to a high standard achieving good performance in our average re-let time which remained within the target of 18 days during most of the year. The proportion of lets to homeless applicants met the agreed target with the homeless casework team and housing management ensured the overall gross arrears remained below the set target of 4.2%. Emergency repairs were responded to on average within 2.5 hrs and non-emergency repairs took approximately 5 days to complete for tenants.

We continued to provide support to our tenants in respect of the changes to the welfare system and at the end of the year adopted a new Welfare Reform Strategy and Action Plan.

We introduced a new Retirement Housing Service following the withdrawal of all Glasgow City Council funding to our sheltered housing scheme and housing support service.

We agreed a Lettings Plan and tenancy offers for the Carntyne Church development.

We introduced a new tenancy sustainment service on a trial basis.

We implemented and communicated to tenants the requirements of the Housing (Scotland) Act 2014 including revising our tenancy agreements to comply with this legislation.

We established a new tenant consultation panel to strengthen opportunities for participation.

We commissioned an independent survey of tenant satisfaction with our repair and associated services which indicated high levels of satisfaction. We agreed actions to address areas for improvement.

We established protocol arrangements with the Department of Work and Pensions to support our tenants with Universal Credit.

Wider Role

Wider role projects undertaken during the year were:

Shettleston Community Growing Project (SCGP): Funding was secured for a part time Children and Families Worker for 2/3 years and successful delivery of all services - food growing, volunteering, children's activities and partnership working with schools. All funding was secured for the 2019 season.

Men's Shed: funding secured for two years and number of members continued to grow throughout the year.

Fuse: continued to support Fuse as a valuable resource for our tenants' children.

Energy Advice: energy advice and assistance delivered to tenants and involvement in Association's void work to identify metering, supply and debt issues.

Financial inclusion service: money, debt and budgeting advice and support provided to residents of all tenures in Shettleston.

Edrom Path: following withdrawal of supporting people staff, support to tenants to develop the "Keenagers" self-help group for older people.

We continued to host the Community Connectors project.

We had a successful Family Fun Day run in partnership with Shettleston Community Growing Project in August 2018.

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

The Main Achievements of 2018/19 (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, as set by our lender, were reported and the financial management was fully audited however at the year-end there was a breach in the lenders cashflow covenant which was reported to them, the Management Committee and the Scottish Housing Regulator. The lenders remain supportive of the Association and have drawn up proposals which will achieve a mutually acceptable financial solution for the future.
- Annual Committee appraisal process was carried out to ensure compliance with regulatory requirements.

Our Future Plans

- Co-opt up to three new Committee members with specific skills;
- Review the roles of the Office Bearers and establish a formal succession plan for the post of Chair;
- Review our compliance with GDPR and develop a plan for compliance with Freedom of Information (FOI);
- Review our overall approach to Risk Management;
- Enhance our Business Continuity and ICT Disaster Recovery Plan;
- Review our approach to procurement/ adopt a revised Procurement Policy;
- Adopt a Welfare Reform Strategy;
- Explore the scope to expand the Retirement Housing Service to other developments;
- Review the outcome of the trial of the Tenancy Sustainment Service and agree a future approach;
- Review our Housing Allocations Policy;
- Review and adopt a revised Anti-Social Behaviour Policy;
- Develop and roll-out an annual plan for tenant consultation;
- Review our approach to complaints;
- Implement findings from the value for money review of Upkeep;
- Review our maintenance service standards/response times;
- Review the current life cycle costing projections and develop and implement a plan to ensure they remain accurate and realistic;
- Develop an Asset Management Strategy;
- Review the Rent Policy and carry out a rent harmonisation exercise; and
- Seek to dispose of Tollcross Mansionhouse.

Proposals to address these outstanding issues are included in the actions within the Business Plan for 2019/20.

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 2019

Statement on Internal Financial Controls

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

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial controls. 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 consultants, who specialise in internal audit, 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 Committee;
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and the internal auditor.

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

Statement of the Management Committee's responsibilities

Housing Association legislation requires the 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; 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

John Morrison
Secretary

Dated: 20 August 2019

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 2019

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 2019 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 2019 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 2019

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report 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 7, 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 2019

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: 20 August 2019

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the financial statements, we have reviewed your statements on page 6 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 Controls on page 6 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 Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff, 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: 20 August 2019

SHETTLESTON HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
Turnover	4	9,539,960	9,268,614
Operating expenditure	4	(8,034,748)	(7,509,163)
Operating surplus	4, 11	1,505,212	1,759,451
Gain on disposal of property, plant and equipment		-	74,044
Impairment of investment properties	14b	(26,308)	-
Interest receivable and other income	9	3,323	2,066
Interest payable and similar charges	10	(1,794,224)	(1,613,455)
(Loss)/surplus before taxation		(311,997)	222,106
Tax credit/(charge) on (loss)/surplus	12	6,366	(12,764)
(Loss)/surplus for the year		(305,631)	209,342
Other comprehensive income			
Initial recognition of the SHAPS defined benefit pension scheme	25	(247,000)	-
Actuarial loss in respect of the SHAPS defined benefit pension scheme	25	(373,000)	-
Actuarial (loss)/gain in respect of the Strathclyde defined benefit pension scheme	25	(92,000)	234,000
Total Comprehensive Income		(1,017,631)	443,342

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 2019**

	Notes	2019 £	2018 £
Turnover	4	9,280,843	8,909,270
Operating expenditure	4	(7,796,294)	(7,282,762)
Operating surplus	4, 11	1,484,549	1,626,508
Gain on disposal of property, plant and equipment		-	74,044
Interest receivable and other income	9	36,791	35,184
Interest payable and similar charges	10	(1,794,224)	(1,613,455)
Distribution from subsidiary – Gift aid		103,910	85,000
(Loss)/surplus for the year		(168,974)	207,281
Other comprehensive income			
Initial recognition of the SHAPS defined benefit pension scheme	25	(247,000)	-
Actuarial loss in respect of the SHAPS defined benefit pension scheme	25	(373,000)	-
Actuarial (loss)/gain in respect of the Strathclyde defined benefit pension scheme	25	(92,000)	234,000
Total Comprehensive Income		(880,974)	441,281

