



Scott-Moncrieff  
business advisers and accountants

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Campbell Dallas

**SHETTLESTON HOUSING ASSOCIATION LIMITED**  
**GROUP ACCOUNTS**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

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**Members, Executive Officers and Advisers**

**Management Committee**

|                   |                             |
|-------------------|-----------------------------|
| Gillian Johnston  | Chairperson                 |
| Lesley Scoffield  | Vice- Chairperson           |
| John Morrison     | Secretary                   |
| James Tominey     | (resigned 25 February 2020) |
| Mary Hain         | (resigned 18 February 2020) |
| Grace Barbour     |                             |
| Frank Quinn       | (resigned 23 January 2020)  |
| Bonnie Blake      | (resigned 18 March 2020)    |
| Derek McFarlane   |                             |
| Edward Robertson  |                             |
| Margaret Russell  |                             |
| Christine Thomson |                             |
| Jennifer Kiernan  | (resigned 16 April 2019)    |

**Registered Office**  
Helen McGregor House  
65 Pettigrew Street  
Glasgow  
G32 7XR

**Auditor**  
Scott Moncrieff Audit Service  
25 Bothwell Street  
Glasgow  
G2 6NL

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

**Executive Officers**

|                 |   |
|-----------------|---|
| Tony Teasdale   | Chief Executive Officer                   |
| Fiona Nicholl   | Director of Finance & Corporate Services  |
| Anne McAlpine   | Director of Customer & Community Services |
| Colette McKenna | Director of Property Services             |

**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 2020**

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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 2020**

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The Management Committee presents its Report (incorporating the Strategic Report) and audited financial statements for the year ended 31 March 2020.

#### **Principal Activity**

The principal activity of the Group is the provision of social rented accommodation, the provision of estate caretaking services, the provision of a repairs and maintenance service and the acquisition and letting of properties at market and mid-market rents.

#### **Review of the Business and Future Developments**

During 2019/20 the Group adopted the following strategic objectives for the year:

1. To achieve excellent standards of governance and risk management.
2. To deliver high quality and value for money services.
3. To effectively manage our resources to protect our assets and deliver the best possible outcomes for quality affordable homes in the area.
4. To combat poverty and facilitate the ongoing regeneration of the local communities.
5. To develop our volunteer Committee and staff members to fulfil their potential.

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.

#### **Governance and corporate**

Our annual Committee appraisal process was again independently supported to ensure compliance with regulatory requirements. Through this, it was recognised that there was a need to further strengthen recruitment to the Association's Management Committee and a training plan for the Committee was agreed. However, during the year there were four Committee resignations and a key priority for next year is to increase Committee membership and skills knowledge.

We adopted new role descriptions for Management Committee Members and for the Office Bearers and established a formal succession plan for the post of Chairperson.

The Committee made a successful transition from paper committee papers onto an electronic board packs solution which has reduced costs and improved meeting efficiencies.

The Committee undertook a review of the Association's compliance or otherwise with the Scottish Housing Regulator standards, agreed an Improvement Action Plan and submitted the Association's first annual Assurance Statement to the SHR.

The Association also achieved compliance with the Freedom of Information (Scotland) Act 2002 from 11 November 2019 and reported two Freedom of Information requests to the ICO up to the end of March 2020.

The staff appraisal arrangements introduced at the start of last year were followed up during the year with regular one to one meetings to review progress, discuss training requirements and make changes where required.

Improvements in staff communication continued during the year. A successful Team Away Day along with our Upkeep colleagues was held in May 2019.

## **SHETTLESTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020**

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#### **Governance and corporate (continued)**

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

Substantial work has been carried out to enhance our cyber security. This was informed by the recommendations arising from internal and external security assessments.

We reviewed our approach to procurement and adopted a revised Procurement Strategy.

#### **The Main Achievements of 2019/20**

During the year 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. We were also able to take some important steps to strengthen the forward financial position of the Association.

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

#### **Financial Position**

Following the loan covenant breach in March 2019, positive discussions have been on-going with the Association's lender to restructure the existing loan finance debt including the removal of the RPI linked loan and the introduction of more traditional loan covenant tests.

A rigorous review was carried out of the forward financial projections within the Business Plan. This review had regard to revised projections on future maintenance spend, and resulted in an increase in the amount of investment planned, particularly in the medium term, in the existing stock for future years.

A comprehensive review of costs was also undertaken. Significant progress was made in reviewing the staff structure aimed at ensuring that the Association is able to deliver its future plans and key services whilst maintaining rents at an affordable level. This review was put on hold at the end of the financial year due to the impact of the Coronavirus Pandemic and will be resurrected when the time is right. We have continued to review our office running costs and overheads and have made cost savings in this area.

Following the latest SHAPS Pension valuation we were notified that the costs of the SHAPS defined benefit pension scheme would increase from April 2020. Following consultation with staff it was agreed that the increased cost of provision would be equally shared between the employer and the scheme members – around 30 – from May 2020/21. It was also agreed however that a more general review of pension options will be carried out during the course of this year.

Like many social landlords who have grown through stock transfer the Association does not have a single rent structure but is operating with a legacy of several. Our objective has been to move towards a harmonised structure – to improve transparency and demonstrable fairness in rent setting. A start was made on this, with initial tenant consultation and differential rent rises were levied for 2020/21 - to reduce the anomalies between rents for similar properties.

Other financial management achievements included:

- All statutory compliance requirements were met on time;
- The cash covenant was met at the end of the financial year;
- Further enhancing the budget and management accounts reporting; and
- A review of the work of the finance team and reallocating key tasks to Upkeep thereby reducing the number of staff within the team.

## **SHETTLESTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020**

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#### **Investment**

Over £4.2 million was invested in the Association's existing housing stock in 2019/20 and covered all aspects of maintenance, however this included £2 million on planned capital projects:

- 206 new energy efficient boilers installed;
- 1 new controlled entry system and close doors;
- 85 homes had new kitchens fitted;
- 42 homes had new bathrooms fitted;
- 32 homes were fitted with new bathrooms and an electrical upgrade;
- 703 new smoke detector systems were fitted; and
- 9 flats were remodelled to improve space standards.

We also carried out medical adaptations to 83 homes at a cost of £199,750 and grant funding of £153,927 was received to assist with this.

We substantially increased the rate of periodic electrical testing & inspections being carried out to SHA properties – pre-empting the recent Scottish Government announcement that tests will now be required every 5 years.

Progress was made with our programme for new homes:

- Work completed at the development at Carntyne Church, named Cunningham House (19 new homes) and additional grant funding was secured towards the substantial additional costs incurred during construction. The development was subsequently awarded the "best UK affordable housing development (urban)" at the Inside Housing awards.
- We progressed on-site at Fenella Street (46 new homes, including 8 for Mid-Market rent). We had a partial hand over of 12 units during the year with the remainder expected to complete during next year. Progress was halted when the contractor went into administration, but, prior to lockdown, a new contractor was appointed to take forward the works. As a result of the performance breach, the Association received £362k of income from a performance bond. An impairment charge of £362k was recognised in the year in respect of the additional costs of this development.
- We obtained approval of grant funding to start the 44 unit new build development at St Marks Street.
- We reviewed several other development opportunities and continue to be open minded to suitable financially sound developments.

We bought back another 4 homes from sharing owners.

Following on from the review last year of the Association's approach to risk assessment and appraisal of the financial viability of future development projects we had an internal audit review of our development operations. The new criteria agreed was commended and we will ensure that the recommendations are actioned.

#### **Housing Services**

We continued to deliver our landlord services to a high standard achieving good performance in our average re-let time which was on target of 18 days during the year. The proportion of lets to homeless applicants met the agreed target with the homeless casework team. Gross arrears remained below the agreed threshold of 4.0% during most of the year but the impact of COVID-19 towards the end of the year meant that we were slightly over target at 4.14%.

Emergency repairs were responded to on average within 2.5 hours against a target of 4 hours and non-emergency repairs took approximately 4.5 days to complete for our 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. The Committee regularly reviewed the impact of Universal Credit and the progress of our Welfare Reform Strategy.



## **SHETTLESTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020**

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#### **Housing Services (continued)**

We successfully let the new homes at both the Carntyne Church – 19 units and Fenella Street - 12 units developments.

We commissioned independent satisfaction surveys of both our tenants and our factored owners which indicated high levels of satisfaction. We agreed actions to address areas for improvement.

We approved new policies and procedures on Void Management and the lettable standard, Transfer, Assignment and Subletting of tenancies and we introduced a new Anti-social behaviour policy.

#### **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 2020 season.

Men's Shed: funding in place for another year and number of members continued to grow throughout the year.

Fuse: we 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.

In collaboration with Tollcross Housing Association Limited we introduced a new Money Advice Project.

We commenced dialogue with local partners around our involvement with a Community Pantry project.

Edrom Path: we continue to provide 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 2019.

#### **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 28.

## **SHETTLESTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020**

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#### **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 2020. 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 2020**

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#### **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**

The appointed auditor, Scott-Moncrieff, tendered their resignation during 2019 and were replaced by Scott-Moncrieff Audit Services. Scott-Moncrieff Audit Services have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

#### **By order of the Committee**

**Secretary**

Dated: 18 August 2020

## **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 2020**

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#### **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 2020 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 2020 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 2019 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 2020**

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#### **Other information**

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

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

We have nothing to report in this regard.

