



Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
a Coys company

TOLLGROSS HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

TOLLCROSS HOUSING ASSOCIATION LIMITED

MEMBERS OF THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISORS FOR THE YEAR ENDED 31 MARCH 2020

Committee of Management

Ms A Bell	Chairperson
Mr C Elliot	Vice Chairperson
Ms E Skimins	Secretary
Mr W Dougan	
Mr I Smith	
Ms C Newton	
Mrs A Phillips	
Mrs E Garscadden	
Ms E Stewart	
Mr B McNally	
Mr S Fleming	
Ms G Connolly	
Ms T Findlay	
Mr J McMorrow	Co-optee

Executive Officers

Mr C Douglas	Chief Executive
Mr T Hastings	Finance Director
Mr F Donohoe	Technical Director
Miss A Fitzsimons	Corporate Services Director
Ms F Mills	Housing Director (appointed 23 March 2020)
Mr M Byrne	Housing Director (resigned 18 December 2019)

Registered Office

868 Tollcross Road
Glasgow
G32 8PF

Auditor

Scott-Moncrieff Audit Services
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Clydesdale Bank plc
47 Main Street
Baillieston
Glasgow
G69 6SQ

Solicitors

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

TOLLCROSS HOUSING ASSOCIATION LIMITED

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Registration information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered number 1798RS
The Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number HCB197
Charity Number	SC040876

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

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

Strategic Report

Principal activities

The principal activity of the Association is the provision of affordable rented accommodation. The Association is a limited company incorporated in Scotland.

Strategy and objectives

The Association has previously identified four key themes which it continues to use to deliver the aim of improving housing conditions within our area of operation. The themes are: -

To invest and develop our assets, whereby we will investigate all new build development opportunities and provide the highest quality homes for our tenants and applicants. During the 2019-20 financial year we provided 24 new homes at our Braidfauld Street development, made significant progress with 12 new mid market rent properties at Canmore Street and continued to investigate the possibility of providing new homes on vacant land at Altyre Street. As well as continuing with our new build development programme, we have also ensured that our existing stock is well maintained and this included replacing 253 central heating systems, 36 bathrooms and 23 kitchens at a cost of £973,500 during the year.

To sustain financial viability, whereby we will ensure that we have appropriate and robust business practices in place to support our Business Plan and ensure the long term sustainability of the Association. Quarterly consideration is given to financial performance against budget and lenders covenants and necessary alterations are made to ongoing activities where necessary.

To engage with tenants and customers, whereby we will establish a range of ways for our service users to engage with us and participate in the decision making processes, where appropriate. Our Performance Improvement Network (PIN) was established in 2013 and is comprised of service users who are involved in monitoring how the Association is performing against standards set by the Scottish Government within the Scottish Social Housing Charter. The work carried out by the PIN has previously been acknowledged at The National Good Practices Awards.

To provide a great workplace environment, whereby we will engage with our staff and work in partnership with them to establish a positive staff culture. The majority of our staff moved into our new headquarters in early July 2018, which meant that all of our departments were situated in one place for the very first time. This has proved to be beneficial for both staff and service users. Steps are now being taken to ensure that the office environment is safe for all users following the easing of lockdown measures by the Scottish Government.

Review of business and future developments

The results for the year are set out in the Statement of Comprehensive Income on page 9.

During the year to 31 March 2020, the Association has continued its main business of providing affordable rented accommodation for people in housing need. The Association has also carried out a programme of maintenance and improvements to its properties.

In 2020/21 the Association will continue in its main business and will also seek opportunities in terms of development, wider action and other initiatives. For the first time the association will become involved in mid market rent properties, through a new subsidiary company, Auchenshuggle Develops Limited.

The Association is a member of the Strathclyde Pension Fund (SPF) and the Scottish Housing Association Pension Scheme (SHAPS). Details of the performance of the SPF scheme can be found in note 25 and of the SHAPS scheme in note 26 of the financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

Principal risks and uncertainties

The principal risks that have been identified and the steps that are being taken to mitigate them are as follows: -

The ongoing Pandemic has had an adverse effect on the association's activities since the year end, particularly in relation to letting homes and collecting arrears. Void loss is expected to be higher than anticipated as contractors have been unable to access properties and the association has therefore been unable to re-let them. Risk assessments have been undertaken, to allow access to the properties and a new video system has been introduced to help with tenant viewings.

Government reforms to welfare benefits may impact upon the Association's income stream and may also have an adverse effect on the affordability of rents. The introduction of Universal Credit is a phased process and the association has seen an increase in arrears during the 2019/20 financial year as a number of tenants were moved onto this benefit. Housing Management staff have kept in contact with affected tenants and have signposted many to our Advice Centre to help ensure that the correct benefit levels are being received.