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 2019

	Share Capital	Revenue Reserve	Capital Redemption Reserve	Total Reserves
	£	£	£	£
Balance at 1 April 2018	247	19,542,526	567	19,543,340
Issue of share capital	13	-	-	13
Cancellation of share capital	(16)	-	16	-
Total comprehensive income	-	(1,017,631)	-	(1,017,631)
Balance at 31 March 2019	<u>244</u>	<u>18,524,895</u>	<u>583</u>	<u>18,525,722</u>

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

	<i>Share Capital</i>	<i>Revenue Reserve</i>	<i>Capital Redemption Reserve</i>	<i>Total Reserves</i>
	£	£	£	£
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>

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES AS AT 31 MARCH 2019

	Share Capital	Revenue Reserve	Capital Redemption Reserve	Total Reserves
	£	£	£	£
Balance at 1 April 2018	247	19,295,434	567	19,296,248
Issue of share capital	13	-	-	13
Cancellation of share capital	(16)	-	16	-
Total comprehensive income	-	(880,974)	-	(880,974)
Distribution to subsidiary – gift aid	-	(18,910)	-	(18,910)
	<u>244</u>	<u>18,395,550</u>	<u>583</u>	<u>18,396,377</u>

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

	<i>Share Capital</i>	<i>Revenue Reserve</i>	<i>Capital Redemption Reserve</i>	<i>Total Reserves</i>
	£	£	£	£
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)
	<u>247</u>	<u>19,295,434</u>	<u>567</u>	<u>19,296,248</u>

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	14a	66,219,553	60,106,318
Other fixed assets	14b	3,850,714	3,951,616
		<u>70,070,267</u>	<u>64,057,934</u>
Current assets			
Stock	15b	87,495	198,511
Debtors	16	628,025	502,448
Cash at bank and in hand	17	655,197	4,149,475
		<u>1,370,717</u>	<u>4,850,434</u>
Creditors: amounts falling due within one year	18	(38,805,140)	(2,556,957)
		<u>(37,434,423)</u>	<u>2,293,477</u>
Total assets less current liabilities		<u>32,635,844</u>	<u>66,351,411</u>
Creditors: amounts falling due after more than one year	19	(12,201,987)	(46,815,290)
Provisions for liabilities	13	(5,135)	(4,781)
SHAPS defined benefit pension liability	25	(1,789,000)	-
Strathclyde pension scheme defined benefit pension liability	25	(114,000)	12,000
		<u>18,525,722</u>	<u>19,543,340</u>
Net assets		<u>18,525,722</u>	<u>19,543,340</u>
Capital and reserves			
Share capital	22	244	247
Revenue reserve	22	18,524,895	19,542,526
Capital redemption reserve	22	583	567
		<u>18,525,722</u>	<u>19,543,340</u>

The financial statements were authorised for issue by the Management Committee on 20 August 2019 and were signed on its behalf by:

Gillian Johnston

Chairperson

Lesley Scoffield

Vice Chairperson

John Morrison

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 2019**

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	14a	66,219,553	60,106,318
Other fixed assets	14c	3,158,086	3,211,367
		<u>69,377,639</u>	<u>63,317,685</u>
Investments			
Investments in subsidiaries	15a	2	2
Current assets			
Debtors due in more than one year	16	669,359	669,359
Debtors due in less than one year	16	598,036	613,665
Cash at bank and in hand	17	567,864	3,946,183
		<u>1,835,259</u>	<u>5,229,207</u>
Creditors: amounts falling due within one year	18	(38,711,536)	(2,447,356)
		<u>(36,876,277)</u>	<u>2,781,851</u>
Total assets less current liabilities		<u>32,501,364</u>	<u>66,099,538</u>
Creditors: amounts falling due after more than one year	19	(12,201,987)	(46,815,290)
SHAPS defined benefit pension liability	25	(1,789,000)	-
Strathclyde pension scheme defined benefit pension liability	25	(114,000)	12,000
		<u>18,396,377</u>	<u>19,296,248</u>
Net assets			
Capital and reserves			
Share capital	22	244	247
Revenue reserve	22	18,395,550	19,295,434
Capital redemption reserve	22	583	567
		<u>18,396,377</u>	<u>19,296,248</u>

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SHETTLESTON HOUSING ASSOCIATION LIMITED

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

	Notes	2019 £	2018 £
Net cash generated from operating activities	1	2,509,072	4,479,016
Cashflows from investing activities			
Purchase of property, plant and equipment		(7,769,354)	(6,961,135)
Proceeds from sale of property, plant and equipment		-	276,393
Grants received		1,018,892	3,376,019
Interest received		3,323	2,066
Cashflows from financing activities			
Interest paid		(1,756,224)	(1,591,455)
New secured loans		-	475,000
Loan drawdown		2,500,000	-
Issue of share capital		13	5
Net changes in cash and cash equivalents		(3,494,278)	55,909
Cash and cash equivalents at 1 April 2018		4,149,475	4,093,566
Cash and cash equivalents at 31 March 2019		655,197	4,149,475

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 2019**

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

	2019	<i>2018</i>
	£	<i>£</i>
(Deficit)/surplus for the year	(305,631)	<i>209,342</i>
<u>Adjustments for non-cash items</u>		
Depreciation	1,608,639	<i>1,525,170</i>
Impairment of housing properties under construction	114,766	<i>-</i>
Impairment of investment properties	26,308	<i>-</i>
Impairment of fixtures and fittings	7,308	<i>-</i>
Decrease/(increase) in debtors	(125,577)	<i>1,335,414</i>
Increase/(decrease) in creditors	(378,114)	<i>454,246</i>
Release of deferred Government capital grants	(128,626)	<i>(192,318)</i>
Strathclyde Pension Scheme – non cash movements	34,000	<i>33,000</i>
SHAPS Pension Scheme – non cash movements	139,085	<i>5,000</i>
Carrying value of tangible fixed asset disposals		<i>202,349</i>
(Increase)/decrease in stock	111,016	<i>(90,541)</i>
Taxation charge	(6,366)	<i>12,764</i>
<u>Adjustments for investing or financing activities</u>		
Proceeds from sale of tangible fixed assets	-	<i>(276,393)</i>
SHAPS past service deficit payment	(346,085)	<i>(336,000)</i>
Interest received	(3,323)	<i>(2,066)</i>
Interest payable	1,756,224	<i>1,591,455</i>
Taxation paid	(7,052)	<i>(4,906)</i>
Amortisation of arrangement fee	12,500	<i>12,500</i>
	<u>2,509,072</u>	<i><u>4,479,016</u></i>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