#### **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 6, 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 2020**

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**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](http://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 Audit Services, Statutory Auditor  
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006  
25 Bothwell Street  
Glasgow  
G2 6NL

Date: 18 August 2020

## **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 2020**

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In addition to our audit of the financial statements, we have reviewed your statements on page 5 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 5 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 Audit Services, Statutory Auditor**  
**Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006**  
25 Bothwell Street  
Glasgow  
G2 6NL

Date: 18 August 2020

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**GROUP STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2020**

|  | Notes | 2020<br>£   | 2019<br>£   |
|--|-------|-------------|-------------|
| Turnover   | 4     | 10,129,240  | 9,539,960   |
| Operating expenditure  | 4     | (8,340,767) | (8,034,748) |
| Operating surplus  | 4, 11 | 1,788,473   | 1,505,212   |
| Other operating income   |       | 12,015      | -           |
| Gain on fixed asset disposal   |       | 15,686      | -           |
| Decrease in fair value of investment properties                                    | 14b   | (86,859)    | (26,308)    |
| Interest receivable and other income   | 9     | 1,385       | 3,323       |
| Interest payable and similar charges   | 10    | (1,724,020) | (1,794,224) |
| Wind up of Upkeep Recycling  |       | (2,607)     |             |
| Surplus/(loss) before taxation   |       | 4,073       | (311,997)   |
| Tax (charge)/credit on surplus/(loss)  | 12    | (23,495)    | 6,366       |
| (Loss) for the year  |       | (19,422)    | (305,631)   |
| Other comprehensive income   |       |             |             |
| Initial recognition of the SHAPS defined benefit pension scheme                    | 24    | -           | (247,000)   |
| Actuarial gain/(loss) in respect of the SHAPS defined benefit pension scheme       | 24    | 1,402,000   | (373,000)   |
| Actuarial gain/(loss) in respect of the Strathclyde defined benefit pension scheme | 24    | 141,000     | (92,000)    |
| Total Comprehensive Income   |       | 1,523,578   | (1,017,631) |

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 2020**

|  | Notes | 2020<br>£        | 2019<br>£        |
|--|-------|------------------|------------------|
| Turnover   | 4     | 10,033,613       | 9,280,843        |
| Operating expenditure  | 4     | (8,373,850)      | (7,796,294)      |
| Operating surplus  | 4, 11 | 1,659,763        | 1,484,549        |
| Gain on disposal of property, plant and equipment                                  |       | 15,686           | -                |
| Interest receivable and other income   | 9     | 34,853           | 36,791           |
| Interest payable and similar charges   | 10    | (1,724,020)      | (1,794,224)      |
| Distribution from subsidiary – Gift aid  |       | -                | 103,910          |
| Decrease in fair value of investment properties                                    | 14c   | (86,859)         | -                |
| <b>(Loss) for the year</b>   |       | <b>(100,577)</b> | <b>(168,974)</b> |
| <b>Other comprehensive income</b>  |       |                  |                  |
| Initial recognition of the SHAPS defined benefit pension scheme                    | 24    | -                | (247,000)        |
| Actuarial gain/(loss) in respect of the SHAPS defined benefit pension scheme       | 24    | 1,402,000        | (373,000)        |
| Actuarial gain/(loss) in respect of the Strathclyde defined benefit pension scheme | 24    | 141,000          | (92,000)         |
| <b>Total Comprehensive Income</b>  |       | <b>1,442,423</b> | <b>(880,974)</b> |

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 2020**

|                               | Share<br>Capital<br>£ | Revenue<br>Reserve<br>£ | Capital<br>Redemption<br>Reserve<br>£ | Total<br>Reserves<br>£ |
|-------------------------------|-----------------------|-------------------------|---------------------------------------|------------------------|
| Balance at 1 April 2019       | 244                   | 18,524,895              | 583                                   | 18,525,722             |
| Issue of share capital        | 12                    | -                       | -                                     | 12                     |
| Cancellation of share capital | (8)                   | -                       | 8                                     | -                      |
| Total comprehensive income    | -                     | 1,523,578               | -                                     | 1,523,578              |
| Balance at 31 March 2020      | <u>248</u>            | <u>20,048,473</u>       | <u>591</u>                            | <u>20,049,312</u>      |

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

|                               | Share<br>Capital<br>£ | Revenue<br>Reserve<br>£ | Capital<br>Redemption<br>Reserve<br>£ | Total<br>Reserves<br>£ |
|-------------------------------|-----------------------|-------------------------|---------------------------------------|------------------------|
| 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>      |

The notes form part of these financial statements

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES AS AT 31 MARCH 2020**

|                                       | Share<br>Capital<br>£ | Revenue<br>Reserve<br>£ | Capital<br>Redemption<br>Reserve<br>£ | Total Reserves<br>£ |
|---------------------------------------|-----------------------|-------------------------|---------------------------------------|---------------------|
| Balance at 1 April 2019               | 244                   | 18,395,550              | 583                                   | 18,396,377          |
| Issue of share capital                | 12                    | -                       | -                                     | 12                  |
| Cancellation of share capital         | (8)                   | -                       | 8                                     | -                   |
| Total comprehensive income            | -                     | 1,442,423               | -                                     | 1,442,423           |
| Distribution to subsidiary – gift aid | -                     | -                       | -                                     | -                   |
| Balance at 31 March 2020              | <u>248</u>            | <u>19,837,973</u>       | <u>591</u>                            | <u>19,838,812</u>   |

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

|                                       | Share<br>Capital<br>£ | Revenue<br>Reserve<br>£ | Capital<br>Redemption<br>Reserve<br>£ | Total<br>Reserves<br>£ |
|---------------------------------------|-----------------------|-------------------------|---------------------------------------|------------------------|
| Balance at 1 April 2018 restated      | 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)               |
| Balance at 31 March 2019              | <u>244</u>            | <u>18,395,550</u>       | <u>583</u>                            | <u>18,396,377</u>      |

The notes form part of these financial statements

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**GROUP STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020**

|  | Notes | 2020<br>£           | Restated<br>2019<br>£ |
|--|-------|---------------------|-----------------------|
| <b>Tangible fixed assets</b>                                   |       |                     |                       |
| Housing properties   | 14a   | 70,500,650          | 66,219,553            |
| Other fixed assets   | 14b   | 2,286,214           | 3,850,714             |
|  |       | <u>72,786,864</u>   | <u>70,070,267</u>     |
| <b>Current assets</b>  |       |                     |                       |
| Stock  | 15b   | 63,982              | 87,495                |
| Debtors  | 16    | 1,817,952           | 628,025               |
| Cash at bank and in hand                                       | 17    | 751,098             | 655,197               |
|  |       | <u>2,633,032</u>    | <u>1,370,717</u>      |
| <b>Creditors: amounts falling due within one year</b>          | 18    | <u>(42,619,022)</u> | <u>(39,090,140)</u>   |
| <b>Net current (liabilities) / assets</b>                      |       | <u>(39,985,990)</u> | <u>(37,719,423)</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>32,800,874</u>   | <u>32,350,844</u>     |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | <u>(12,512,202)</u> | <u>(11,916,987)</u>   |
| Provisions for liabilities                                     | 13    | (5,360)             | (5,135)               |
| SHAPS defined benefit pension liability                        | 24    | (212,000)           | (1,789,000)           |
| Strathclyde pension scheme defined benefit pension liability   | 24    | (22,000)            | (114,000)             |
| <b>Net assets</b>  |       | <u>20,049,312</u>   | <u>18,525,722</u>     |
| <b>Capital and reserves</b>                                    |       |                     |                       |
| Share capital  | 21    | 248                 | 244                   |
| Revenue reserve  | 21    | 20,048,473          | 18,524,895            |
| Capital redemption reserve                                     | 21    | 591                 | 583                   |
|  |       | <u>20,049,312</u>   | <u>18,525,722</u>     |

The financial statements were authorised for issue by the Management Committee on 18 August 2020 and were signed on its behalf by:

Chairperson

Vice Chairperson

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 2020**

|  | Notes | 2020<br>£           | Restated<br>2019<br>£ |
|--|-------|---------------------|-----------------------|
| <b>Tangible fixed assets</b>                                   |       |                     |                       |
| Housing properties   | 14a   | 70,500,650          | 66,219,553            |
| Other fixed assets   | 14c   | 1,599,588           | 3,158,086             |
|  |       | <u>72,100,238</u>   | <u>69,377,639</u>     |
| <b>Investments</b>   |       |                     |                       |
| Investments in subsidiaries                                    | 15a   | 2                   | 2                     |
| <b>Current assets</b>  |       |                     |                       |
| Debtors due in more than one year                              | 16    | 669,359             | 669,359               |
| Debtors due in less than one year                              | 16    | 1,778,791           | 598,036               |
| Cash at bank and in hand                                       | 17    | 560,058             | 567,864               |
|  |       | <u>3,008,208</u>    | <u>1,835,259</u>      |
| <b>Creditors: amounts falling due within one year</b>          | 18    | <u>(42,523,434)</u> | <u>(38,996,536)</u>   |
| <b>Net current (liabilities) / assets</b>                      |       | <u>(39,515,226)</u> | <u>(37,161,277)</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>32,585,014</u>   | <u>32,216,362</u>     |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | <u>(12,512,202)</u> | <u>(11,916,987)</u>   |
| SHAPS defined benefit pension liability                        | 24    | (212,000)           | (1,789,000)           |
| Strathclyde pension scheme defined benefit pension liability   | 24    | (22,000)            | (114,000)             |
| <b>Net assets</b>  |       | <u>19,838,812</u>   | <u>18,396,377</u>     |
| <b>Capital and reserves</b>                                    |       |                     |                       |
| Share capital  | 21    | 248                 | 244                   |
| Revenue reserve  | 21    | 19,837,973          | 18,395,550            |
| Capital redemption reserve                                     | 21    | 591                 | 583                   |
|  |       | <u>19,838,812</u>   | <u>18,396,377</u>     |

