

# Partnership & Growth

## 2019/20 Review and Accounts





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# Review from Our Chair

This is my first year as Chair of Trust. I recognise that these are extraordinary times for Trust, the staff and tenants and I intend to lead the Board and the organisation with their needs in mind.

In previous years we have seen Trust go from strength to strength in the development and delivery of our strategy, which centres around partnerships and growth. This past year has seen significant achievement of our priorities and has included retaining our overall customer satisfaction rating of 92%.

## Partnerships

In the past year we successfully completed our partnership with Wishaw & District Housing, delivering 40% growth for the organisation.

Growth is an important element of our strategy as it will enable us to remain a thriving and sustainable organisation whilst still having as a priority delivering personalised services, focused on individual customers.

The partnership has meant that we've created benefits for our tenants and our colleagues. These include:

- More financial headroom, enabling increased investment in homes
- Economies of scale, driving value for money for all tenants and customers
- Greater opportunities for our staff team

And we have been delighted to welcome tenants and customers of Wishaw & District Housing, as well as an outstanding Wishaw staff team into the Trust family.

## New homes and investment

As part of our new-build growth strategy, we have been seeking development opportunities and with Scottish Government grant assistance have been progressing the following projects:

- Torrance – 19 flats for general needs tenants, completed October 2019
- Bishopbriggs – 16 flats for mid-market rent, completed January 2020
- Kirkintilloch – 11 flats for general needs to be completed January 2021
- Duns – 49 new homes (30 extra care flats and 19 amenity cottages) to be completed March 2021
- Wishaw – 42 flats for general needs with planning permission submitted

We have also invested heavily in our existing stock during the year, with £7.3m spent on maintenance and investment.

This has delivered, amongst other things, bathroom and kitchen replacements, heating upgrades, new window installations and internal and external redecoration. We also completed medical adaptations to 252 properties thereby enabling existing tenants to continue to live safely and comfortably in their homes.

## Coronavirus

No review of the year would be complete without some reference to the Coronavirus pandemic which has affected us all. Inevitably for Trust tenants it meant considerable disruption to normal services, many of which have still not fully resumed. On behalf of the Board I would like to thank our customers and tenants for bearing with us at this difficult time and for your cooperation with the measures we were compelled to put in place to protect lives.

I know that the Trust Board would also like to say a huge thank you to our Trust colleagues. We have heard many stories of our staff going above and beyond in their efforts to look after our tenants and customers at a time which meant loneliness and isolation for so many.

This is an opportunity to recognise the huge efforts made by staff and tenants but also to remember with great sadness those ten tenants, our friends, who tragically lost their lives to Covid.

As we are only too aware, the pandemic is not yet over but at Trust we are committed to doing all that we can to keep people safe and to provide the best service possible during difficult times.

## Our digital world

Trust has been implementing a sector leading digital strategy and there is little doubt that the digital capabilities of the organisation enabled us to very quickly respond in the Coronavirus situation and be able to operate the business with our people working from home rather than offices.

We have also continued the roll out of wi-fi to our staffed developments, with 51 installations now complete.

We continue to invest in technology to drive business improvements and to facilitate collaborative working across the organisation. In time, we will be delivering more and better online services for those customers who choose to do business with us in this way.

## Our Trust Board

We have seen several changes to the membership of the Trust Board throughout the year. Heather Pearson stepped down as Chair after more than three very successful years in the role and following an overall period of nine years as a Board member. Our thanks go to Heather for her significant and lasting contribution to the development and success of Trust. Thanks also to Kenny McDonald who stepped down from the Board during the year after 6 years of service.

Gordon Laurie has become our Vice Chair, having been a Board member for some years and brings to the role significant experience from across the social housing sector. We also have three new Board members in Ali Ross, Nicky McLaughlin and Scot Smith. Nicky and Scot have joined us having previously been members of the Wishaw & District Housing Board and are also the office bearers of the recently formed Wishaw Local Area Committee.

## What does the future hold?

We are now in the process of developing our three year business strategy which will see us continue to accelerate the modernisation and growth of the business. The challenges and opportunities for the next three years and beyond are vast – our customers' needs are increasingly changing while the climate emergency, health and economic shifts, and the pace of technological change are creating new pressures and opportunities for individuals and organisations. In the coming months we will be consulting with our customers, our colleagues in Trust, and other stakeholders to help us shape the future and define our priorities for the coming years.