Any deterioration in the performance of the defined benefit pension schemes may result in an increase in the contribution levels required from the Association, above those included in the Business Plan. We have already closed one final salary scheme to new entrants and continue to monitor the performance of the schemes at the relevant valuation dates. The 2018 valuation of the SHAPS scheme showed continued improvement in the overall performance of the scheme and this was given further consideration by the Management Committee in late 2019. At present no further changes are proposed to the participation in the pension schemes but the situation will be reviewed annually when further information becomes available.

Non-compliance with Regulatory Standards may have an effect on the level of engagement with the Scottish Housing Regulator which can cause reputational damage to the Association. A rigorous internal audit program has been put in place and this has helped to ensure that Standards continue to be met. In October 2019 the association submitted its first Annual Assurance Statement to the SHR, which identified areas of improvement. Appropriate action is being taken to address these and we do not consider these areas to represent material non-compliance with the Regulatory Framework.

The failure to manage gas servicing within our housing stock, in line with statutory requirements is a risk that could have a significant impact on the Association and our tenants. To date the gas servicing has been managed well through use of the Gas Maintenance Policy and Gas Maintenance Database. These tools will continue to be used to ensure that the level of service provided remains at the optimum level. However, this is another area which has been adversely affected by the ongoing pandemic, as many tenants have been unwilling to give contractors access to their properties, resulting in the statutory deadline being missed. The Scottish Housing Regulator is aware of this development and maintenance staff have taken steps to arrange access to a number of those properties that have been affected.

Key performance indicators

The Association uses key performance indicators to identify areas of improvement and to help provide further evidence of the effectiveness of the strategies and plans being implemented. The main KPI's reported for the 2019-20 financial year are detailed below:

Key performance indicator	Target	Actual performance
Average length of time to complete emergency repairs	6 hours	2.2 hours
Percentage of reactive repairs completed right first time	95%	96%
Percentage of properties that require a gas safety record which had a gas safety check and record completed by the anniversary date	100%	100%
Average time taken to re-let properties	16 days	24 days
Gross rent arrears at 31 March as a percentage of rent due for the reporting year	3.50%	2.89%
Percentage of allocations to statutory homeless households	10%	8%

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

The Committee of Management and Executive Officers

The Committee of Management and Executive Officers of the Association are listed on the first page of the financial statements.

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Committee.

Statement of Committee's responsibilities

Housing Association legislation requires the Committee of Management to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Association and of the income and expenditure of 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;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Committee of Management must ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. The Committee of Management is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Financial Controls

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor the key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

Internal Financial Controls (continued)

- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2020 and until the date these financial statements have been signed. 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.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Committee of Management at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the 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.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee.

By order of the committee





Secretary

Dated: 24 August 2020

TOLLCROSS HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Tollcross Housing Association Limited (the Association) for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 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 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 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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the 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 3, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Scott-Moncrieff 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: 24 August 2020

TOLLCROSS HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF TOLLCROSS HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2020

In addition to our audit of the financial statements, we have reviewed your statement on pages 3 and 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 3 and 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



Scott-Moncrieff 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

Dated: 24 August 2020

TOLLCROSS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	4	9,373,028	8,911,712
Operating expenditure	4	(7,116,258)	(6,609,685)
Operating surplus	9	2,256,770	2,302,027
Loss on disposal of property, plant and equipment	10	-	(6,715)
Interest receivable and other income	11	76,983	66,584
Interest payable and similar charges	12	(1,185,880)	(1,194,304)
Surplus before tax		1,147,873	1,167,592
Taxation	13	-	-
Surplus for the year		1,147,873	1,167,592
Other comprehensive income			
Initial recognition of SHAPS multi-employer defined benefit scheme	26	-	(297,000)
Actuarial gain/(loss) in respect of the Strathclyde Pension Fund	25	317,000	(154,000)
Actuarial gain/(loss) in respect of the SHAPS	26	732,000	(80,000)
Total comprehensive income for the year		2,196,873	636,592

The results for the year relate wholly to continuing activities.