The financial statements were authorised for issue by the Management Committee on 18 August 2020 and were signed on its behalf by:

Chairperson

Vice Chairperson

Secretary

Regulated Number: SP1884RS  
The notes form part of these financial statements

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**GROUP STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2020**

|   | Notes    | 2020<br>£        | 2019<br>£          |
|---|----------|------------------|--------------------|
| <b>Net cash generated from operating activities</b> | <b>1</b> | <b>2,487,878</b> | <b>2,509,072</b>   |
| <b>Cashflows from investing activities</b>          |          |                  |                    |
| Purchase of property, plant and equipment           |          | (4,934,443)      | (7,769,354)        |
| Proceeds from sale of property, plant and equipment |          | 43,592           | -                  |
| Grants received                                     |          | 1,006,497        | 1,018,892          |
| Interest received                                   |          | 1,385            | 3,323              |
| <b>Cashflows from financing activities</b>          |          |                  |                    |
| Interest paid                                       |          | (1,724,020)      | (1,756,224)        |
| Loan repayment                                      |          | (285,000)        | -                  |
| Loan drawdown                                       |          | 3,500,000        | 2,500,000          |
| Issue of share capital                              |          | 12               | 13                 |
| <b>Net changes in cash and cash equivalents</b>     |          | <b>95,901</b>    | <b>(3,494,278)</b> |
| <b>Cash and cash equivalents at 1 April 2019</b>    |          | <b>655,197</b>   | <b>4,149,475</b>   |
| <b>Cash and cash equivalents at 31 March 2020</b>   |          | <b>751,098</b>   | <b>655,197</b>     |

**(i) Analysis of changes in net debt**

|                                  | At 1 April<br>2019<br>restated | Cash flows       | Other non-<br>cash<br>changes | At 31<br>March<br>2020 |
|----------------------------------|--------------------------------|------------------|-------------------------------|------------------------|
|                                  | £                              | £                | £                             | £                      |
| <b>Cash and cash equivalents</b> |                                |                  |                               |                        |
| Cash                             | 655,197                        | 95,901           | -                             | 751,098                |
| Overdrafts                       | -                              | -                | -                             | -                      |
| Cash equivalents                 | -                              | -                | -                             | -                      |
|                                  | <u>655,197</u>                 | <u>95,901</u>    | <u>-</u>                      | <u>751,098</u>         |
| <b>Borrowings</b>                |                                |                  |                               |                        |
| Debt due within one year         | 37,322,500                     | 3,215,000        | 252,500                       | 40,790,000             |
| Debt due after one year          | 190,000                        | -                | (190,000)                     | -                      |
|                                  | <u>37,512,500</u>              | <u>3,215,000</u> | <u>62,500</u>                 | <u>40,790,000</u>      |
| <b>Total</b>                     | <u>38,167,697</u>              | <u>3,310,901</u> | <u>62,500</u>                 | <u>41,541,098</u>      |

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 2020

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

|  | 2020<br>£        | 2019<br>£        |
|--|------------------|------------------|
| (Deficit)/surplus for the year                           | (19,422)         | (305,631)        |
| <u>Adjustments for non-cash items</u>                    |                  |                  |
| Depreciation   | 1,740,773        | 1,608,639        |
| Impairment of housing properties under construction      | 362,308          | 114,766          |
| Movement in fair value of investment properties          | 86,859           | 26,308           |
| Impairment of fixtures and fittings                      | -                | 7,308            |
| Decrease/(increase) in debtors                           | (1,189,927)      | (125,577)        |
| Increase/(decrease) in creditors                         | (6,387)          | (378,114)        |
| Release of deferred Government capital grants            | (174,954)        | (128,626)        |
| Strathclyde Pension Scheme – non cash movements          | 49,000           | 34,000           |
| SHAPS Pension Scheme – non cash movements                | 181,467          | 139,085          |
| Carrying value of tangible fixed asset disposals         | 27,906           | -                |
| Decrease in stock  | 23,513           | 111,016          |
| Taxation charge  | 23,495           | (6,366)          |
| <u>Adjustments for investing or financing activities</u> |                  |                  |
| Proceeds from sale of tangible fixed assets              | (43,592)         | -                |
| SHAPS past service deficit payment                       | (356,467)        | (346,085)        |
| Interest received  | (1,385)          | (3,323)          |
| Interest payable   | 1,724,020        | 1,756,224        |
| Taxation paid  | (1,829)          | (7,052)          |
| Amortisation of arrangement fee                          | 62,500           | 12,500           |
|  | <u>2,487,878</u> | <u>2,509,072</u> |

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**ASSOCIATION STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2020**

|   | Notes | 2020<br>£   | 2019<br>£   |
|---|-------|-------------|-------------|
| Net cash generated from operating activities        | 1     | 2,348,518   | 2,579,952   |
| Cashflows from investing activities                 |       |             |             |
| Purchase of property, plant and equipment           |       | (4,932,258) | (7,757,743) |
| Proceeds from sale of property, plant and equipment |       | 43,592      | -           |
| Grants received                                     |       | 1,006,497   | 1,018,892   |
| Interest received                                   |       | 34,853      | 36,791      |
| Cashflows from financing activities                 |       |             |             |
| Interest paid                                       |       | (1,724,020) | (1,756,224) |
| New secured loans                                   |       | -           | -           |
| Loan drawdown                                       |       | 3,500,000   | 2,500,000   |
| Repayment of borrowings                             |       | (285,000)   | -           |
| Issue of share capital                              |       | 12          | 13          |
| Net changes in cash and cash equivalents            |       | (7,806)     | (3,378,319) |
| Cash and cash equivalents at 1 April 2019           |       | 567,864     | 3,946,183   |
| Cash and cash equivalents at 31 March 2020          |       | 560,058     | 567,864     |

**(i) Analysis of changes in net debt**

|                                  | At 1 April<br>2019<br>restated<br>£ | Cash flows<br>£ | Other non-<br>cash<br>changes<br>£ | At 31<br>March<br>2020<br>£ |
|----------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------------------|
| <b>Cash and cash equivalents</b> |                                     |                 |                                    |                             |
| Cash                             | 567,864                             | (7,806)         | -                                  | 560,058                     |
| Overdrafts                       | -                                   | -               | -                                  | -                           |
| Cash equivalents                 | -                                   | -               | -                                  | -                           |
|                                  | 567,864                             | (7,806)         | -                                  | 560,058                     |
| <b>Borrowings</b>                |                                     |                 |                                    |                             |
| Debt due within one year         | 37,322,500                          | 3,215,000       | 252,500                            | 40,790,000                  |
| Debt due after one year          | 190,000                             | -               | (190,000)                          | -                           |
|                                  | 37,512,500                          | 3,215,000       | 62,500                             | 40,790,000                  |
| <b>Total</b>                     | 38,080,364                          | 3,207,194       | 62,500                             | 41,350,058                  |

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 2020

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

|  | 2020<br>£        | 2019<br>£        |
|--|------------------|------------------|
| (Deficit)/surplus for the year                           | (100,577)        | (168,974)        |
| <u>Adjustments for non-cash items</u>                    |                  |                  |
| Depreciation   | 1,732,586        | 1,583,023        |
| Impairment of housing under construction                 | 362,308          | 114,766          |
| Movement in fair value of investment properties          | 86,859           | -                |
| Decrease/(increase) in debtors                           | (1,180,761)      | 15,629           |
| Increase/(decrease) in creditors                         | 13,076           | (375,889)        |
| Release of deferred Government capital grants            | (174,954)        | (128,626)        |
| Strathclyde Pension Scheme – non cash movements          | 49,000           | 34,000           |
| SHAPS Pension Scheme – non cash movements                | 181,467          | 139,085          |
| Carrying value of tangible fixed asset disposals         | 27,906           | -                |
| Distribution to subsidiary                               | -                | (18,910)         |
| <u>Adjustments for investing or financing activities</u> |                  |                  |
| Proceeds from sale of tangible fixed assets              | (43,592)         | -                |
| SHAPS past service deficit payment                       | (356,467)        | (346,085)        |
| Interest received  | (34,853)         | (36,791)         |
| Interest payable   | 1,724,020        | 1,756,224        |
| Amortisation of arrangement fee                          | 62,500           | 12,500           |
|  | <u>2,348,518</u> | <u>2,579,952</u> |

## **SHETTLESTON HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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#### **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 2019 issued by the Scottish Housing Regulator and Statement of Recommended Practice for Social Housing Providers issued in 2018.

The principal accounting policies are set out below.

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**

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

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

A summary of the principal accounting policies is set out below.

##### **(a) Basis of preparation**

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The effect of events relating to the year ended 31 March 2020, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2020 and of the results for the year ended on that date.

##### **(b) Going concern**

The Management Committee anticipates that a surplus will be generated in the year to 31 March 2021 and the year to 31 March 2022. 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. One of the bank loan covenants was breached in 2019. 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.

## SHETTLESTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

---

#### 2. Accounting policies (continued)

##### (b) Going concern (continued)

The full loan balance has been disclosed within creditors less than 1 year. Once the facilities have 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.

##### (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.

##### (d) Apportionment of management expenses

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

##### (e) Government revenue grants

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

##### (f) Interest receivable and other income

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

##### (g) Interest payable and similar expenses

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### (h) Lessor

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

## **SHETTLESTON HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

---

#### **2. Accounting policies (continued)**

**(i) Fixed assets - Housing properties**

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

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

Included within housing properties is 24 mid market units leased to tenants via East End Housing Development Company Limited.

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 2020

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#### 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.

## SHETTLESTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

---

#### 2. Accounting policies (continued)

##### (r) Financial instruments (continued)

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

##### (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 24)

###### *The Scottish Housing Association Defined Benefits Pension Scheme*

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.

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

## SHETTLESTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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#### 2. Accounting policies (continued)

##### (v) Pensions (note 24) (continued)

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

##### *The Strathclyde Pension Fund*

The Strathclyde Pension fund is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

##### **The Scottish Housing Association Defined Contribution Scheme**

This is a defined contribution scheme. Employer contributions are charged to the Statement of Comprehensive Income on an accruals basis.

##### (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 2020

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#### 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 members of the Board of Management consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'.

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 2020**

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

| Group   | 2020              |                               |   | 2019             |                               |   |
|---|-------------------|-------------------------------|---|------------------|-------------------------------|---|
|   | Turnover<br>£     | Operating<br>Expenditure<br>£ | Operating<br>Surplus/<br>(deficit)<br>£ | Turnover<br>£    | Operating<br>Expenditure<br>£ | Operating<br>Surplus/<br>(deficit)<br>£ |
| Income and Expenditure From lettings            |                   |                               |   |                  |                               |   |
| Social Lettings (Note 5a)                       | 9,794,507         | 8,255,618                     | 1,538,889                               | 9,014,213        | 7,656,492                     | 1,357,721                               |
| Other activities (Note 6a)                      | 113,784           | 117,050                       | (3,266)                                 | 121,597          | 126,293                       | (4,696)                                 |
| Upkeep Shetleston Community Enterprises Limited | 14,151            | (89,003)                      | 103,154                                 | 149,615          | 124,621                       | 24,994                                  |
| East End Housing Development Company Limited    | 206,798           | 57,102                        | 149,696                                 | 202,781          | 34,209                        | 168,572                                 |
| Upkeep Recycling                                | -                 | -                             | -                                       | 51,754           | 93,133                        | (41,379)                                |
|   | <u>10,129,240</u> | <u>8,340,767</u>              | <u>1,788,473</u>                        | <u>9,539,960</u> | <u>8,034,748</u>              | <u>1,505,212</u>                        |
| Association                                     |                   |                               |   |                  |                               |   |
| Income and Expenditure From lettings            |                   |                               |   |                  |                               |   |
| Social Lettings (Note 5b)                       | 9,863,041         | 8,255,618                     | 1,607,423                               | 9,014,213        | 7,670,001                     | 1,344,212                               |
| Other activities (Note 6b)                      | 170,572           | 118,232                       | 52,340                                  | 266,630          | 126,293                       | 140,337                                 |
|   | <u>10,033,613</u> | <u>8,373,850</u>              | <u>1,659,763</u>                        | <u>9,280,843</u> | <u>7,796,294</u>              | <u>1,484,549</u>                        |



**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

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

| Group  | General<br>Needs<br>Housing<br>£ | Supported<br>Housing<br>Accommodation<br>£ | Shared<br>Ownership<br>Accommodation<br>£ | 2020<br>Total<br>£ | 2019<br>Total<br>£ |
|--|----------------------------------|--|---|--------------------|--------------------|
| <b>Income from rent and service charges</b>          |                                  |  |   |                    |                    |
| Rent receivable net of service charges               | 8,750,020                        | -  | 60,092                                    | 8,810,102          | 8,435,818          |
| Service charges                                      | 350,797                          | -  | 3,386                                     | 354,183            | 322,173            |
|  | <u>9,100,817</u>                 |  | <u>63,468</u>                             | <u>9,164,285</u>   | <u>8,757,991</u>   |
|  | (81,367)                         |  | -   | (81,367)           | (72,941)           |
| <b>Gross income from rents and service charges</b>   | <u>9,019,450</u>                 |  | <u>63,468</u>                             | <u>9,082,918</u>   | <u>8,685,050</u>   |
| <b>Net income from rents and service charges</b>     |                                  |  |   |                    |                    |
| Stage 3 grants                                       | 153,927                          | -  | -   | 153,927            | 119,891            |
| Revenue grants                                       | 20,400                           | -  | -   | 20,400             | 80,646             |
| Amortisation of deferred Government Capital Grants   | 174,954                          | -  | -   | 174,954            | 128,626            |
| Other income – performance bond                      | 362,308                          | -  | -   | 362,308            |                    |
|  | <u>9,731,039</u>                 |  | <u>63,468</u>                             | <u>9,794,507</u>   | <u>9,014,213</u>   |
| <b>Total turnover from social letting activities</b> |                                  |  |   |                    |                    |
| <b>Expenditure</b>                                   |                                  |  |   |                    |                    |
| Management and maintenance administration costs      | 2,991,586                        | -  | 19,107                                    | 3,010,693          | 3,180,188          |
| Service charges                                      | 846,604                          | -  | 9,845                                     | 856,449            | 717,038            |
| Planned cyclical maintenance including major repairs | 1,369,123                        | -  | -   | 1,369,123          | 1,065,694          |
| Reactive maintenance costs                           | 776,473                          | -  | -   | 776,473            | 884,271            |
| Bad debts – rents and service charges                | 47,737                           | -  | -   | 47,737             | 31,913             |
| Depreciation of social housing                       | 1,658,835                        | -  | 15,309                                    | 1,674,144          | 1,514,845          |
| Property insurance                                   | 158,691                          | -  | -   | 158,691            | 147,777            |
| Impairment charge                                    | 362,308                          | -  | -   | 362,308            | 114,766            |
|  | <u>8,211,357</u>                 |  | <u>44,261</u>                             | <u>8,255,618</u>   | <u>7,656,492</u>   |
| <b>Operating costs for social letting activities</b> |                                  |  |   |                    |                    |
| <b>Operating Surplus on letting activities, 2020</b> | <u>1,519,682</u>                 |  | <u>19,207</u>                             | <u>1,538,889</u>   |                    |
| <b>Operating Surplus on letting activities, 2019</b> | <u>1,335,117</u>                 |  | <u>22,604</u>                             |                    | <u>1,357,721</u>   |



**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

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

| Association  | General<br>Needs<br>Housing<br>£ | Supported<br>Housing<br>Accommodation<br>£ | Shared<br>Ownership<br>Accommodation<br>£ | 2020<br>Total<br>£    | 2019<br>Total<br>£    |
|--|----------------------------------|--|---|-----------------------|-----------------------|
| <b>Income from rent and service charges</b>          |                                  |  |   |                       |                       |
| Rent receivable net of service charges               | 8,750,020                        | -  | 60,082                                    | 8,810,102             | 8,435,818             |
| Mid-market rent lease income                         | 68,534                           | -  | -   | 68,534                | -                     |
| Service charges                                      | 350,797                          | -  | 3,386                                     | 354,183               | 322,173               |
| <b>Gross income from rents and service charges</b>   |                                  |  |   |                       |                       |
| Less voids   | 9,169,351<br>(81,367)            | -  | 63,468                                    | 9,232,819<br>(81,367) | 8,757,991<br>(72,941) |
| <b>Net income from rents and service charges</b>     |                                  |  |   |                       |                       |
| Stage 3 grants                                       | 9,087,984                        | -  | 63,468                                    | 9,151,452             | 8,685,050             |
| Revenue grants                                       | 153,927                          | -  | -   | 153,927               | 119,891               |
| Amortisation of deferred Government Capital Grants   | 20,400                           | -  | -   | 20,400                | 80,646                |
| Other income – performance bond income               | 174,954                          | -  | -   | 174,954               | 128,626               |
|  | 362,308                          | -  | -   | 362,308               | -                     |
| <b>Total turnover from social letting activities</b> |                                  |  |   |                       |                       |
|  | 9,799,573                        | -  | 63,468                                    | 9,863,041             | 9,014,213             |
| <b>Expenditure</b>                                   |                                  |  |   |                       |                       |
| Management and maintenance administration costs      | 2,991,586                        | -  | 19,107                                    | 3,010,693             | 3,184,164             |
| Service charges                                      | 846,604                          | -  | 9,845                                     | 856,449               | 717,038               |
| Planned cyclical maintenance including major repairs | 1,369,123                        | -  | -   | 1,369,123             | 1,065,694             |
| Reactive maintenance costs                           | 776,473                          | -  | -   | 776,473               | 893,804               |
| Bad debts – rents and service charges                | 47,737                           | -  | -   | 47,737                | 31,913                |
| Depreciation of social housing                       | 1,658,835                        | -  | 15,309                                    | 1,674,144             | 1,514,845             |
| Property insurance (included in Mgt & Maint costs)   | 158,691                          | -  | -   | 158,691               | 147,777               |
| Impairment charge                                    | 362,308                          | -  | -   | 362,308               | 114,766               |
| <b>Operating costs for social letting activities</b> |                                  |  |   |                       |                       |
|  | 8,211,357                        | -  | 44,261                                    | 8,255,618             | 7,670,001             |
| <b>Operating Surplus on letting activities, 2020</b> |                                  |  |   |                       |                       |
|  | 1,588,216                        | -  | 19,207                                    | 1,607,423             | -                     |
| <b>Operating Surplus on letting activities, 2019</b> |                                  |  |   |                       |                       |
|  | 1,321,608                        | -  | 22,604                                    | 1,344,212             | -                     |