**John Burke**  
Chair

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Board of Management and Directors as  
at 31 March 2020

**Chair:**

John Burke FRICS

**Vice-Chair:**

Gordon Laurie

**Board Members:**

Ian Crawford MA (Hons) MHSM

Karen Cawte

Wendy Wilkinson BSc Math Science,  
MBA (Dist)

Doreen Inskip

Sister Jenny Lindsay

Desiree McLennan MCIPD

Paul McFarlane

Ali Ross

Nicky McLaughlin

Scot Smith

Audit and Performance Committee  
Members:

**Convener:**

Ian Crawford MA (Hons) MHSM

**Vice Convener:**

Paul McFarlane

**Board Members:**

John Burke FRICS

Sister Jenny Lindsay

Gordon Laurie

Ali Ross

**Directors:**

Rhona McLeod MA – Chief Executive

David McIndoe MRICS – Director of Asset  
Management Services  
(resigned 1 April 2020)

Gail Gourlay BA MCIH – Director of Customer  
Services

Fiona Beattie ACMA – Director of Finance  
& Business Services  
(resigned 30 June 2020)

Zoe Purdie FCA CTA – Director of Finance  
& Business Services  
(appointed 1 June 2020)

**Secretary:**

Mary Strathearn BA (Hons)

**Auditors:**

Armstrong Watson Audit Ltd, 1st Floor 24  
Blythswood Square, Glasgow, G2 4BG  
(External Auditor)

Wylie & Bisset, 168 Bath Street, Glasgow,  
G2 4TP (Internal Auditor)

**Bankers:**

The Royal Bank of Scotland plc,  
36 St Andrew Square, Edinburgh EH2 2YB

Unity Trust Bank, Nine Brindleyplace,  
Birmingham, B1 2HB

Nationwide Building Society,  
Northampton Admin Centre, Kings Park Road,  
Moulton Park, Northampton, NN3 6NW

Bank of Scotland, PO Box 1000, BX2 1LB

Santander, Customer Service Centre, Bootle,  
Merseyside, L30 4GB

Clydesdale Bank, Bering House, Mariner Court,  
Clydebank Business Park, Clydebank, G81  
2NR

**Solicitors:**

T C Young, 7 West George Street,  
Glasgow G2 1BA

Registered under the Co-operative &  
Community Benefit Societies Act 2014

Registered by the Scottish Housing Regulator  
HEP 143

Trust Housing Association Limited is a  
Registered Scottish Charity No. SC009086

Registered Office: 12 New Mart Road,  
Edinburgh EH14 1RL

# Board of Management Report

## Overview of Business and Activities

Trust Housing Association is a charitable Registered Social Landlord formed in 1973 to provide “quality homes and services that promote independent living”. Trust is a registered society with the Financial Conduct Authority in accordance with the Co-operative and Community Benefit Societies Act 2014. Trust is also a charity under the Charity and Trustee Investment (Scotland) Act 2005 and is registered under Section 3 of the Housing Associations Act 1985 by The Scottish Housing Regulator.

Trust’s main housing services are:

- [General Needs Housing](#)
- [Amenity Housing](#)
- [Retirement Housing](#)
- [Sheltered Housing](#)
- [Very Sheltered Housing](#)
- [Housing with Care](#)

## Our strategic objectives and achievements

Trust’s 5-year business strategy – *Bright Future* – has concluded in this year. The business is now working to a new three-year strategy, continuing progress made around our three key strategic objectives:

**Strategic Aim A** – to understand and exceed customer expectations.

**Strategic Aim B** – to provide quality homes and maintain a viable asset base.

**Strategic Aim C** – to continuously develop and grow Trust as a thriving and sustainable business.

The financial year to 31 March 2020 has seen further Trust change and development as we work towards transforming the way we deliver our core business, exploring digital ways of working and developing new products and services for the future.

Highlights during the year have included:

- Growth is one of our key strategic priorities and we have successfully implemented a strategic partnership with Wishaw & District Housing Association who became part of Trust in December 2019, growing the business by 40%. We also have various new build projects across Scotland, and we have been developing new service models to ensure we remain well placed to meet changing customer needs.
- As part of our new-build growth strategy, we have sought additional development opportunities, and with Scottish Government grant assistance are progressing the following projects:
  - [19 flats general needs – Torrance: completed October 2019](#)
  - [16 flats mid-market rent – Bishopbriggs: completed February 2020](#)
  - [11 flats general needs – Kirkintilloch: target completion January 2021](#)
  - [30 extra care flats and 19 amenity cottages – Duns: target completion March 2021](#)
  - [42 flats general needs – Wishaw: planning application submitted](#)
- Achievement of 92% overall customer satisfaction was confirmed by our latest customer survey.