The notes on pages 13 to 36 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

	Share Capital	Revenue Reserves	Pension Reserve	Total Capital & Reserves
	£	£	£	£
Balance at 1 April 2019	140	30,303,687	(1,649,000)	28,654,827
Total comprehensive income for the year	-	1,165,873	1,031,000	2,196,873
Shares issued during the year	6	-	-	6
Shares cancelled during the year	(19)	-	-	(19)
Balance at 31 March 2020	<u>127</u>	<u>31,469,560</u>	<u>(618,000)</u>	<u>30,851,687</u>

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

	<i>Share Capital</i>	<i>Revenue Reserves</i>	<i>Pension Reserve</i>	<i>Total Capital & Reserves</i>
	£	£	£	£
Balance at 1 April 2018	137	28,506,095	(488,000)	28,018,232
Total comprehensive income for the year	-	1,797,592	(1,161,000)	636,592
Shares issued during the year	4	-	-	4
Shares cancelled during the year	(1)	-	-	(1)
Balance at 31 March 2019	<u>140</u>	<u>30,303,687</u>	<u>(1,649,000)</u>	<u>28,654,827</u>

The notes on pages 13 to 36 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Tangible fixed assets			
Housing properties	14	62,592,712	61,116,103
Other fixed assets	16	3,838,289	3,972,206
		<u>66,431,001</u>	<u>65,088,309</u>
Current assets			
Debtors	17	250,556	259,747
Current asset investments	18a	6,152,854	5,297,415
Cash and cash equivalents	18b	2,313,844	4,643,101
		<u>8,717,254</u>	<u>10,200,263</u>
Creditors: amounts falling due within one year	19	<u>(2,684,181)</u>	<u>(3,153,511)</u>
Net current assets		<u>6,033,073</u>	<u>7,046,752</u>
Total assets less current liabilities		<u>72,464,074</u>	<u>72,135,061</u>
Creditors: amounts falling due after more than one year	20	<u>(40,994,387)</u>	<u>(41,831,234)</u>
Pension - Strathclyde Pension Fund defined benefit liability	25	(517,000)	(695,000)
Pension – SHAPS defined benefit liability	26	(101,000)	(954,000)
		<u>30,851,687</u>	<u>28,654,827</u>
Net assets		<u><u>30,851,687</u></u>	<u><u>28,654,827</u></u>
Capital and reserves			
Share capital	22	127	140
Revenue reserve		31,469,560	30,303,687
Pension reserve		(618,000)	(1,649,000)
		<u>30,851,687</u>	<u>28,654,827</u>


The financial statements were authorised for issue by the Management Committee on 24 August 2020 and are signed on its behalf by:



Chairperson



Vice Chairperson



Secretary

The notes on pages 13 to 36 form part of these financial statements.

TOLLCROSS HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Net cash generated from operating activities	27		3,044,901		3,761,898
Cash flow from investing activities					
Purchase of property, plant and equipment		(2,834,712)		(4,650,110)	
Proceeds from sale of property, plant and equipment		-		10,967	
Grants received		209,886		2,490,900	
Interest received		76,983		66,584	
			(2,547,843)		(2,081,659)
Cash flow from financing activities					
Interest paid		(1,144,880)		(1,157,304)	
Repayment of borrowings		(826,002)		(763,971)	
Issue of share capital		6		4	
Withdrawal (deposit to)/from current asset investments		(855,439)		344,177	
			(2,826,315)		(1,577,094)
Net changes in cash and cash equivalents			(2,329,257)		103,145
Cash and cash equivalents at 1 April			4,643,101		4,539,956
Cash and cash equivalents at 31 March			2,313,844		4,643,101

The notes on pages 13 to 36 form part of these financial statements.

(i) Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	At 31 March 2020 £
Cash and cash equivalents			
Cash	4,643,101	(2,329,257)	2,313,844
Cash equivalents	5,297,415	855,439	6,152,854
	9,940,516	(1,473,818)	8,466,698
Borrowings			
Debt due within one year	(826,003)	(32,923)	(858,926)
Debt due after one year	(30,089,612)	858,926	(29,230,686)
	(30,915,615)	826,003	(30,089,612)
Total	(20,975,099)	(647,815)	(21,622,914)

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of 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).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number. The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord (HCB 197) and a registered charity (SC040876) in Scotland. The registered address is available on the first 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. Principal accounting policies

(a) Basis of accounting

These financial statements have been 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 Management Committee have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 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. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements. As outlined in the Report of the Board of Management of the Association we have considered the expected impact of COVID-19 when arriving at this conclusion.

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

2. Principal accounting policies (continued)

(c) Turnover

Turnover represents rental and service charge income receivable and fees and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners, as the provision of factoring services is accounted for on an agency basis.

Income from rental and service charges, factoring and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and it can be measured reliably. Income from revenue grants receivable have been covered in a separate accounting policy below.