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

| Group                               | Grants from Scottish Ministers<br>£ | Other revenue grants<br>£ | Supporting People income<br>£ | Other income<br>£ | 2020                |                     | 2019                |  | Other operating expenditure<br>£ | Operating surplus or (deficit)<br>£ | Operating surplus or (deficit)<br>£ |
|-------------------------------------|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|---------------------|---------------------|--|----------------------------------|-------------------------------------|-------------------------------------|
|                                     |                                     |                           |                               |                   | Total Turnover<br>£ | Total Turnover<br>£ | Total Turnover<br>£ | Operating expenditure - bad debts<br>£ |                                  |                                     |                                     |
| Wider role activities #             | -                                   | -                         | -                             | -                 | -                   | -                   | -                   | -                                      | -                                | -                                   | -                                   |
| Care and repair of property         | -                                   | -                         | -                             | -                 | -                   | -                   | -                   | -                                      | -                                | -                                   | -                                   |
| Factoring                           | -                                   | -                         | -                             | 52,238            | 52,238              | 57,690              | -                   | -                                      | 64,892                           | (12,654)                            | (614)                               |
| 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                     | -                                   | -                         | -                             | 52,246            | 52,246              | 54,607              | -                   | -                                      | 7,070                            | 45,176                              | 54,277                              |
| Management charges                  | -                                   | -                         | -                             | -                 | -                   | -                   | -                   | -                                      | 45,088                           | (45,088)                            | (67,659)                            |
| Total from other activities, 2020   | -                                   | -                         | -                             | 113,784           | 113,784             | -                   | -                   | -                                      | 117,050                          | (3,266)                             | -                                   |
| Total from other activities, 2019   | -                                   | -                         | -                             | 121,597           | -                   | 121,597             | -                   | -                                      | -                                | -                                   | (4,696)                             |

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

The minimum expected rental income for commercial units for 2020/21 is £53,813.

SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

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

| Association                         | Grants from Scottish Ministers<br>£ | Other revenue grants<br>£ | Supporting people income<br>£ | Other income<br>£ | Total Turnover<br>£ | 2020    | 2019    | Operating expenditure - bad debts<br>£ | Other operating expenditure<br>£ | Operating surplus or (deficit)<br>£ | 2020     | 2019    |
|-------------------------------------|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|---------|---------|--|----------------------------------|-------------------------------------|----------|---------|
| Wider role activities #             | -                                   | -                         | -                             | -                 | -                   | -       | -       | -                                      | -                                | -                                   | -        | -       |
| Care and repair of property         | -                                   | -                         | -                             | -                 | -                   | -       | -       | -                                      | -                                | -                                   | -        | -       |
| Factoring                           | -                                   | -                         | -                             | 52,238            | 52,238              | 52,238  | 57,690  | -                                      | 64,892                           | (614)                               | (12,654) | (614)   |
| Care activities                     | -                                   | -                         | -                             | -                 | -                   | -       | -       | -                                      | -                                | -                                   | -        | -       |
| Agency/management services for RSLs | -                                   | -                         | -                             | 9,300             | 9,300               | 9,300   | 9,300   | -                                      | -                                | 9,300                               | 9,300    | 9,300   |
| Furniture Packages                  | -                                   | -                         | -                             | -                 | -                   | -       | -       | -                                      | -                                | -                                   | -        | -       |
| Adaptations                         | -                                   | -                         | -                             | -                 | -                   | -       | -       | -                                      | -                                | -                                   | -        | -       |
| Commercial rent                     | -                                   | -                         | -                             | 63,946            | 63,946              | 63,946  | 131,981 | -                                      | 8,252                            | 131,651                             | 55,694   | 131,651 |
| Management charges to subsidiaries  | -                                   | -                         | -                             | 45,088            | 45,088              | 45,088  | 67,659  | -                                      | 45,088                           | -                                   | -        | -       |
| Total from other activities, 2020   |                                     |                           |                               | 170,572           | 170,572             | 170,572 |         | -                                      | 118,232                          | 52,340                              | 52,340   |         |
| Total from other activities, 2019   |                                     |                           |                               | 266,630           | 266,630             | 266,630 |         | -                                      | 126,293                          | 140,337                             | 140,337  |         |

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

The minimum expected rental income for commercial units for 2020/21 is £65,865.

## SHETTLESTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 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).

|   | 2020<br>£     | 2019<br>£     |
|---|---------------|---------------|
| Emoluments (excluding pension contributions) of |               |               |
| Chief Executive                                 | <u>87,720</u> | <u>86,518</u> |

The Chief Executive is a member of the Scottish Housing Association Pension Scheme (SHAPS) described in note 24. 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 £8,947 (2019: £8,746). No past service deficit contributions are made in respect of the Chief Executive.

| Numbers of Directors whose emoluments exceed<br>£60,000 during the year were as follows<br>(excluding pension contributions):- | 2020<br>Number | 2019<br>Number |
|--|----------------|----------------|
| £60,001 - £65,000  | -              | 1              |
| £65,001 - £70,000  | 2              | 1              |
| £70,001 - £75,000  | 1              | -              |
| £75,001 - £80,000  | -              | -              |
| £80,001 - £85,000  | -              | -              |
| £85,001 - £90,000  | <u>1</u>       | <u>1</u>       |

The total emoluments (excluding pension contributions) for those earning more than £60,000 were £294,045 (2019: £216,451). The total pension contributions (excluding past service deficit contributions) for those earning more than £60,000 were £29,993 (2019: £19,582).

The total emoluments (including pension contributions but excluding past service deficit contributions) paid to key management personnel was £324,038 (2019: £397,370). The social security costs for these individuals was £34,845 (2019: £38,739).

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

| <b>8. Employee Information</b>  | <b>2020<br/>Number</b> | <b>2019<br/>Number</b> |
|---|------------------------|------------------------|
| The average number of persons employed during the year on a full time equivalent basis was: |                        |                        |
| Housing Management  | 16                     | 18                     |
| Maintenance   | 8                      | 7                      |
| Development   | 3                      | 4                      |
| Finance   | 5                      | 8                      |
| Administration  | 5                      | 7                      |
| Factoring   | 2                      | 2                      |
| Housing Support   | 3                      | 4                      |
| Wider role  | 4                      | 4                      |
| Welfare Rights Officers   | 2                      | 2                      |
| IT  | 2                      | 1                      |
| Association   | 50                     | 57                     |
| Upkeep Shettleston Community Enterprises Limited  | 50                     | 53                     |
| Upkeep Recycling  | -                      | 2                      |
|   | 100                    | 112                    |

The average headcount for the group was 104 (2019: 117). The average headcount for the Association is 54 (2019: 61).

| <b>Group staff costs</b>  | <b>2020<br/>£</b> | <b>2019<br/>£</b> |
|---|-------------------|-------------------|
| Staff costs (including directors' emoluments):                      |                   |                   |
| Wages and salaries  | 3,065,235         | 3,274,439         |
| Social security costs   | 276,685           | 300,542           |
| Pension costs   | 225,669           | 298,503           |
| Defined benefit pension charge – Strathclyde Pension Fund (Note 24) | 45,000            | 34,000            |
| SHAPS re-measurements (Note 24)                                     | 142,467           | 101,085           |
| Agency fees   | 66,722            | 9,672             |
|   | 3,821,778         | 4,018,241         |

| <b>Association staff costs</b>                                      | <b>2020<br/>£</b> | <b>2019<br/>£</b> |
|---|-------------------|-------------------|
| Staff costs (including directors' emoluments):                      |                   |                   |
| Wages and salaries  | 1,944,552         | 2,132,134         |
| Social security costs   | 190,162           | 211,569           |
| Pension costs   | 187,398           | 262,696           |
| Defined benefit pension charge – Strathclyde Pension Fund (Note 24) | 45,000            | 34,000            |
| SHAPS re-measurements (Note 24)                                     | 142,467           | 101,085           |
| Agency Fees   | 66,722            | 9,672             |
|   | 2,576,301         | 2,751,156         |

During the year past service deficit contributions of £367,175 were paid. Of this payment £356,467 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.