- Our Customer Panel undertook an extensive scrutiny project, examining our garden maintenance and external environment management in detail. They developed a range of recommendations which they will present to our Board. Their focus will then move onto Outcome 6 of the Scottish Social Housing Charter to further scrutinise elements of service in relation to neighbourhood and community. Our tenants, particularly those involved in Team 13, our Tenants’ Value-for-Money Working Group, continue to develop their knowledge and understanding of Trust as an organisation, including in terms of finance and risk. This helps them to influence business priorities in a more meaningful way to assist Trust to focus on meeting and exceeding tenants’ needs and expectations.
- Our digital participation programme is now in the final year of the project and we have installed wi-fi in 51 of our developments. As we were slightly ahead of schedule, we are hopeful that we can complete the programme early into next financial year. We are continuing to seek solutions for the 7 developments which do not currently receive a sufficient broadband service to enable the wi-fi installation to be successfully completed.
- Our digital journey has continued, including moving some of our IT infrastructure into the Cloud, the piloting of a new hosted telephony solution, and the roll out of agile technology to office staff. Work is ongoing to upgrade tech across our staff team and develop our digital offering for customers.
- We have invested around £7.3 million in our stock during the year, and have successfully delivered our annual/reactive maintenance and investment programmes including:
  - [Bathroom replacement programme to 122 properties](#)
  - [Kitchen replacement programme to 307 properties](#)
  - [Heating plant and replacement upgrades to 117 properties](#)
  - [Fire alarm upgrades to 286 properties](#)
  - [Warden call replacements to 124 properties](#)
  - [Domestic Heat/Fire alarm upgrade to 1532 properties](#)
  - [Completed 252 medical adaptations to properties](#)
  - [Installed windows in 217 properties](#)
  - [Installed new entrance doorways in 7 developments covering 139 properties](#)
  - [Renewed the roof to 1 development covering 7 properties](#)
  - [Carried out electrical upgrades to 147 properties](#)
  - [External decoration to 14 developments covering 341 properties](#)
  - [Internal decoration to 8 developments covering 176 properties](#)
- Our Core Data & Systems project has now concluded, with modules reviewed and, if required, improvement actions taken to enhance how we use modules such as contract management, repairs and maintenance and servicing. Our operational teams will continue to work with colleagues to document and build data reporting as required.
- Trust is commissioned by a number of Local Authorities across Scotland to provide housing, care and support services. As the economic climate remains challenging, these contracts are subject to change requiring a review of the services provided, in consultation with the Local Authority, tenants and staff. We are currently working in partnership with a number of Health and Social Care Partnerships to determine innovative solutions to local needs including the implementation of our very successful housing with care service.

- Work at our two strategy away days with Board has shaped our new three-year business strategy which will be launched in 2020. The two key strategic strands are Growth & Assets and Business Transformation.

## Governance

Trust is governed by a dedicated voluntary Board of Management who operate in accordance with the Scottish Federation of Housing Association's Model Governing Rules. Board membership is drawn from a broad range of skills and experience, including a mix of professional backgrounds and tenant service users which promotes equality, diversity and inclusion and further strengthens good governance. The skills mix on the Board is regularly reviewed, with an annual training programme conducted together with strategy days delivered to develop skills and expertise which enables Board Members to fully execute their role.

The Board continues to work closely with the Scottish Housing Regulator to ensure we comply with all aspects of the regulatory requirements expected of us. During 2019/20 the Board undertook a robust self-assessment exercise into our governance practices. This work contributed to Trust's overall Annual Assurance Statement which was submitted to the Regulator in October 2019. This statement confirmed that Trust was fully compliant with the requirements of the Regulatory Framework.

## The key responsibilities of the Board are:

- Responsibility for the overall leadership of Trust
- Approval of Trust's business strategy, annual budget and plans to achieve Trust's objectives
- Approving the Annual Report and Accounts
- Establishing effective systems of good governance, implementing internal control and the annual review of their effectiveness
- Authorising material acquisitions, disposals, investments, capital projects and other significant transactions
- Monitoring Trust's overall performance in relation to its strategies, plans, budgets and decisions
- Providing support and guidance to the Chief Executive and Executive Team and ensuring staff on the ground are supported to deliver high quality procedures and services in line with Trust's objectives

## Stakeholder Engagement

As part of the strategic report, Section 172 of the Companies Act 2006 requires the Association to demonstrate how their directors have had regard to the matters set out in section 172 (1) (a) to (f) when performing their duty under section 172. This is evidenced throughout our board of management report, through our engagement with our tenants, staff, Scottish Housing Regulator, local councils, Scottish Government and Bankers.