(d) Apportionment of management expenses

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

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

(e) Interest receivable

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

(f) Interest payable

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

(g) Fixed assets - Housing properties

Housing properties are stated at cost, less accumulated depreciation. The development cost of housing properties includes:

1. Cost of acquiring land and buildings;
2. Development expenditure including administration costs;
3. Interest charged on the mortgage loans raised to finance the scheme;
4. Amounts equal to acquisition and development allowances received; and
5. Administration costs relating to private finance.

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year end.

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.

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

2. Principal accounting policies (continued)

(g) Fixed assets - Housing properties (continued)

Interest is capitalised from first draw down of private finance according to the funding arrangements agreed by the Scottish Government. This will normally occur after SHG has been claimed up to the agreed limit.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated.

(h) Depreciation

1. Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected useful economic life. There is no depreciation charged on assets under construction. The following major components and useful lives have been identified by the Association:

Land	- not depreciated
Structure	- Over 100 years
Roof	- Over 50 years
Radiators	- Over 30 years
Windows	- Over 25 years
Kitchen	- Over 20 years
Bathroom	- Over 20 years
Boilers	- Over 15 years

2. Other fixed assets

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

Fixtures & Fittings	- Over 4 years
Office Property	- Over 15 years
New Office Property	- Over 50 years
Commercial Premises	- Over 10 years
Computer Equipment	- Over 3 years

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

(i) Government capital grants

Social Housing Grant (SHG), at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the assets it relates to on completion of the development phase.

The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

2. Principal accounting policies (continued)

(j) Government revenue grants

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

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

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

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

(l) Debtors

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

(m) Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 17.

(n) Current asset investments

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

(o) 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.

(p) 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.

(q) Loans

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

2. Principal accounting policies (continued)

(r) Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like rents 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 present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Association terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

(s) Pensions (Notes 25 and 26)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and the Strathclyde Pension Fund (SPF) and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in each 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.

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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

2. Principal accounting policies (continued)

(t) Financial commitments

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

(u) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

3. Judgement in applying policies and key sources of 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 Management Committee 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; and
- The amount disclosed as 'operating profit' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

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

Estimate

Basis of estimation

Valuation of housing properties	Housing properties are held at deemed cost which is based on existing use valuations at the date of transition to FRS 102 at 1 April 2014.
Useful lives of other fixed assets	The useful lives of other fixed assets are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management 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.

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

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

EstimateBasis of estimation

The obligations under the SHAPS and Strathclyde pension schemes

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalisation has been included in the SHAPS and Strathclyde defined benefit liabilities.

Allocation of costs for shared ownership

Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

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

	Notes	Turnover £	Operating expenditure £	2020 Operating surplus/ (deficit) £	Turnover £	Operating expenditure £	2019 Operating surplus/ (deficit) £
Affordable lettings	5	9,279,795	(6,849,059)	2,430,736	8,822,291	(6,362,668)	2,459,623
Other activities	6	93,233	(267,199)	(173,966)	89,421	(247,017)	(157,596)
		<u>9,373,028</u>	<u>(7,116,258)</u>	<u>2,256,770</u>	<u>8,911,712</u>	<u>(6,609,685)</u>	<u>2,302,027</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	Other £	2020 Total £	2019 Total £
Affordable lettings						
Rent receivable net of service charges	8,661,864	246,458	39,128	-	8,947,450	8,531,469
Service charges	189,026	-	-	-	189,026	160,234
Gross income from rents and service charges	8,850,890	246,458	39,128	-	9,136,476	8,691,703
Less voids	(58,300)	-	-	-	(58,300)	(43,998)
Net income from rents and service charges	8,792,590	246,458	39,128	-	9,078,176	8,647,705
Release of deferred Government capital grants	188,187	-	-	-	188,187	156,166
Other revenue grants	13,432	-	-	-	13,432	18,420
Total turnover from affordable letting activities	8,994,209	246,458	39,128	-	9,279,795	8,822,291
Expenditure						
Management and maintenance administration costs	2,996,053	-	-	-	2,996,053	2,902,265
Service charges	364,546	-	-	-	364,546	372,408
Planned cyclical maintenance including major repairs	931,131	-	-	-	931,131	873,278
Reactive maintenance costs	1,128,833	-	-	-	1,128,833	1,045,591
Bad debts – rents and service charges	76,921	-	-	-	76,921	14,372
Depreciation of affordable housing	1,351,575	-	-	-	1,351,575	1,154,754
Operating expenditure for affordable letting activities	6,849,059	-	-	-	6,849,059	6,362,668
Operating surplus on letting activities, 2020	2,145,150	246,458	39,128	-	2,430,736	
<i>Operating surplus on letting activities, 2019</i>	<i>2,188,733</i>	<i>234,204</i>	<i>36,686</i>	-		<i>2,459,623</i>