	Notes	2019 £	2018 £
Net cash generated from operating activities	1	2,579,952	4,344,193
Cashflows from investing activities			
Purchase of property, plant and equipment		(7,757,743)	(6,877,142)
Proceeds from sale of property, plant and equipment		-	276,393
Grants received		1,018,892	3,376,019
Interest received		36,791	35,184
Cashflows from financing activities			
Interest paid		(1,756,224)	(1,591,455)
New secured loans		-	475,000
Loan drawdown		2,500,000	
Repayment of borrowings		-	-
Issue of share capital		13	5
Net changes in cash and cash equivalents		(3,378,319)	38,197
Cash and cash equivalents at 1 April 2018		3,946,183	3,907,986
Cash and cash equivalents at 31 March 2019		567,864	3,946,183

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 2019**

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

	2019	<i>2018</i>
	£	<i>£</i>
(Deficit)/surplus for the year	(168,974)	<i>207,281</i>
<u>Adjustments for non-cash items</u>		
Depreciation	1,583,023	<i>1,486,744</i>
Impairment of housing under construction	114,766	<i>-</i>
Decrease/(increase) in debtors	15,629	<i>1,387,260</i>
Increase/(decrease) in creditors	(375,889)	<i>303,499</i>
Release of deferred Government capital grants	(128,626)	<i>(192,318)</i>
Strathclyde Pension Scheme – non cash movements	34,000	<i>33,000</i>
SHAPS Pension Scheme – non cash movements	139,085	<i>5,000</i>
Carrying value of tangible fixed asset disposals	-	<i>202,349</i>
Distribution to subsidiary	(18,910)	<i>(45,000)</i>
<u>Adjustments for investing or financing activities</u>		
Proceeds from sale of tangible fixed assets	-	<i>(276,393)</i>
SHAPS past service deficit payment	(346,085)	<i>(336,000)</i>
Interest received	(36,791)	<i>(35,184)</i>
Interest payable	1,756,224	<i>1,591,455</i>
Amortisation of arrangement fee	12,500	<i>12,500</i>
	<u>2,579,952</u>	<i><u>4,344,193</u></i>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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 Association has taken advantage of the provisions made available through Financial Reporting Exposure Draft (FRED) 71, "Draft amendments to FRS 102 on Multi-employer defined benefit plans". These provisions will become effective as part of FRS 102 for accounting periods commencing on or after 1 January 2020, however the Association has chosen to early adopt these provisions for the current accounting period. Therefore for the year ended 31 March 2018, SHAPS was accounted for as a defined contribution scheme although the past service deficit liability was recognised as a liability. For the year ended 31 March 2019, SHAPS is accounted for as a defined benefit pension liability with the adjustment to reflect the movement between the past service deficit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 being recognised within Other Comprehensive Income in the Statement of Comprehensive Income as outlined in FRED 71. Further details in respect of this can be found in Note 25 to these financial statements.

(b) Going concern

The Management Committee anticipates that a surplus will be generated in the year to 31 March 2020 and the year to 31 March 2021. 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. At the year-end there was a breach of one of the bank loan covenants. The lender and the Scottish Housing Regulator have been notified of this breach. The Association and the lender are in the process of reviewing the current facilities in place. The lender remains supportive of the Association and is not seeking repayment of the capital outstanding. The full loan balance has been disclosed within creditors less than 1 year. Once the facilities have been renewed these loans will adopt the aging profile as outlined in the new underlying loan agreements. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

2. Accounting policies (continued)

(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.

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.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

2. Accounting policies (continued)

(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.

(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 and maintenance administration costs

Development and maintenance administration costs relating to development and maintenance capital projects 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 2019

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 Statement of Financial Position 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 2019

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 Glasgow City Council.

(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.

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

2. Accounting policies (continued)

(v) Pensions (note 25) (continued)

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

(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 2019

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

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

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

<u>Estimate</u>	<u>Basis of estimation</u>
Useful lives of property, plant and equipment	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 main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management 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.
The obligations under the SHAPs Pension Scheme and Strathclyde Pension Scheme	These have relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.
The valuation of investment properties	The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.
Development and maintenance costs capitalised	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 2019**

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

Group	Turnover	Operating	2019	Turnover	Operating	2018
	£	Expenditure	Operating	£	Expenditure	Operating
	£	£	Surplus/ (deficit)	£	£	Surplus/ (deficit)
Income and Expenditure From lettings						
Social Lettings (Note 5a)	9,014,213	7,656,492	1,357,721	8,729,792	7,231,056	1,498,736
Other activities (Note 6a)	121,597	126,293	(4,696)	102,107	41,306	60,801
Upkeep Shettleston Community Enterprises Limited	149,615	124,621	24,994	171,586	93,809	77,777
East End Housing Development Company Limited	202,781	34,209	168,572	197,089	12,134	184,955
Upkeep Recycling	51,754	93,133	(41,379)	68,040	130,858	(62,818)
	<u>9,539,960</u>	<u>8,034,748</u>	<u>1,505,212</u>	<u>9,268,614</u>	<u>7,509,163</u>	<u>1,759,451</u>
Association						
	Turnover	Operating	2019	Turnover	Operating	2018
	£	Expenditure	Operating	£	Expenditure	Operating
	£	£	Surplus/ (deficit)	£	£	Surplus/ (deficit)
Income and Expenditure From lettings						
Social Lettings (Note 5b)	9,014,213	7,670,001	1,344,212	8,729,792	7,241,456	1,488,336
Other activities (Note 6b)	266,630	126,293	140,337	179,478	41,306	138,172
	<u>9,280,843</u>	<u>7,796,294</u>	<u>1,484,549</u>	<u>8,909,270</u>	<u>7,282,762</u>	<u>1,626,508</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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