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

| 9.  | Interest receivable and other income   | Group<br>2020<br>£ | Group<br>2019<br>£ | Association<br>2020<br>£ | Association<br>2019<br>£ |
|-----|--|--------------------|--------------------|--------------------------|--------------------------|
|     | Interest received on deposits  | 1,385              | 3,323              | 1,385                    | 3,323                    |
|     | Interest received on loans to subsidiaries                                       | -                  | -                  | 33,468                   | 33,468                   |
|     |  | <u>1,385</u>       | <u>3,323</u>       | <u>34,853</u>            | <u>36,791</u>            |
| 10. | Interest payable and similar charges<br>Group and Association                    |                    |                    | 2020<br>£                | 2019<br>£                |
|     | On private loans   |                    |                    | 1,724,020                | 1,756,224                |
|     | Defined benefit pension liability – interest charge (Note 24)                    |                    |                    | -                        | 38,000                   |
|     |  |                    |                    | <u>1,724,020</u>         | <u>1,794,224</u>         |
| 11. | Operating surplus  | Group<br>2020<br>£ | Group<br>2019<br>£ | Association<br>2020<br>£ | Association<br>2019<br>£ |
|     | Operating surplus is stated after charging:                                      |                    |                    |                          |                          |
|     | Depreciation – social housing  | 1,498,783          | 1,322,820          | 1,498,783                | 1,322,820                |
|     | Depreciation – replaced components net<br>book value                             | 175,361            | 192,025            | 76,226                   | 192,025                  |
|     | Depreciation – other fixed assets  | 66,629             | 93,794             | 58,442                   | 68,178                   |
|     | Auditor's remuneration (excluding VAT)   |                    |                    |                          |                          |
|     | - In their capacity as auditors  | 26,000             | 28,455             | 14,250                   | 14,000                   |
|     | - In respect of other services   | 1,448              | 4,000              | 2,395                    | 2,000                    |
|     |  | <u></u>            | <u></u>            | <u></u>                  | <u></u>                  |
| 12. | Taxation   |                    |                    | 2020<br>£                | 2019<br>£                |
|     | Group  |                    |                    |                          |                          |
|     | Provision has been made for United Kingdom<br>corporation tax at 19% (2019: 19%) |                    |                    | (23,270)                 | (1,829)                  |
|     | Overprovision in prior year  |                    |                    | -                        | 8,549                    |
|     | Deferred tax (note 13)   |                    |                    | (225)                    | (354)                    |
|     |  |                    |                    | <u>(23,495)</u>          | <u>(354)</u>             |
|     | Tax (charge)/credit  |                    |                    | <u>(23,495)</u>          | <u>6,366</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 2020 or 2019 in respect of these non-charitable activities.

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

|   |             |             |
|---|-------------|-------------|
| <b>13. Provision for liabilities and charges: Deferred Taxation</b>             | <b>2020</b> | <b>2019</b> |
|   | <b>£</b>    | <b>£</b>    |
| <b>Group</b>  |             |             |
| Accelerated capital allowances  | 5,360       | 5,135       |
| Provision at start of year  | 5,135       | 4,781       |
| Deferred tax charge in Statement of Comprehensive Income for the year (note 12) | 225         | 354         |
| Provision at end of year  | 5,360       | 5,135       |

**14a. Tangible Fixed Assets – Housing Properties**

**Group and Association**

|                                  | Housing<br>units for let<br>Completed<br>£ | Housing<br>units for let<br>under<br>Construction<br>£ | Shared<br>ownership<br>Completed<br>£ | Total<br>£ |
|----------------------------------|--|--|---------------------------------------|------------|
| <b>Cost</b>                      |  |  |                                       |            |
| At 1 April 2019                  | 59,244,947                                 | 11,677,331   | 827,408                               | 71,749,686 |
| Additions during year            | 57,701                                     | 4,776,754  | -                                     | 4,834,455  |
| Transfers                        | 9,270,044                                  | (7,664,754)  | (112,290)                             | 1,493,000  |
| Disposals                        | (251,587)                                  | -  | (11,134)                              | (262,721)  |
| Impairment/ change in fair value | -  | (362,308)  | -                                     | (362,308)  |
| At 31 March 2020                 | 68,321,105                                 | 8,427,023  | 703,984                               | 77,452,112 |
| <b>Depreciation</b>              |  |  |                                       |            |
| At 1 April 2019                  | 5,452,134                                  | -  | 77,999                                | 5,530,133  |
| Charge for year                  | 1,483,474                                  | -  | 15,309                                | 1,498,783  |
| Transfers                        | 17,824                                     | -  | (17,824)                              | -          |
| Disposals                        | (76,226)                                   | -  | (1,228)                               | (77,454)   |
| At 31 March 2020                 | 6,877,206                                  | -  | 74,256                                | 6,951,462  |
| <b>Net Book Value</b>            |  |  |                                       |            |
| At 31 March 2020                 | 61,443,899                                 | 8,427,023  | 629,728                               | 70,500,650 |
| At 31 March 2019                 | 53,792,813                                 | 11,677,331   | 749,409                               | 66,219,553 |

Development and maintenance administration costs capitalised amounted to £319,742 (2019: £374,123). £2,062,529 (2019: £2,534,568) of expenditure on new components was capitalised in the year.

Components with a cost of £251,587 (2019: £224,320) and accumulated depreciation of £76,226 (2019: £32,295) were disposed of in the year.

Included in freehold housing properties is land with a historic cost allocation of £12,219,134 (2019: £12,219,134).



SHETTLESTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

14b. Tangible Fixed Assets – Other Tangible Assets

| Group                  | Investment<br>Properties<br>£ | Motor<br>Vehicles<br>£ | Office<br>Premises<br>£ | Furniture<br>& Fittings<br>£ | Computer<br>Equipment<br>£ | Total<br>£  |
|------------------------|-------------------------------|------------------------|-------------------------|------------------------------|----------------------------|-------------|
| Cost                   |                               |                        |                         |                              |                            |             |
| At 1 April 2019        | 3,046,160                     | 99,743                 | 800,546                 | 447,683                      | 505,346                    | 4,899,478   |
| Additions              | -                             | -                      | -                       | 24,296                       | 75,692                     | 99,988      |
| Transfer               | (1,493,000)                   | -                      | -                       | -                            | -                          | (1,493,000) |
| Disposals              | (18,000)                      | -                      | -                       | -                            | -                          | (18,000)    |
| Revaluation/impairment | (86,859)                      | -                      | -                       | -                            | -                          | (86,859)    |
| At 31 March 2020       | 1,448,301                     | 99,743                 | 800,546                 | 471,979                      | 581,038                    | 3,401,607   |
| Depreciation           |                               |                        |                         |                              |                            |             |
| At 1 April 2019        | -                             | 92,023                 | 78,871                  | 416,788                      | 461,082                    | 1,048,764   |
| Charge for year        | -                             | 2,590                  | 16,037                  | 20,668                       | 27,334                     | 66,629      |
| Disposals              | -                             | -                      | -                       | -                            | -                          | -           |
| At 31 March 2020       | -                             | 94,613                 | 94,908                  | 437,456                      | 488,416                    | 1,115,393   |
| Net Book Value         |                               |                        |                         |                              |                            |             |
| At 31 March 2020       | 1,448,301                     | 5,130                  | 705,638                 | 34,523                       | 92,622                     | 2,286,214   |
| At 31 March 2019       | 3,046,160                     | 7,720                  | 721,675                 | 30,895                       | 44,264                     | 3,850,714   |

# SHETTLESTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 14c. Tangible Fixed Assets – Other Tangible Assets

| Association            | Investment<br>Properties<br>£ | Office<br>Premises<br>£ | Furniture<br>& Fittings<br>£ | Computer<br>Equipment<br>£ | Total<br>£       |
|------------------------|-------------------------------|-------------------------|------------------------------|----------------------------|------------------|
| <b>Cost</b>            |                               |                         |                              |                            |                  |
| At 1 April 2019        | 2,377,160                     | 800,546                 | 297,601                      | 498,185                    | 3,973,492        |
| Additions              | -                             | -                       | 23,383                       | 74,420                     | 97,803           |
| Transfers              | (1,493,000)                   | -                       | -                            | -                          | (1,493,000)      |
| Disposals / Write Offs | (18,000)                      | -                       | -                            | -                          | (18,000)         |
| Change in fair value   | (86,859)                      | -                       | -                            | -                          | (86,859)         |
| At 31 March 2020       | <u>779,301</u>                | <u>800,546</u>          | <u>320,984</u>               | <u>572,605</u>             | <u>2,473,436</u> |
| <b>Depreciation</b>    |                               |                         |                              |                            |                  |
| At 1 April 2019        | -                             | 78,871                  | 282,612                      | 453,923                    | 815,406          |
| Charge for year        | -                             | 16,037                  | 15,494                       | 26,911                     | 58,442           |
| At 31 March 2020       | <u>-</u>                      | <u>94,908</u>           | <u>298,106</u>               | <u>480,834</u>             | <u>873,848</u>   |
| <b>Net Book Value</b>  |                               |                         |                              |                            |                  |
| At 31 March 2020       | <u>779,301</u>                | <u>705,638</u>          | <u>22,878</u>                | <u>91,771</u>              | <u>1,599,588</u> |
| 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> |

### 15a. Investments

| Association                           | 2020<br>£ | 2019<br>£ |
|---------------------------------------|-----------|-----------|
| 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 profit of £81,710 (2019: loss of £16,505) for the year ended 31 March 2020 and had net assets of £193,821 (2019: £116,065).

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 £6,004 (2019: £5,897) for the year ended 31 March 2020 and had net assets of £16,681 (2019: £10,677).