## Financial Performance 2019/20

We are pleased to report a stable financial performance in 2019/20. Trust has continued to deliver positive results with growth in revenue and net assets, strengthened by the Wishaw Partnership. This provides a solid foundation on which to build and allows greater financial sustainability to meet the growth strategy in our transformation agenda.

Summarised financial performance:

|                                      | 2019/20      | 2018/19      | Movement    |
|--------------------------------------|--------------|--------------|-------------|
| Turnover £m                          | 29.5         | 26.5         | 3.0         |
| <b>Operating Surplus £m</b>          | <b>3.5</b>   | <b>2.9</b>   | <b>0.7</b>  |
| <b>Operating Surplus %</b>           | <b>13.0%</b> | <b>11.7%</b> | <b>1.3%</b> |
| Interest payable less receivable £m  | (1.1)        | (0.7)        | (0.4)       |
| Loss of sale of fixed assets £m      | (0.1)        | (0.2)        | 0.1         |
| Gain on Transfer of Engagement       | 7.2          | –            | 7.2         |
| Pension Loss/Gain £m                 | 3.7          | (1.5)        | 5.2         |
| <b>Total Comprehensive Income £m</b> | <b>13.2</b>  | <b>0.5</b>   | <b>12.5</b> |
| <b>Interest Cover</b>                | <b>3.1</b>   | <b>3.9</b>   | <b>8.0</b>  |
| <b>Net Assets £m</b>                 | <b>35.2</b>  | <b>22.0</b>  | <b>13.2</b> |

The £3.7m pension gain in the year is a paper transaction only, it does not reflect the controllable operational performance of the business. The pension gain has been driven by short-term changes in the discount rate and inflation rates as 31 March 2020 as a result of the global markets reaction to COVID-19. The gain is expected to reverse to be shown as a loss within the 2020/2021 financial statements. The future level of actual pension contributions are not impacted by the valuation of the pension liability as at 31 March 2020.

All covenant compliance has been met for all indicators set by lenders and continues to be met.

# Board of Management Report

## Energy Consumption and Efficiency Reporting

Trust Housing Association consumes electricity, gas and transport equivalents for its own offices use and in the provision of energy to Tenants. Consumption figures have been computed from utility bills provided by providers. Intensity ratios of usage per property provided and usage per sq ft of office were deemed appropriate based on the company's activities. The effects of transport consumption were deemed negligible and therefore have not been reported. The energy consumption in kWh and carbon footprint in kgCO<sub>2</sub>e for the year ending 31 March 2020 is disclosed as follows to the nearest thousandth unit:

| Energy                | kWh    | kgCO <sub>2</sub> e | kWh<br>Per Property | kWh<br>Per Office sq ft |
|-----------------------|--------|---------------------|---------------------|-------------------------|
|                       | ('000) | ('000)              | ('000)              | ('000)                  |
| Office (Electricity)  | 650    | 229                 | –                   | 0.03                    |
| Tenants (Electricity) | 9,232  | 3,246               | 16                  | –                       |
| Total (Electricity)   | 9,882  | 3,475               | –                   | –                       |
| Office (Gas)          | 341    | 63                  | –                   | 0.02                    |
| Tenants (Gas)         | 24,440 | 4,501               | 19                  | –                       |
| Total (Gas)           | 24,781 | 4,564               | –                   | –                       |

The above disclosure includes four months of consumption for Wishaw & District Housing Association.

## Managing Risk

We have a risk management policy and procedure in place and risks are actively managed through the Leadership Team, Audit & Performance Committee and at Board level.

Our strategic risk register shows key themes for risk management. These include the impact of Brexit and welfare benefits reform, the decline in customer demand for current and commissioned services, the potential for costs to fail to represent value for money and the significant investment required to ensure our homes continue to meet regulatory standards and business needs.

These risks are mitigated by proactive interventions, including: active lobbying of government and policy makers; ongoing customer research and feedback; robust financial modelling and scrutiny of value for money as well as updated analysis of the need for investment in our stock.

We have also created a separate strategic risk register to deal with the impact of the Coronavirus pandemic on our business. The key risks are around our ability to deliver services to our customers, an increase in rent arrears and a delay in finding new tenants to fill empty homes. We plan to mitigate against these risks by having in place strategies to ensure business continuity and early intervention and support for those customers struggling to pay their rent due to the pandemic.

## Treasury Management Policy

We have in place an effective treasury management policy which follows the CIPFA standard, as recommended by the Scottish Housing Regulator. This policy is actively followed during the year and is reviewed annually as an integral part of the business and financial planning process.