Group	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2019 Total £	2018 Total £
Income from rent and service charges					
Rent receivable net of service charges	8,357,877	-	77,941	8,435,818	8,085,689
Service charges	319,194	-	2,979	322,173	303,626
Gross income from rents and service charges	8,677,071	-	80,920	8,757,991	8,389,315
Less voids	(72,264)	-	(677)	(72,941)	(106,542)
Net income from rents and service charges	8,604,807	-	80,243	8,685,050	8,282,773
Stage 3 grants	119,891	-	-	119,891	150,000
Revenue grants	80,646	-	-	80,646	104,701
Grants from the Scottish Ministers	-	-	-	-	-
Amortisation of deferred Government Capital Grants	128,626	-	-	128,626	192,318
Total turnover from social letting activities	8,933,970	-	80,243	9,014,213	8,729,792
Expenditure					
Management and maintenance administration costs	3,149,557	-	30,631	3,180,188	2,911,077
Service charges	710,428	-	6,610	717,038	763,625
Planned cyclical maintenance including major repairs	1,065,694	-	-	1,065,694	1,278,988
Reactive maintenance costs	884,271	-	-	884,271	735,407
Bad debts – rents and service charges	31,913	-	-	31,913	(136)
Depreciation of social housing	1,495,789	-	19,056	1,514,845	1,416,285
Property insurance	146,435	-	1,342	147,777	125,810
Impairment charge	114,766	-	-	114,766	-
Operating costs for social letting activities	7,598,853	-	57,639	7,656,492	7,231,056
Operating Surplus on letting activities, 2019	1,335,117	-	22,604	1,357,721	
Operating Surplus on letting activities, 2018	1,475,271	-	23,465		1,498,736

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2019 Total £	2018 Total £
Income from rent and service charges					
Rent receivable net of service charges	8,357,877	-	77,941	8,435,818	8,085,689
Service charges	319,194	-	2,979	322,173	303,626
	<u>8,677,071</u>	<u>-</u>	<u>80,920</u>	<u>8,757,991</u>	<u>8,389,315</u>
Gross income from rents and service charges					
Less voids	(72,264)	-	(677)	(72,941)	(106,542)
	<u>8,604,807</u>	<u>-</u>	<u>80,243</u>	<u>8,685,050</u>	<u>8,282,773</u>
Net income from rents and service charges					
Stage 3 grants	119,891	-	-	119,891	150,000
Revenue grants	80,646	-	-	80,646	104,701
Amortisation of deferred Government Capital Grants	128,626	-	-	128,626	192,318
	<u>8,933,970</u>	<u>-</u>	<u>80,243</u>	<u>9,014,213</u>	<u>8,729,792</u>
Total turnover from social letting activities					
Expenditure					
Management and maintenance administration costs	3,153,533	-	30,631	3,184,164	2,911,077
Service charges	710,428	-	6,610	717,038	763,625
Planned cyclical maintenance including major repairs	1,065,694	-	-	1,065,694	1,278,988
Reactive maintenance costs	893,804	-	-	893,804	745,807
Bad debts – rents and service charges	31,913	-	-	31,913	(136)
Depreciation of social housing	1,495,789	-	19,056	1,514,845	1,416,285
Property insurance	146,435	-	1,342	147,777	125,810
Impairment charge	114,766	-	-	114,766	-
	<u>7,612,362</u>	<u>-</u>	<u>57,639</u>	<u>7,670,001</u>	<u>7,241,456</u>
Operating costs for social letting activities					
Operating Surplus on letting activities, 2019	<u>1,321,608</u>	<u>-</u>	<u>22,604</u>	<u>1,344,212</u>	
Operating Surplus on letting activities, 2018	<u>1,464,871</u>	<u>-</u>	<u>23,465</u>		<u>1,488,336</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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

Group					2019	2018				
	Grants from Scottish Ministers £	Other revenue grants £	Supporting People income £	Other income £	Total Turnover £	Total Turnover £	Operating expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) £	Operating surplus or (deficit) £
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	57,690	57,690	46,769	-	58,304	(614)	5,463
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	-	-	-	54,607	54,607	46,038	-	330	54,277	46,038
Management charges	-	-	-	-	-	-	-	67,659	(67,659)	-
Total from other activities, 2019	-	-	-	121,597	121,597		-	126,293	(4,696)	
Total from other activities, 2018	-	-	-	102,107		102,107	-	41,306		60,801

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

The minimum expected rental income for commercial units for 2019/20 is £54,607.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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

Association					2019	2018			2019	2018
	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Total Turnover £	Operating expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) £	Operating surplus or (deficit) £
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	57,690	57,690	46,769	-	58,304	(614)	5,463
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
Furniture Packages	-	-	-	-	-	-	-	-	-	-
Adaptations	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	131,981	131,981	123,409	-	330	131,651	123,409
Management charges to subsidiaries	-	-	-	67,659	67,659	-	-	67,659	-	-
Total from other activities, 2019	-	-	-	266,630	266,630	-	-	126,293	140,337	-
Total from other activities, 2018	-	-	-	-	-	179,478	-	41,306	-	138,172

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

The minimum expected rental income for commercial units for 2019/20 is £131,981.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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).

	2019	<i>2018</i>
	£	£
Emoluments (excluding pension contributions) of:		
Former Chief Executive	-	43,338
New Chief Executive	86,518	35,620
	<u> </u>	<u> </u>

The Chief Executive is a member of the Scottish Housing Association Pension Scheme (SHAPS) described in note 25. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contribution for the Chief Executive in the year amounted to £8,746 (2018: £3,616). No past service deficit contributions are made in respect of the Chief Executive.

Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-	2019	<i>2018</i>
	Number	<i>Number</i>
£60,001 - £65,000	1	1
£65,001 - £70,000	1	2
£70,001 - £75,000	-	1
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	1	-
	<u> </u>	<u> </u>

The total emoluments (excluding pension contributions) for those earning more than £60,000 were £216,451 (2018: £269,123). The total pension contributions (excluding past service deficit contributions) for those earning more than £60,000 were £19,582 (2018: £21,761). Past service deficit payments of £6,542 (2018: £6,351) were made in the year.

The total emoluments (including pension contributions but excluding past service deficit contributions) paid to key management personnel was £397,370 (2018: £443,212). The social security costs for these individuals was £38,739 (2018: £46,413). Past service deficit payments of £6,542 (2018: £6,351) were made in the year.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

8. Employee Information	2019 Number	<i>2018 Number</i>
The average number of persons employed during the year on a full time equivalent basis was:		
Housing Management	18	15
Maintenance	7	10
Development	4	4
Finance	8	7
Administration	7	10
Factoring	2	1
Housing Support	4	3
Wider role	4	7
Welfare Rights Officers	2	2
IT	2	-
	<u>58</u>	<u>59</u>
Association		
Upkeep Shettleston Community Enterprises Limited	53	55
Upkeep Recycling	2	3
	<u>113</u>	<u>117</u>

The average headcount for the group was 117 (2018: 121). The headcount for the Association is 61 (2018: 63).