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

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

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover 2020	Total Turnover 2019	Operating expenditure bad debts	Other operating expenditure	Operating surplus/ (deficit) 2020	Operating surplus/ (deficit) 2019
	£	£	£	£	£	£	£	£	£
Wider role activities *	-	-	-	-	-	-	(108,223)	(108,223)	(102,923)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	87,824	87,824	82,285	-	(124,814)	(36,990)	(21,567)
Development and construction of property activities	-	-	-	-	-	-	(34,162)	(34,162)	(40,242)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency /management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non-RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	5,409	5,409	7,136	-	-	5,409	7,136
Total from other activities, 2020	-	-	93,233	93,233	-	-	(267,199)	(173,966)	-
Total from other activities, 2019	-	-	89,421	89,421	89,421	-	(247,017)	(157,596)	(157,596)

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

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. Directors emoluments

The directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year (2019 – none). The Association considers key management personnel to be the Management Committee and the Executive Officers of the Association only.

	2020 £	2019 £
Emoluments payable to Chief Executive (excluding pension contributions)	79,803	78,013
Pension contributions payable in respect of the Chief Executive	10,030	9,804
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>5,092</u>	<u>4,882</u>

The emoluments of key management (excluding pension contributions and including benefits in kind) for the year were £321,377 (2019 - £330,518). Their employers' NI contributions for the year were £38,667 (2019 - £39,797) and their pension contributions (including the past service element) for the year were £38,646 (2019 - £40,041).

	2020	2019
Number of Directors during the year were as follows (excluding pension contributions):		
£50,001 - £60,000	1	-
£60,001 - £70,000	-	2
£70,001 - £80,000	3	2
£80,001 - £90,000	1	1

8. Employee information

	2020	2019
The average monthly number of persons employed during the year was:		
Office staff	No 46	No 43

	2020 £	2019 £
Staff costs (including directors' emoluments):		
Wages and salaries	1,677,985	1,619,213
Social security costs	162,198	159,016
Pension costs (Notes 25 and 26)	214,744	218,227
Defined benefit pension liability – staff service costs - Strathclyde scheme	119,000	39,000
Defined benefit pension liability – staff service costs - SHAPS	32,762	49,672
	<u>2,206,689</u>	<u>2,085,128</u>

9. Operating surplus

	2020 £	2019 £
Operating surplus is stated after charging:		
Depreciation - charge	1,337,833	1,256,009
Depreciation – loss on disposal of components	154,186	73,201
Auditor's remuneration		
- In their capacity as auditor	14,383	14,288
- In respect of other services	510	510

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
10. Disposal of fixed assets		
Property disposals	-	(5,072)
Plant and equipment disposals	-	(1,643)
	<u>-</u>	<u>(6,715)</u>
	<u><u>-</u></u>	<u><u>(6,715)</u></u>
11. Interest receivable and other income		
Interest receivable on deposits	76,983	66,584
	<u>76,983</u>	<u>66,584</u>
	<u><u>76,983</u></u>	<u><u>66,584</u></u>
12. Interest payable and similar charges		
Bank interest payable	1,144,880	1,157,304
SHAPS defined benefit pension liability – interest charge (Note 26)	21,000	23,000
Strathclyde Pension Fund – interest expense (Note 25)	20,000	14,000
	<u>1,185,880</u>	<u>1,194,304</u>
	<u><u>1,185,880</u></u>	<u><u>1,194,304</u></u>
13. Taxation		

There is no tax liability due as the Association is a registered charity.

TOLLCROSS HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

14. Tangible fixed assets – Housing properties

	Housing Properties Held for Letting £	Housing Properties under construction £	Shared Ownership Properties Held for Letting £	Mortgage to Rent Properties £	Total £
Cost					
At 1 April 2019	61,767,654	3,033,820	456,797	480,872	65,739,143
Additions - units	-	1,854,731	-	-	1,854,731
- components	973,453	-	-	-	973,453
Disposals – units	-	-	-	-	-
- components	(229,972)	-	-	-	(229,972)
Transfers	3,174,238	(3,174,238)	-	-	-
At 31 March 2020	65,685,373	1,714,313	456,797	480,872	68,337,355
Depreciation					
At 1 April 2019	4,568,157	-	25,526	29,357	4,623,040
Charge for year	1,184,848	-	5,102	7,439	1,197,389
On disposals – units	-	-	-	-	-
- components	(75,786)	-	-	-	(75,786)
Transfers	-	-	-	-	-
At 31 March 2020	5,677,219	-	30,628	36,796	5,744,643
Net Book Value					
At 31 March 2020	60,008,154	1,714,313	426,169	444,076	62,592,712
At 31 March 2019	57,199,497	3,033,820	431,271	451,515	61,116,103