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

|                                      |                  |                |                    |                    |
|--------------------------------------|------------------|----------------|--------------------|--------------------|
| <b>15b. Stock</b>                    |                  |                |                    |                    |
| <b>Group</b>                         |                  |                | <b>2020</b>        | <b>2019</b>        |
|                                      |                  |                | <b>£</b>           | <b>£</b>           |
| Work in progress                     |                  |                | 27,287             | 53,154             |
| Stock of materials                   |                  |                | 36,695             | 34,341             |
|                                      |                  |                | <u>63,982</u>      | <u>87,495</u>      |
| <br>                                 |                  |                |                    |                    |
| <b>16. Debtors &lt; 1 year</b>       | <b>Group</b>     | <b>Group</b>   | <b>Association</b> | <b>Association</b> |
|                                      | <b>2020</b>      | <b>2019</b>    | <b>2020</b>        | <b>2019</b>        |
|                                      | <b>£</b>         | <b>£</b>       | <b>£</b>           | <b>£</b>           |
| Amounts falling due within one year: |                  |                |                    |                    |
| Rental arrears                       | 422,641          | 350,301        | 422,641            | 350,301            |
| Less: provision for bad debts        | (181,531)        | (161,014)      | (181,531)          | (161,014)          |
|                                      | <u>241,110</u>   | <u>189,287</u> | <u>241,110</u>     | <u>189,287</u>     |
| Trade debtors                        | 5,904            | 26,407         | -                  | -                  |
| Amounts owed by subsidiaries         | -                | -              | 2,992              | 24,265             |
| Other debtors and prepayments        | 1,570,938        | 412,331        | 1,534,689          | 384,484            |
|                                      | <u>1,817,952</u> | <u>628,025</u> | <u>1,778,791</u>   | <u>598,036</u>     |
| <br>                                 |                  |                |                    |                    |
| <b>Debtors &gt; 1 year</b>           |                  |                |                    |                    |
| Amounts owed by subsidiaries         | -                | -              | 669,359            | 669,359            |
|                                      | <u>-</u>         | <u>-</u>       | <u>669,359</u>     | <u>669,359</u>     |
| <br>                                 |                  |                |                    |                    |
| <b>17. Cash and cash equivalents</b> | <b>Group</b>     | <b>Group</b>   | <b>Association</b> | <b>Association</b> |
|                                      | <b>2020</b>      | <b>2019</b>    | <b>2020</b>        | <b>2019</b>        |
|                                      | <b>£</b>         | <b>£</b>       | <b>£</b>           | <b>£</b>           |
| Balances held in current accounts    | 219,607          | 151,384        | 28,567             | 64,051             |
| Balances held in deposit accounts    | 531,491          | 503,813        | 531,491            | 503,813            |
|                                      | <u>751,098</u>   | <u>655,197</u> | <u>560,058</u>     | <u>567,864</u>     |

# SHETTLESTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Group             | Restated<br>Group | Association       | Restated<br>Association |
|---|-------------------|-------------------|-------------------|-------------------------|
|   | 2020              | 2019              | 2020              | 2019                    |
|   | £                 | £                 | £                 | £                       |
| <b>18. Creditors</b>  |                   |                   |                   |                         |
| <b>Amounts falling due within one year</b>                  |                   |                   |                   |                         |
| Bank loans  | 40,600,000        | 37,037,500        | 40,600,000        | 37,037,500              |
| Trade creditors   | 432,169           | 432,736           | 365,419           | 349,779                 |
| Amounts owed to subsidiaries                                | -                 | -                 | 63,817            | 58,494                  |
| Other creditors   | 154,029           | 171,036           | 124,457           | 139,723                 |
| Rent in advance   | 360,245           | 348,685           | 360,245           | 348,685                 |
| Capital works and retentions                                | 200,105           | 256,670           | 200,105           | 256,670                 |
| Accruals and deferred income                                | 406,003           | 342,373           | 390,545           | 330,622                 |
| Corporation tax   | 23,270            | 1,829             | -                 | -                       |
| Other tax and social security                               | 78,247            | 85,685            | 53,892            | 61,437                  |
| Deferred government capital grants (note 20)                | 174,954           | 128,626           | 174,954           | 128,626                 |
| Other loans   | 190,000           | 285,000           | 190,000           | 285,000                 |
|   | <u>42,619,022</u> | <u>39,090,140</u> | <u>42,523,434</u> | <u>38,996,536</u>       |
| <b>19. Creditors – Amounts falling due outwith one year</b> |                   |                   | 2020              | 2019                    |
|   |                   |                   | £                 | £                       |
| <b>Group and Association</b>                                |                   |                   |                   |                         |
| Bank loans  |                   |                   | -                 | -                       |
| Other loans   |                   |                   | -                 | 190,000                 |
| Deferred government capital grants (note 20)                |                   |                   | 12,512,202        | 11,726,987              |
|   |                   |                   | <u>12,512,202</u> | <u>11,916,987</u>       |
| <b>Loans:</b>   |                   |                   |                   |                         |
| Due between one and two years                               |                   |                   | -                 | 190,000                 |
| Due between two and five years                              |                   |                   | -                 | -                       |
| Due in five years or more                                   |                   |                   | -                 | -                       |
|   |                   |                   | <u>-</u>          | <u>190,000</u>          |

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 0.99% and 6.44% in instalments. The net book value of housing properties secured at the year-end was £57.3m (2019: £54.5m). The loans are due to be repaid in full by 31 March 2040, although due to the covenant breach and the ongoing refinancing these are classed as creditors due in less than one year.

During the year ended 31 March 2019 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 still 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 ageing profile as outlined in the new underlying loan agreements.

### Prior year adjustment

In the prior year, the Association recognised the total other loans repayable balance within amounts owed greater than one year. During the year, correspondence was received noting £285k was due before 31 March 2020 and this was paid in the year. As such, we have reallocated the amount to due within one year in respect of the prior year figure.

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

|   |                   |                   |
|---|-------------------|-------------------|
| <b>20. Deferred government capital grants</b>   | <b>2020</b>       | <b>2019</b>       |
|   | <b>£</b>          | <b>£</b>          |
| <b>Group and Association</b>  |                   |                   |
| At 1 April  | 11,855,613        | 10,965,347        |
| Grants received in year   | 1,006,497         | 1,018,892         |
| Released to income in year  | (174,954)         | (128,626)         |
| <b>As at 31 March</b>   | <b>12,687,156</b> | <b>11,855,613</b> |
| <br>Deferred government capital grants:   |                   |                   |
| Due in less than one year   | 174,954           | 128,626           |
| Due between one and two years   | 174,954           | 128,626           |
| Due between two and five years  | 524,860           | 385,878           |
| Due in five years or more   | 11,812,388        | 11,212,483        |
|   | <b>12,687,156</b> | <b>11,855,613</b> |
| <br><b>21. Share capital and reserves</b>   | <b>2020</b>       | <b>2019</b>       |
|   | <b>£</b>          | <b>£</b>          |
| <b>Group and Association</b>  |                   |                   |
| At beginning of year  | 244               | 247               |
| Shares of £1 each fully paid and issued during the year                                 | 12                | 13                |
| Shares forfeited in year  | (8)               | (16)              |
| <b>At end of year</b>   | <b>248</b>        | <b>244</b>        |
| 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.     |                   |                   |
| <br><b>22. Capital Commitments</b>  | <b>2020</b>       | <b>2019</b>       |
|   | <b>£</b>          | <b>£</b>          |
| <b>Group and Association</b>  |                   |                   |
| Contracted for but not provided in these accounts                                       | 7,969,834         | 2,234,376         |
| This is to be funded by:  |                   |                   |
| Government grant  | 4,405,784         | -                 |
| Private finance   | 3,317,368         | 2,234,376         |
| Own Resources   | 246,682           | -                 |
|   | <b>7,969,834</b>  | <b>2,234,376</b>  |
| <br>Approved by the Management Committee but not contracted<br>For                      | <b>-</b>          | <b>-</b>          |

# SHETTLESTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 23. Revenue commitments

#### Group

#### Operating Leases

The Group's annual commitments for rental payments under non-cancellable operating leases at 31 March 2020 were as set out below:

|                               | 2020<br>Land and<br>Buildings<br>£ | 2020<br>Office<br>Equipment<br>£ | 2019<br>Land and<br>Buildings<br>£ | 2019<br>Office<br>Equipment<br>£ |
|-------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Operating leases which expire |                                    |                                  |                                    |                                  |
| Within one year               | 15,750                             | 67,324                           | 15,750                             | 67,324                           |
| 1-2 years                     | 1,313                              | 108,514                          | 17,063                             | 67,324                           |
| 2-5 years                     | -                                  | 27,128                           | -                                  | 108,514                          |
| >5 years                      | -                                  | -                                | -                                  | 18,085                           |
|                               | <u>17,063</u>                      | <u>202,966</u>                   | <u>32,813</u>                      | <u>261,247</u>                   |

#### Association

|                                | 2020<br>Office<br>equipment<br>£ | 2019<br>Office<br>equipment<br>£ |
|--------------------------------|----------------------------------|----------------------------------|
| Operating leases which expire: |                                  |                                  |
| Within one year                | 67,324                           | 67,324                           |
| 1-2 years                      | 108,514                          | 67,324                           |
| 2-5 years                      | 27,128                           | 108,514                          |
| > 5 years                      | -                                | 18,085                           |
|                                | <u>202,966</u>                   | <u>261,247</u>                   |

## SHETTLESTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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#### 24. 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 1/60<sup>th</sup> accrual rate;
- (b) Career average revalued earnings with a 1/60<sup>th</sup> accrual rate;
- (c) Career average revalued earnings with a 1/70<sup>th</sup> accrual rate;
- (d) Career average revalued earnings with a 1/80<sup>th</sup> accrual rate;
- (e) Career average revalued earnings with a 1/120<sup>th</sup> 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 1/70<sup>th</sup> CARE scheme and Defined Contribution scheme from 1 April 2014 having previously operated a final salary scheme with a 1/60<sup>th</sup> 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 1/70<sup>th</sup> 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 £356,467 (net of administration costs) made in the year ended 31 March 2020 (2019 - £346,084).