Group staff costs	2019 £	<i>2018 £</i>
Staff costs (including directors' emoluments):		
Wages and salaries	3,284,111	3,217,042
Social security costs	300,542	288,295
Pension costs	298,503	295,546
Defined benefit pension charge – Strathclyde Pension Fund (Note 25)	34,000	28,000
SHAPS re-measurements (Note 25)	101,085	(12,000)
Defined benefit pension liability – staff service costs (note 25)	-	-
	<u>4,018,241</u>	<u>3,816,883</u>
Association staff costs	2019 £	<i>2018 £</i>
Staff costs (including directors' emoluments):		
Wages and salaries	2,141,806	2,029,269
Social security costs	211,569	194,048
Pension costs	262,696	257,894
Defined benefit pension charge – Strathclyde Pension Fund (Note 25)	34,000	28,000
SHAPS re-measurements (Note 25)	101,085	(12,000)
Defined benefit pension liability – staff service costs (note 25)	-	-
	<u>2,751,156</u>	<u>2,497,211</u>

During the year past service deficit contributions of £356,793 were paid. Of this payment £346,085 was a payment in respect of the SHAPS past service deficit liability. The remainder of £10,708 was pension management costs which have been included in the pension contributions total included in staff costs above. The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £38,000 in the year.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

9. Interest receivable and other income	Group 2019 £	<i>Group 2018 £</i>	Association 2019 £	<i>Association 2018 £</i>
Interest received on deposits	3,323	2,066	3,323	2,066
Interest received on loans to subsidiaries	-	-	33,468	33,118
	<u>3,323</u>	<u>2,066</u>	<u>36,791</u>	<u>35,184</u>
10. Interest payable and similar charges			2019 £	<i>2018 £</i>
On private loans			1,756,224	1,591,455
Defined benefit finance charge – Strathclyde Pension Fund (Note 25)			-	5,000
SHAPS – unwinding of discount (Note 25)			-	17,000
Defined benefit pension liability – interest charge (Note 25)			38,000	-
			<u>1,794,224</u>	<u>1,613,455</u>
11. Operating surplus	Group 2019 £	<i>Group 2018 £</i>	Association 2019 £	<i>Association 2018 £</i>
Operating surplus is stated after charging:				
Depreciation – social housing	1,322,820	1,219,766	1,322,820	1,219,766
Depreciation – replaced components net book value	192,025	196,519	192,025	196,519
Depreciation – other fixed assets	93,794	108,885	68,178	70,459
Auditor's remuneration (excluding VAT)				
- In their capacity as auditors	28,455	24,555	14,000	13,000
- In respect of other services	4,000	4,000	2,000	2,000
	<u>4,000</u>	<u>4,000</u>	<u>2,000</u>	<u>2,000</u>
12. Taxation			2019 £	<i>2018 £</i>
Group				
Provision has been made for United Kingdom corporation tax at 19% (2018: 19%)			(1,829)	(15,601)
Overprovision in prior year			8,549	-
Deferred tax (note 13)			(354)	2,837
Tax credit/(charge)			<u>6,366</u>	<u>(12,764)</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 2019 or 2018 in respect of these non-charitable activities.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

13. Provision for liabilities and charges: Deferred Taxation	2019 £	2018 £
Group		
Accelerated capital allowances	<u>5,135</u>	<u>4,781</u>
Provision at start of year	4,781	
Deferred tax charge in Statement of Comprehensive Income for the year (note 12)	<u>354</u>	
Provision at end of year	<u><u>5,135</u></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 2018	56,438,621	6,886,871	1,020,434	-	64,345,926
Additions during year	413,913	7,328,933	-	-	7,742,846
Transfers	2,616,733	(2,423,707)	(193,026)	-	-
Disposals	(224,320)	-	-	-	(224,320)
Impairment	-	(114,766)	-	-	(114,766)
At 31 March 2019	<u>59,244,947</u>	<u>11,677,331</u>	<u>827,408</u>	<u>-</u>	<u>71,749,686</u>
Depreciation					
At 1 April 2018	4,162,408	-	77,200	-	4,239,608
Charge for year	1,303,764	-	19,056	-	1,322,820
Transfers	18,257	-	(18,257)	-	-
Disposals	(32,295)	-	-	-	(32,295)
At 31 March 2019	<u>5,452,134</u>	<u>-</u>	<u>77,999</u>	<u>-</u>	<u>5,530,133</u>
Net Book Value					
At 31 March 2019	<u>53,792,813</u>	<u>11,677,331</u>	<u>749,409</u>	<u>-</u>	<u>66,219,553</u>
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>

Development and maintenance administration costs capitalised amounted to £374,123 (2018: £429,499). £2,534,568 (2018: £3,294,335) of expenditure on new components was capitalised in the year. No units (2018: Ten) were sold via right to buy in the year for net proceeds of £nil (2018: £276,398). The costs of the units were £nil (2018: £214,740) with a net book value of £nil (2018: £202,349).

Components with a cost of £224,320 (2018: £235,937) and accumulated depreciation of £32,295 (2018: £39,418) were disposed of in the year.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

14b. Tangible Fixed Assets – Other Tangible Assets

Group	Investment Properties	Motor Vehicles	Office Premises	Furniture & Fittings	Computer Equipment	Total
Cost	£	£	£	£	£	£
At 1 April 2018	3,070,284	139,254	800,546	481,611	496,287	4,987,982
Additions	2,184	4,757	-	10,508	9,059	26,508
Disposals	-	(44,268)	-	(37,128)	-	(81,396)
Revaluation/impairment	(26,308)	-	-	(7,308)	-	(33,616)
At 31 March 2019	<u>3,046,160</u>	<u>99,743</u>	<u>800,546</u>	<u>447,683</u>	<u>505,346</u>	<u>4,899,478</u>
Depreciation						
At 1 April 2018	-	127,436	62,865	421,777	424,288	1,036,366
Charge for year	-	8,855	16,006	32,139	36,794	93,794
Disposals	-	(44,268)	-	(37,128)	-	(81,396)
At 31 March 2019	<u>-</u>	<u>92,023</u>	<u>78,871</u>	<u>416,788</u>	<u>461,082</u>	<u>1,048,764</u>
Net Book Value						
At 31 March 2019	<u>3,046,160</u>	<u>7,720</u>	<u>721,675</u>	<u>30,895</u>	<u>44,264</u>	<u>3,850,714</u>
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>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