Additions to Housing Properties during the year includes no capitalised interest (2019 - £nil) and no capitalised administration costs (2019 - £nil). All housing properties are freehold. Properties with a cost of £nil (2019 - £17,031) and accumulated depreciation of £nil (2019 - £992) have been disposed of in the year for net proceeds (after grant recycled of £nil (2019 - £nil)) of £nil (2019 - £10,967). Included in freehold housing properties is land with a historic cost allocation of £5,518,340 (2019: £5,409,444).

TOLLCROSS HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

15. Housing stock

The number of units of accommodation in management was as follows:	Units in Management 2020	<i>Units in Management 2019</i>
General needs	2,226	2,202
Shared ownership	17	17
Supporting housing	58	58
	<u>2,301</u>	<u>2,277</u>

16. Tangible fixed assets – other fixed assets

	Office Premises & lock ups £	Fixtures Fittings & Equipment £	Total £
Cost			
At 1 April 2019	4,098,830	289,444	4,388,274
Additions during year	1,518	5,009	6,527
Disposals	-	(1,259)	(1,259)
At 31 March 2020	<u>4,100,348</u>	<u>293,194</u>	<u>4,393,542</u>
Depreciation			
At 1 April 2019	270,559	145,509	416,068
Charge for year	79,735	60,709	140,444
On disposals	-	(1,259)	(1,259)
At 31 March 2020	<u>350,294</u>	<u>204,959</u>	<u>555,253</u>
Net Book Value At 31 March 2020	<u>3,750,054</u>	<u>88,235</u>	<u>3,838,289</u>
<i>At 31 March 2019</i>	<u>3,828,271</u>	<u>143,935</u>	<u>3,972,206</u>

17. Debtors

	2020 £	2019 £
Rental debtors	251,512	195,057
Technical arrears	7,304	9,330
Provision for bad debts	(134,782)	(92,608)
	<u>124,034</u>	<u>111,779</u>
Prepayments and accrued income	97,770	92,836
Amounts due from owners	14,719	21,277
Other debtors	14,033	33,855
	<u>250,556</u>	<u>259,747</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18(a) Current asset investments	2020	2019
	£	£
Current asset investments	<u>6,152,854</u>	<u>5,297,415</u>
	2020	2019
	£	£
Balances held in current accounts	655,888	868,600
Balances held in deposit accounts	1,657,956	3,774,501
	<u>2,313,844</u>	<u>4,643,101</u>
	2020	2019
	£	£
19. Creditors – Amounts falling due within one year		
Housing loans	858,926	826,003
Trade creditors	404,461	827,370
Accruals and deferred income	189,820	157,722
Other creditors	360,020	362,937
Other taxes and social security costs	52,506	84,827
Rents in advance	621,161	696,985
Deferred capital grants (note 21)	197,287	197,667
	<u>2,684,181</u>	<u>3,153,511</u>
	2020	2019
	£	£
20. Creditors – Amounts falling due after more than one year		
Housing loans	29,230,686	30,089,612
Deferred capital grants (note 21)	11,763,701	11,741,622
	<u>40,994,387</u>	<u>41,831,234</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.

The net book value of housing properties secured at the year end was £36,189,981 (2019 - £36,154,490).

	2020	2019
	£	£
Between one and two years	891,943	858,926
Between two and five years	3,050,105	2,892,066
In five years or more	25,288,638	26,338,620
	<u>29,230,686</u>	<u>30,089,612</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

21. Deferred capital grants	2020	2019
	£	£
Deferred capital grants 1 April	11,939,289	9,604,555
Grants received in year	209,886	2,490,900
Released to income in year	(188,187)	(156,166)
	<u>11,960,988</u>	<u>11,939,289</u>

	2020	2019
	£	£
Split:		
Due within one year	197,287	197,667
Due between one and two years	197,287	197,667
Due between three and five years	591,861	593,001
Due after five years	10,974,553	10,950,954
	<u>11,960,988</u>	<u>11,939,289</u>

22. Share capital	2020	2019
	£	£
Shares of £1 each fully paid and issued at 1 April	140	137
Shares issued in year	6	4
Shares cancelled in year	(19)	(1)
	<u>127</u>	<u>140</u>

All shares are non-withdrawable and do not carry any right to interest or dividend.