As at the Statement of Financial Position date there were 32 (2019: 44) active members of the Scheme employed by Shettleston Housing Association Limited. The annual pensionable payroll in respect of these members was £1,268,348 (2019: £1,159,000). Shettleston Housing Association Limited continues to offer membership of the Scheme to its employees.



## SHETTLESTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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#### 24. Pensions (continued)

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. 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.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2018 are detailed below:

|   |                 |
|---|-----------------|
| Investment return pre retirement                              | 3.12% per annum |
| Investment return post retirement - Non-pensioners            | 3.12% per annum |
| Investment return post retirement - Pensioners                | 3.12% per annum |
| Rate of salary increases                                      | 3.35% 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                                       | 3.35% per annum |

The Trustee's view is that a new recovery plan is required from 1 April 2020 with a past service deficit contribution amount of £355,606, increasing by 3% per annum until the scheme is assessed for 30 September 2022. If the results show no deficit is identified, then deficit contributions will cease from that date. If, however the results show the deficit has not been cleared then these deficit contributions will continue until 31 March 2023.

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.

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**24. Pensions (continued)**

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

|   | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2019<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Fair value of plan assets                         | 11,697                             | 11,059                             |
| Present value of defined benefit obligations      | (11,909)                           | (12,848)                           |
| <b>Defined benefit liability to be recognised</b> | <b>(212)</b>                       | <b>(1,789)</b>                     |

**Reconciliation of opening and closing balances of the defined benefit obligation**

|   | <b>Year ended<br/>31 March<br/>2020<br/>£'000</b> | <b>Year ended<br/>31 March<br/>2019<br/>£'000</b> |
|---|---|---|
| Defined benefit obligation at start of period                   | 12,848  | 12,233  |
| Current service cost  | 311   | 272   |
| Expenses  | 11  | 11  |
| Interest cost   | 299   | 312   |
| Contribution by plan participants                               | 78  | 67  |
| Actuarial gain/(loss) due to scheme experience                  | 45  | (327)   |
| Actuarial (loss)/gain due to changes in demographic assumptions | (74)  | 34  |
| Actuarial (loss)/gain due to changes in financial assumptions   | (1,377)   | 830   |
| Benefits paid and expenses                                      | (232)   | (584)   |
| <b>Defined benefit liability at the end of the period</b>       | <b>11,909</b>                                     | <b>12,848</b>                                     |

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

|   | <b>Year ended<br/>31 March<br/>2020<br/>£'000</b> | <b>Year ended<br/>31 March<br/>2019<br/>£'000</b> |
|---|---|---|
| Fair value of plan assets at start of the period                          | 11,059  | 10,610  |
| Interest income   | 260   | 274   |
| Experience on plan assets (excluding amounts included in interest income) | (4)   | 164   |
| Contributions by the employer   | 536   | 528   |
| Contributions by participants   | 78  | 67  |
| Benefits paid and expenses  | (232)   | (584)   |
| <b>Fair value of plan assets at end of period</b>                         | <b>11,697</b>                                     | <b>11,059</b>                                     |

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**24. Pensions (continued)**

**Defined benefit costs recognised in the Statement of Comprehensive Income**

|  | Year ended<br>31 March<br>2020<br>£'000 | Year ended<br>31 March<br>2019<br>£'000 |
|--|---|---|
| Current service cost   | 311                                     | 272                                     |
| Admin expenses   | 11                                      | 11                                      |
| Net interest expense   | 39                                      | 38                                      |
| <b>Defined benefit costs recognised in Statement of Comprehensive Income</b> | <b>361</b>                              | <b>321</b>                              |

|  | Year ended<br>31 March<br>2020<br>£'000 | Year ended<br>31 March<br>2019<br>£'000 |
|--|---|---|
| Experience on plan assets (excluding amounts included in net interest cost – (loss)/gain                                       | (4)                                     | 164                                     |
| Experience gains and losses arising on the plan liabilities – (loss)/gain  | (45)                                    | 327                                     |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss) | 74                                      | (34)                                    |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)   | 1,377                                   | (830)                                   |
| <b>Total amount recognised in other comprehensive income – gain/(loss)</b>   | <b>1,402</b>                            | <b>(373)</b>                            |

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**24. Pensions (continued)**

**Fund allocation for employer's calculated share of assets**

|                               | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2019<br/>£'000</b> |
|-------------------------------|------------------------------------|------------------------------------|
| Global Equity                 | 1,609                              | 1,779                              |
| Absolute Return               | 718                                | 937                                |
| Distressed Opportunities      | 213                                | 189                                |
| Credit Relative Value         | 281                                | 192                                |
| Alternative Risk Premia       | 937                                | 618                                |
| Fund of Hedge Funds           | -                                  | 31                                 |
| Emerging Markets Debt         | 416                                | 354                                |
| Risk Sharing                  | 370                                | 321                                |
| Insurance-Linked Securities   | 314                                | 287                                |
| Property                      | 218                                | 220                                |
| Infrastructure                | 690                                | 463                                |
| Private Debt                  | 232                                | 143                                |
| Opportunistic Illiquid Credit | 285                                | -                                  |
| Corporate Bond Fund           | 855                                | 775                                |
| Liquid Credit                 | 307                                | -                                  |
| Long Lease Property           | 286                                | 134                                |
| Secured Income                | 649                                | 386                                |
| Over 15 Year Gilts            | 148                                | 284                                |
| Liability Driven Investment   | 3,080                              | 3,935                              |
| Net Current Assets            | 89                                 | 11                                 |
| <b>Total Assets</b>           | <b>11,697</b>                      | <b>11,059</b>                      |

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

| <b>Assumptions as at</b>                                    | <b>31 March 2020<br/>% per annum</b> |
|---|--------------------------------------|
| Discount rate   | 2.38                                 |
| Inflation (RPI)   | 2.62                                 |
| Inflation (CPI)   | 1.62                                 |
| Salary growth   | 2.62                                 |
| Allowance for commutation of pension for cash at retirement | 75% of<br>maximum<br>allowance       |

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**24. Pensions (continued)**

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

|                         | Life expectancy<br>at age 65<br>(years) |
|-------------------------|---|
| Male retiring in 2020   | 21.5                                    |
| Female retiring in 2020 | 23.2                                    |
| Male retiring in 2040   | 22.8                                    |
| Female retiring in 2040 | 24.5                                    |

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<br>(£'000s p.a.) | Average age<br>(unweighted) |
|---------|--------|---------------------------------|-----------------------------|
| Males   | 8      | 353                             | 55                          |
| Females | 24     | 884                             | 50                          |
| Total   | 32     | 1,237                           | 51                          |

**Deferred members**

|         | Number | Deferred pensions<br>(£'000s p.a.) | Average age<br>(unweighted) |
|---------|--------|------------------------------------|-----------------------------|
| Males   | 4      | 23                                 | 52                          |
| Females | 15     | 57                                 | 52                          |
| Total   | 19     | 80                                 | 52                          |

**Pensioners**

|         | Number | Pensions<br>(£'000s p.a.) | Average age<br>(unweighted) |
|---------|--------|---------------------------|-----------------------------|
| Males   | 9      | 118                       | 67                          |
| Females | 9      | 86                        | 64                          |
| Total   | 18     | 204                       | 65                          |

# SHETTLESTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 25. Housing stock

#### Group and Association

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

|                                 | Units in<br>Management<br>2020 | Units in<br>Management<br>2019 |
|---------------------------------|--------------------------------|--------------------------------|
| General Needs Housing           | 2,354                          | 2,319                          |
| Supported Housing Accommodation | -                              | -                              |
| Shared Ownership Accommodation  | 23                             | 27                             |
|                                 | <u>2,377</u>                   | <u>2,346</u>                   |

Included in general needs housing are 24 units that are leased to tenants via the Association's subsidiary East End Housing Development Company Limited. Per the SORP these are deemed to be affordable rented units and thus should be included as property, plant and equipment.

### 26. Other property

The other property held are as follows:-

|                                | Group<br>Units in<br>Management<br>2020 | Group<br>Units in<br>Management<br>2019 | Association<br>Units in<br>Management<br>2020 | Association<br>Units in<br>Management<br>2019 |
|--------------------------------|---|---|---|---|
| Investment properties - EEHDC  | 13                                      | 13                                      | -   | -   |
| Commercial units – Association | 8                                       | 9                                       | 8   | 9   |
| Garages – Association          | 16                                      | 16                                      | 16  | 16  |
| Main Offices- Association      | 1                                       | 1                                       | 1   | 1   |
|                                | <u>38</u>                               | <u>39</u>                               | <u>25</u>                                     | <u>26</u>                                     |

### 27. Legislative Provisions

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

### 28. Transactions with the Management Committee

No member of the Association received any fee or remuneration during the year (2019: £nil). Members of the Management Committee were reimbursed for out of pocket travel and accommodation expenses amounting to £3,478 (2019: £1,740).

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 £18,974 (2019: £34,169). The total rent and service charge arrears relating to tenant Management Committee members included within debtors at the year-end is £810 (2019: £778). The total rent and service charge prepaid relating to tenant Management Committee members included within creditors at the year-end is £162 (2019: £1,590).