14c. Tangible Fixed Assets – Other Tangible Assets

Association	Investment Properties £	Office Premises £	Furniture & Fittings £	Computer Equipment £	Total £
Cost					
At 1 April 2018	2,374,976	800,546	293,947	489,126	3,958,595
Additions	2,184	-	3,654	9,059	14,897
At 31 March 2019	<u>2,377,160</u>	<u>800,546</u>	<u>297,601</u>	<u>498,185</u>	<u>3,973,492</u>
Depreciation					
At 1 April 2018	-	62,865	266,777	417,586	747,228
Charge for year	-	16,006	15,835	36,337	68,178
At 31 March 2019	<u>-</u>	<u>78,871</u>	<u>282,612</u>	<u>453,923</u>	<u>815,406</u>
Net Book Value					
At 31 March 2019	<u>2,377,160</u>	<u>721,675</u>	<u>14,989</u>	<u>44,262</u>	<u>3,158,086</u>
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>

15a. Investments

Association	2019 £	2018 £
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 a repairs and maintenance and estate caretaker service. Upkeep Shettleston Community Enterprises Limited made a loss of £16,505 (2018: profit of £80,210) for the year ended 31 March 2019 and had net assets of £116,065 (2018: £167,570).

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 £5,897 (2018: £53,391) for the year ended 31 March 2019 and had net assets of £10,677 (2018: net assets of £73,690).

Shettleston Housing Association Limited also controls Upkeep Recycling, a charitable company limited by guarantee and registered in Scotland. The charitable company ran furniture shops during the year but has ceased trading by 31 March 2019 and will be wound up and struck off. The charitable company had net movement in funds of (£3,229) (2018: £1,540) for the year ended 31 March 2019 and had net assets of £2,605 (2018: £5,834).

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

15b. Stock

Group	2019	2018
	£	£
Work in progress	53,154	141,531
Stock of materials	34,341	55,980
Furniture stock	-	1,000
	<u>87,495</u>	<u>198,511</u>

16. Debtors < 1 year

	Group	<i>Group</i>	Associatio	<i>Association</i>
	2019	<i>2018</i>	n	<i>2018</i>
	£	<i>£</i>	2019	<i>2018</i>
			£	<i>£</i>
Amounts falling due within one year:				
Rental arrears	350,301	<i>344,500</i>	350,301	<i>344,500</i>
Less: provision for bad debts	(161,014)	<i>(192,618)</i>	(161,014)	<i>(192,618)</i>
	<u>189,287</u>	<i>151,882</i>	<u>189,287</u>	<i>151,882</i>
Trade debtors	26,407	<i>29,841</i>	-	-
Amounts owed by subsidiaries	-	-	24,265	<i>176,463</i>
Other debtors and prepayments	412,331	<i>320,725</i>	384,484	<i>285,320</i>
	<u>628,025</u>	<i>502,448</i>	<u>598,036</u>	<i>613,665</i>

Debtors > 1 year

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

17. Cash and cash equivalents

	Group	<i>Group</i>	Associatio	<i>Association</i>
	2019	<i>2018</i>	n	<i>2018</i>
	£	<i>£</i>	2019	<i>2018</i>
			£	<i>£</i>
Balances held in current accounts	151,384	<i>241,747</i>	64,051	<i>38,455</i>
Balances held in deposit accounts	503,813	<i>3,907,728</i>	503,813	<i>3,907,728</i>
	<u>655,197</u>	<i>4,149,475</i>	<u>567,864</u>	<i>3,946,183</i>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

	Group	<i>Group</i>	Associatio n	<i>Association</i>
18. Creditors	2019	<i>2018</i>	2019	<i>2018</i>
Amounts falling due within one year	£	<i>£</i>	£	<i>£</i>
Bank loans	37,037,500	<i>-</i>	37,037,500	<i>-</i>
Trade creditors	432,736	<i>757,677</i>	349,779	<i>570,615</i>
Amounts owed to subsidiaries	-	<i>-</i>	58,494	<i>195,175</i>
Other creditors	171,036	<i>173,642</i>	139,723	<i>152,978</i>
Rent in advance	348,685	<i>333,691</i>	348,685	<i>333,691</i>
Capital works and retentions	256,670	<i>160,022</i>	256,670	<i>160,022</i>
Accruals and deferred income	342,373	<i>502,404</i>	330,622	<i>439,917</i>
Corporation tax	1,829	<i>15,601</i>	-	<i>-</i>
Other tax and social security	85,685	<i>77,883</i>	61,437	<i>58,921</i>
Deferred government capital grants (note 20)	128,626	<i>192,318</i>	128,626	<i>192,318</i>
SHAPS past service deficit liability (note 25)	-	<i>343,719</i>	-	<i>343,719</i>
	38,805,140	<i>2,556,957</i>	38,711,536	<i>2,447,356</i>
	=			
19. Creditors – Amounts falling due outwith one year			2019	<i>2018</i>
			£	<i>£</i>
Group and Association				
Bank loans			-	<i>34,525,000</i>
Other loans			475,000	<i>475,000</i>
Deferred government capital grants (note 20)			11,726,987	<i>10,773,029</i>
SHAPS past service deficit liability (note 25)			-	<i>1,032,281</i>
Other creditors			-	<i>9,980</i>
			12,201,987	<i>46,815,290</i>
Loans:				
Due between one and two years			-	<i>-</i>
Due between two and five years			-	<i>-</i>
Due in five years or more			475,000	<i>35,000,000</i>
			475,000	<i>35,000,000</i>

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 1.07% and 7.85% in instalments. The net book value of housing properties secured at the year end was £54.5m (2018: £53.2m). The loans are due to be repaid in full by 31 March 2040.