23. Revenue commitments

At 31 March 2020, the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

	2020	2019
	Other leases	Other leases
	£	£
Within one year	1,286	3,086
Between two and five years	-	1,285
Over five years	-	-
	<u>1,286</u>	<u>4,371</u>

TOLLCROSS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

24. Capital commitments	2020	2019
	£	£
Contracted for but not provided in these accounts	-	1,814,482
This is to be funded by:		
HAG	-	-
Private Finance	-	-
Reserves	-	1,814,482
	<u>-</u>	<u>1,814,482</u>
	<u>-</u>	<u>1,814,482</u>

25. Pensions - Strathclyde Pension Fund liability

As a result of the second stage transfer, 18 employees were transferred from Glasgow Housing Association Limited to Tollcross Housing Association Limited. Of these 18 employees, 12 are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2020	31 March 2019
Inflation / pension increase rate	1.8%	2.4%
Salary increases	2.9%	3.6%
Discount rate	2.3%	2.5%

Mortality

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 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.7 years	22.9 years
Future pensioners	22.2 years	24.6 years

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivity analysis	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in real discount rate	13%	405
0.5% increase in the salary increase rate	3%	103
0.5% increase in the pension increase rate	10%	293

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

25. Pensions - Strathclyde Pension Fund liability (continued)

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

Net pension liability as at	31 March 2020 £000	<i>31 March 2019 £000</i>
Estimated employer assets (A)	2,554	<i>2,538</i>
Present value of scheme liabilities	(3,071)	<i>(3,233)</i>
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	(3,071)	<i>(3,233)</i>
Net pension liability (A) – (B)	(517)	<i>(695)</i>
	31 March 2020 £000	<i>31 March 2019 £000</i>
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	(695)	<i>(488)</i>
Current service cost	(230)	<i>(154)</i>
Interest cost	(20)	<i>(14)</i>
Contributions by members	111	<i>115</i>
Actuarial gain/(loss)	317	<i>(154)</i>
Closing defined benefit obligation	(517)	<i>(695)</i>
	31 March 2020 £000	<i>31 March 2019 £000</i>
Analysis of the amount charged to operating surplus:		
Service cost	230	<i>154</i>
Contributions	(111)	<i>(115)</i>
Total operating charge	119	<i>39</i>
Net Interest cost	20	<i>14</i>
	31 March 2020 £000	<i>31 March 2019 £000</i>
Analysis of the amount recognised in the Statement of Other Comprehensive Income:		
Actuarial gain/(loss) recognised as other comprehensive income	317	<i>(154)</i>

25b. Contingent liability – Strathclyde Pension Fund

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS).

Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state.

Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men. Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to “equalise” pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for the Association is not expected to be significant and the scheme actuaries will perform the calculation in 2020/21.

26. Pensions – SHAPS liability

Tollcross Housing Association Limited participates in the Scottish Housing Associations’ Pension Scheme (the “Scheme”).

The Scheme is a multi-employer defined benefit scheme which provides benefit to some 150 non-associated employers. The Scheme is funded. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme offers six benefit structures to employers, namely:

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

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

The Association has elected to operate the Final salary with 1/60th accrual rate benefit option for active members and defined contribution or career average revalued earnings with a 1/70th accrual rate for new members from 1 April 2015.

During the accounting period the Association paid contributions at the rate of 12.6% of pensionable salaries. Employee contributions were 12.5%.

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.

TOLLCROSS HOUSING ASSOCIATION LIMITED

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

26. Pensions – SHAPS liability (continued)

As at the Statement of Financial Position date there were 28 (2019 - 28) active members of the Scheme employed by Tollcross Housing Association Limited. The annual pensionable payroll in respect of these members was £980,426 (2019 - £992,696). Tollcross Housing Association Limited continues to offer membership of the Scheme to its employees.

The last triennial valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £877 million. The valuation revealed a shortfall of assets compared to liabilities of £121 million, equivalent to a past service funding level of 87.9%.

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.

In addition the contribution rates for the final salary with 1/60th accrual from 1 April 2020 is 16.6% employer contributions and 16.2% employee contributions.

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

- Price inflation - RPI	3.35% per annum
- Price inflation - CPI	2.35% per annum
- Discount rate - pre retirement	3.12% per annum
- Discount rate – post retirement	3.12% per annum
- Pensionable earnings growth	3.35% per annum

New recovery plan

Following consultation between the Scheme Committee and the Employers Committee, a new recovery plan to recover the deficit of £121m, based on a full share of liabilities approach, has been agreed. This means that the total deficit contributions due to the Scheme from 1 April 2020 has not increased however each employer's share will change to reflect their new liability profile at 30 September 2018.

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

At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £297,000 to recognise a liability of £971,000 as at 1 April 2018.