At the year-end there was a breach of one of the bank loan covenants. The lender and the Scottish Housing Regulator have been notified of this breach. The Association and the lender are in the process of reviewing the current facilities in place. The lender remains supportive of the Association and is not seeking repayment of the capital outstanding. The full loan balance has been disclosed within creditors less than 1 year. Once the facilities have been renewed these loans will adopt the aging profile as outlined in the new underlying loan agreements.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

20. Deferred government capital grants	2019	2018
	£	£
Group and Association		
At 1 April	10,965,347	7,781,646
Grants received in year	1,018,892	3,376,019
Released to income in year	(128,626)	(192,318)
As at 31 March	<u>11,855,613</u>	<u>10,965,347</u>
Deferred government capital grants:		
Due in less than one year	128,626	192,318
Due between one and two years	128,626	192,318
Due between two and five years	385,878	576,954
Due in five years or more	11,212,483	10,003,757
	<u>11,855,613</u>	<u>10,965,347</u>
21. Financial Instruments	2019	2018
	£	£
Group		
Financial Assets		
Cash and cash equivalents	655,197	4,149,475
Financial assets measured at amortised cost	511,369	473,641
	<u>1,166,566</u>	<u>4,623,116</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	38,045,996	37,989,566
	<u>38,045,996</u>	<u>37,989,566</u>
Financial assets measured at amortised cost comprised rental arrears, trade debtors and other debtors.		
Financial liabilities measured at amortised cost comprised trade creditors, other creditors, capital works and retentions, accruals, SHAPS past service deficit liability, other loans and bank loans.		
Association		
	2019	2018
	£	£
Financial Assets		
Cash and cash equivalents	567,864	3,946,183
Financial assets measured at amortised cost	1,157,184	1,250,822
	<u>1,725,048</u>	<u>5,197,005</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	38,647,788	37,904,687
	<u>38,647,788</u>	<u>37,904,687</u>

Financial assets measured at amortised cost comprised rental arrears, amounts owed by subsidiaries 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, other loans and bank loans.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

22. Share capital and reserves

	2019	<i>2018</i>
Group and Association	£	£
At beginning of year	247	<i>258</i>
Shares of £1 each fully paid and issued during the year	13	<i>5</i>
Shares forfeited in year	(16)	<i>(16)</i>
	<hr/>	<hr/>
At end of year	244	<i>247</i>
	<hr/> <hr/>	<hr/> <hr/>

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

	2019	<i>2018</i>
Group and Association	£	£
Contracted for but not provided in these accounts	2,234,376	<i>9,687,448</i>
This is to be funded by:		
Government grant	-	<i>8,036,212</i>
Private finance	2,234,376	<i>1,651,236</i>
	<hr/>	<hr/>
	2,234,376	<i>9,687,448</i>
	<hr/> <hr/>	<hr/> <hr/>
Approved by the Management Committee but not contracted for	-	-
	<hr/> <hr/>	<hr/> <hr/>

24. Revenue commitments

Group

Operating Leases

The Group's annual commitments for rental payments under non-cancellable operating leases at 31 March 2019 were as set out below:

	2019	2019	<i>2018</i>	<i>2018</i>
	Land and	Office	<i>Land and</i>	<i>Office</i>
	Buildings	Equipment	<i>Buildings</i>	<i>Equipment</i>
	£	£	£	£
Operating leases which expire				
Within one year	15,750	67,324	<i>19,344</i>	<i>31,153</i>
1-2 years	17,063	67,324	<i>15,750</i>	<i>31,153</i>
2-5 years	-	108,514	<i>32,813</i>	<i>31,153</i>
>5 years	-	18,085	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	32,813	261,247	<i>67,907</i>	<i>93,459</i>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

24. Revenue commitments (continued)

Association

	2019	<i>2018</i>
	Office	<i>Office</i>
	equipment	<i>equipment</i>
	£	£
Operating leases which expire:		
Within one year	67,324	<i>31,153</i>
1-2 years	67,324	<i>31,153</i>
2-5 years	108,514	<i>31,153</i>
'> 5 years	18,085	
	<hr/> 261,247 <hr/>	<hr/> <i>93,459</i> <hr/>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

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:

- (a) Final salary with a 1/60th accrual rate;
- (b) Career average revalued earnings with a 1/60th accrual rate;
- (c) Career average revalued earnings with a 1/70th accrual rate;
- (d) Career average revalued earnings with a 1/80th accrual rate;
- (e) Career average revalued earnings with a 1/120th accrual rate, contracted-in; and
- (f) 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 £346,084 (net of administration costs) made in the year ended 31 March 2019 (2018 - £336,000).

As at the Statement of Financial Position date there were 31 (2018: 44) active members of the Scheme employed by Shettleston Housing Association Limited. The annual pensionable payroll in respect of these members was £1,159,000 (2018: £1,607,697). Shettleston Housing Association Limited continues to offer membership of the Scheme to its employees.

Year ended 31 March 2018

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

SHETTLESTON HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2019

25. Pensions (continued)

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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

The contributions paid in respect of the defined contribution scheme is 4% employee contributions and 8% employer contributions.

30 September 2017 funding update

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

A summary is shown below:

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

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation, which was due as at 30 September 2018. The information regarding this 30 September 2018 valuation, including the annual funding update, is not yet available from TPT.

Past service deficit repayment liability

	2018 £
Provision at start of period	1,707,000
Unwinding of the discount factor (interest expense)	17,000
Deficit contribution paid	(336,000)
Remeasurements – impact of any changes in assumptions	(12,000)
	<hr/>
Provision at end of period	1,376,000

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

Past service deficit repayment liability (continued)

	2018 £
Liability split as:	
< 1 year	343,719
1-2 years	348,764
2-5 years	683,517
	<hr/> 1,376,000 <hr/>

Statement of Comprehensive Income Impact

	2018 £
Interest expense	17,000
Remeasurements – impact of any change in assumptions	(12,000)
Assumptions	2018
Rate of discount	1.51%
	<hr/> <hr/>

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 bond yield curve to discount the same recovery plan contributions.

Year ended 31 March 2019

Accounting treatment from 1 April 2018

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

At 31 March 2018, in respect of the SHAPS deficit repayment plan, the amount included within creditors due less than one year was £343,719 and the amount included within creditors due greater than one year was £1,032,281. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £247,000 to recognise a liability of £1,623,000 as at 1 April 2018.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

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

	31 March 2019 £'000
Fair value of plan assets	11,059
Present value of defined benefit obligation	12,848
Defined benefit liability to be recognised	<u>(1,789)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £(000)
Defined benefit obligation at start of period	12,233
Current service cost	272
Expenses	11
Interest expense	312
Contributions by plan participants	67
Actuarial (gains)/losses due to scheme experience	(327)
Actuarial losses/(gains) due to changes in demographic assumptions	34
Actuarial losses/(gains) due to changes in financial assumptions	830
Benefits paid and expenses	(584)
Defined benefit liability at the end of the period	<u>12,848</u>

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

	Year ended 31 March 2019 £(000)
Fair value of plan assets at start of the period	10,610
Interest income	274
Experience on plan assets (excluding amounts included in interest income) – gain	164
Contributions by the employer	528
Contributions by plan participants	67
Benefits paid and expenses	(584)
Fair value of plan assets at end of period	<u>11,059</u>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended to 31 March 2019 £(000)
Current service cost	272
Admin expenses	11
Net interest expense	38
	<hr/>
Defined benefit costs recognised in Statement of Comprehensive Income	321
	<hr/>

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2019 £(000)
Experience on plan assets (excluding amounts included in net interest cost - gain)	164
Experience gains and losses arising on the plan liabilities – gain	327
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(34)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(830)
	<hr/>
Total amount recognised in other comprehensive income – (loss)	(373)
	<hr/>

Fund allocation for employer's calculated share of assets

	31 March 2019 £(000)
Global Equity	1,779
Absolute Return	937
Distressed Opportunities	189
Credit Relative Value	192
Alternative Risk Premia	618
Fund of Hedge Funds	31
Emerging Markets Debt	354
Risk Sharing	321
Insurance-Linked Securities	287
Property	220
Infrastructure	463
Private Debt	143
Corporate Bond Fund	775
Long Lease Property	134
Secured Income	386
Over 15 Year Gilts	284
Liability Driven Investment	3,935
Net Current Assets	11
	<hr/>
Total Assets	11,059
	<hr/>

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

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

Assumptions as at	31 March 2019 % per annum
Discount rate	2.31
Inflation (RPI)	3.29
Inflation (CPI)	2.29
Salary growth	3.29
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

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

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

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

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	9	368	53
Females	22	792	49
Total	31	1,160	50

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	2	11	61
Females	13	48	51
Total	15	59	52

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	9	116	66
Females	9	84	63
Total	18	200	64

25. Pensions (continued)

Employer debt on withdrawal

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

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

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £11,021,429. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available from TPT.

GMP equalisation

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

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

The impact of GMP equalisation for Shettleston Housing Association is 0.07% of liabilities, which is expected to be approximately £9,000. This is included within the closing defined benefit liability as detailed above.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

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 2019 valuations are as follows;

Assumptions as at	31 March 2019	<i>31 March 2018</i>
Pension increase rate	2.5%	2.4%
Salary increase rate	3.7%	3.6%
Discount rate	2.4%	2.7%

Mortality

Life expectancy for both current and future pensioners is based on the Fund's VitaCurves with improvements in line with the CMI 2016 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	21.4 years	23.7 years
Future Pensioners	23.4 years	25.8 years

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2019 £(000)	<i>31 Mar 2018 £(000)</i>
Opening Defined Benefit Obligation	1,606	1,701
Current Service Cost	80	68
Interest Cost	44	45
Contributions by Members	13	12
Actuarial (gains)/losses	145	(192)
Past Service (gains)/losses	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(29)	(28)
Closing Defined Benefit Obligation	1,859	1,606

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2019 £(000)	<i>31 Mar 2018</i> <i>£(000)</i>
Opening Fair Value of Employer Assets	1,618	<i>1,512</i>
Expected Return on Assets	44	<i>40</i>
Contributions by Members	13	<i>12</i>
Contributions by the Employer	46	<i>40</i>
Contributions in respect of Unfunded Benefits	-	-
Actuarial gains/(losses)	53	<i>42</i>
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(29)	<i>(28)</i>
	<hr/>	<hr/>
Closing Fair Value of Employer Assets	1,745	<i>1,618</i>
	<hr/>	<hr/>
Net pension (liability)/asset	(114)	<i>12</i>
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amounts included in Statement of Comprehensive Income

Year Ended:	2019 £(000)	<i>2018</i> <i>£(000)</i>
Expected Return on pension scheme assets	44	<i>40</i>
Interest on pension scheme liabilities	(44)	<i>(45)</i>
	<hr/>	<hr/>
Net Return – finance charge	-	<i>(5)</i>
	<hr/> <hr/>	<hr/> <hr/>
	2019 £(000)	<i>2018</i> <i>£(000)</i>
Current service cost	(80)	<i>(68)</i>
Contribution by employers	46	<i>40</i>
	<hr/>	<hr/>
Charge to staff costs	(34)	<i>(28)</i>
	<hr/> <hr/>	<hr/> <hr/>

The expected Employer's contributions for the year to 31 March 2020 will be approximately £35,374.

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

25. Pensions (continued)

Analysis of amount recognised in Statement of Comprehensive Income

	2019 £(000)	2018 £(000)
Actual return less expected return on scheme assets	53	42
Changes in assumptions underlying the present value of scheme liabilities	(145)	192
Actuarial (loss)/gain recognised in other comprehensive income	(92)	234

Contingent liability – Strathclyde Pension Scheme

Guarante

Guaranteed Minimum Pension (GMP)

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

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

The impact of GMP equalisation for the Association in respect of the Strathclyde Pension Scheme is currently uncertain and the scheme actuaries will perform the calculation in 2019/20 and therefore no allowance has been made for the effects of the GMP equalisation within the pension liability recognised in respect of the Strathclyde Pension Scheme.

26. Housing stock

Group and Association

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

	Units in Management 2019	Units in Management 2018
General Needs Housing	2,295	2,289
Supported Housing Accommodation	-	-
Shared Ownership Accommodation	27	33
	2,322	2,322

SHETTLESTON HOUSING ASSOCIATION LIMITED

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

27. Other property

The other property held are as follows:-

	Group Units in Management 2019	Group Units in Management 2018	Association Units in Management 2019	Association Units in Management 2018
Investment properties - EEHDC	13	13	-	-
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
	<u>63</u>	<u>63</u>	<u>50</u>	<u>50</u>

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.

29. Transactions with the Management Committee

No member of the Association received any fee or remuneration during the year (2018: £nil). Members of the Management Committee were reimbursed for out of pocket travel and accommodation expenses amounting to £1,740 (2018: £1,384).

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 £34,169 (2018: £25,657). The total rent and service charge arrears relating to tenant Management Committee members included within debtors at the year-end is £778 (2018: £71). The total rent and service charge prepaid relating to tenant Management Committee members included within creditors at the year-end is £1,590 (2018: £1,069).

30. Contingent asset

Two of the Association's developments incurred cost overruns. The Association is currently in discussions with Glasgow City Council in respect of claiming additional HAG in respect of these costs. The Association has not recognised these additional monies within debtors as discussions with Glasgow City Council are ongoing.