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	5,854	5,622
Present value of defined benefit obligation	(5,955)	(6,576)
Defined benefit liability to be recognised	(101)	(954)

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

26. Pensions – SHAPS liability (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(6,576)	(6,383)
Current service cost	(125)	(122)
Expenses	(6)	(5)
Interest expense	(151)	(160)
Contributions by plan participants	(78)	(72)
Actuarial (losses)/gains due to scheme experience	(19)	150
Actuarial gains/(losses) due to changes in demographic assumptions	38	(18)
Actuarial gains/(losses) due to changes in financial assumptions	690	(399)
Benefits paid and expenses	272	433
Defined benefit liability at the end of the period	(5,955)	(6,576)

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	5,622	5,412
Interest income	130	137
Experience on plan assets (excluding amounts included in interest income) - gain	23	187
Contributions by the employer	273	247
Contributions by plan participants	78	72
Benefits paid and expenses	(272)	(433)
Fair value of plan assets at end of period	5,854	5,622

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2019 to 31 March 2020 £'000	Period from 31 March 2019 to 31 March 2019 £'000
Current service cost	125	122
Admin expenses	6	5
Net interest expense	21	23
Defined benefit costs recognised in Statement of Comprehensive Income	152	150

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26. Pensions – SHAPS liability (continued)

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain)	23	187
Experience gains and losses arising on the plan liabilities – (loss)/gain	(19)	150
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	38	(18)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	690	(399)
	<u>732</u>	<u>(80)</u>
Total amount recognised in other comprehensive income – gain/(loss)	732	(80)

Fund allocation for employer's calculated share of assets

	31 March 2020 £'000	31 March 2019 £'000
Global Equity	805	904
Absolute Return	360	476
Distressed Opportunities	107	96
Credit Relative Value	141	98
Alternative Risk Premia	469	314
Fund of Hedge Funds	-	16
Emerging Markets Debt	208	180
Risk Sharing	185	163
Insurance-Linked Securities	157	146
Property	109	112
Infrastructure	345	236
Private Debt	116	73
Opportunistic Illiquid Credit	143	-
Corporate Bond Fund	428	394
Liquid Credit	153	-
Long Lease Property	143	68
Secured Income	325	196
Over 15 Year Gilts	74	144
Liability Driven Investment	1,542	2,000
Net Current Assets	44	6
	<u>5,854</u>	<u>5,622</u>
Total Assets	5,854	5,622

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

26. Pensions – SHAPS liability (continued)

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

Assumptions as at	31 March 2020 % per annum
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 maximum allowance

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

	Life expectancy at age 65 (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 (£'000s p.a.)	Average age (unweighted)
Males	7	371	56
Females	6	229	50
Total	13	600	53

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	5	10	56
Females	3	17	48
Total	8	27	53

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	3	60	67
Females	4	30	65
Total	7	90	66

26. Pensions – SHAPS liability (continued)

Employer debt on withdrawal

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

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

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for the Association was £4,528,826.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS).

Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state.

Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men. Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities..

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27. Net cash flow from operating activities	2020	2019
	£	£
Surplus for the year	1,147,873	1,167,592
<u>Adjustments for non-cash items:</u>		
Carrying amount of tangible fixed asset disposals	-	17,682
Depreciation of tangible fixed assets including loss on disposal of components	1,492,019	1,329,210
(Increase)/decrease in debtors	9,191	(1,464)
Increase in trade and other creditors	(501,873)	369,292
Interest charge in respect of the defined benefit pension liabilities	41,000	37,000
Staff service costs in respect of the defined benefit pension liabilities	151,762	88,672
<u>Adjustments for investing and financing activities:</u>		
Proceeds from sale of tangible fixed assets	-	(10,967)
Interest payable	1,144,880	1,157,304
Interest received	(76,983)	(66,584)
Release of deferred Government Capital Grants	(188,187)	(156,166)
SHAPS past service deficit contribution paid	(174,762)	(169,672)
Shares cancelled	(19)	(1)
Net cash inflow from operating activities	<u><u>3,044,901</u></u>	<u><u>3,761,898</u></u>

28. Legislative provisions

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

29. Related party transactions

The membership of the Management Committee at the Association is drawn from the local community, with some members also being tenants. Members of the Management Committee who are tenants receive no favourable treatment and such transactions are carried out at arm's length.

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £31,691 (2019 - £38,129). The total rent arrears relating to tenant Board members included within debtors at the year end is £68 (2019 - £61). The total rent prepaid in advance relating to tenant Board members included within creditors is £1,541 (2019 - £1,482).