## Our Performance

| Strategic Aim  | Performance   |
|--|---|
| <b>A:</b><br>To understand and exceed customer expectations                                | <ul style="list-style-type: none"> <li>• <b>92%</b> of our customers are satisfied with the overall service provided by Trust.</li> <li>• <b>90%</b> of our customers agree that living with Trust has improved their quality of life.</li> <li>• <b>79%</b> of tenants think the rent they pay is good value for money.</li> <li>• We took on average <b>3.3 days</b> to resolve frontline complaints and <b>14.6 days</b> to resolve investigative complaints.</li> <li>• We have <b>Investors in People 'Gold'</b> accreditation.</li> <li>• We have <b>Leaders in Diversity</b> accreditation.</li> </ul> |
| <b>B:</b><br>To provide quality homes and maintain a viable asset base                     | <ul style="list-style-type: none"> <li>• <b>93%</b> of our customers are satisfied with the quality of their homes.</li> <li>• <b>97%</b> of our homes achieved the Scottish Housing Quality Standard.</li> <li>• <b>91%</b> of our customers who had repairs or maintenance carried out in the last 12 months are satisfied with the repairs and maintenance service.</li> <li>• We completed <b>94%</b> of our repairs 'right first time'.</li> </ul>   |
| <b>C:</b><br>To continuously develop and grow Trust as a thriving and sustainable business | <ul style="list-style-type: none"> <li>• We achieved our target of maintaining an <b>annual minimum cash balance of £2m</b> and <b>met our loan covenants</b>.</li> <li>• Our gross rent arrears as a % of rent due was <b>2.4%</b>.</li> <li>• We took on average <b>47 days</b> to re-let our vacant properties.</li> <li>• <b>1.6%</b> of rent due was lost as a result of empty properties.</li> </ul>  |

## People

We firmly believe that our people are our greatest asset and we aim to recruit, train, develop and support each member of staff to achieve their personal and our organisational goals.

Trust has held Investors in People accreditation since 1998. Our achievement of the prestigious Investors in People Gold accreditation in 2015 and reaffirmed through our assessment in 2018, is external validation of the highly developed training & development programme and the positive, supportive culture that is embedded throughout Trust.

Trust is also accredited with Leaders in Diversity. Living up to the title, we continue to hold a high-ranking place in the National Centre for Diversity's top 100 organisations in the UK.

Our people strategy aims to deliver on a number of people-related projects, ensuring we remain competitive, provide excellent opportunities for those who work for us and continue to be a great place to work.

We have a significant training and development programme to support our people to learn and develop skills and expertise. This in turn enables us to provide the best possible service to our customers.

Our people are continually encouraged during team meetings, one-to-one meetings and appraisals to take the lead in contributing ideas and feedback. The results from our 2018 Employee Engagement Survey were very positive and reflect the culture throughout Trust. Engagement across all offices, developments and staff groups is a focus for Trust as we continue to be inclusive in all areas of our business.

## Health, Safety and Wellbeing

Ensuring a high standard of health, safety and wellbeing for both staff and stakeholders remains a key priority for Trust, with outcomes delivered through an active staff Health, Safety and Wellbeing Committee including:

- On-going review of our health and safety control manual.
- An on-going programme of both general risk and fire risk assessments to relevant properties.
- Compliance with annual gas safety appliance inspection legislation.
- Business continuity planning procedures in place.
- On-going health and safety training for staff including load management, first aid, hoists and fire safety, and Asbestos awareness.
- On-going review of our fire detection systems, following updated regulation from the Scottish Government following the Grenfell Tower fire in England.

## Trust Audit and Performance Committee 2019/20

The Committee met on four occasions over the year. It is currently chaired by Ian Crawford and the membership is listed elsewhere in this Report. In exercising its Audit function, the Committee has looked at significant potential areas of risk for Trust and has had a number of reports from Internal Audit as part of a three-year plan. The Regulator's guidance for Housing Associations has helped in targeting the programme. Of the Audit Reports received perhaps the most important are those examining Trust's progress towards complying with the General Data Protection Regulations (which continues to be monitored) and the process and handling of the transfer of engagements from Wishaw and District Housing Association.

The Committee has been able to reassure itself and the Board that Reports have been very favourable and have not revealed serious weaknesses or issues; where recommendations have been made they have been accepted and implemented or are in the process of implementation, and progress is also the subject of on-going review. The External Auditor in reviewing the Annual Accounts has again given Trust a "clean" report. The Committee meets once a year with both Internal and External Auditors without officers attending and no issues have been raised. The Internal Audit programme for the next three years will be agreed early in 2020/21.

Additionally, the Committee monitors performance against Key Performance Indicators. These remain favourable overall and the Committee is reassured that Trust continues to maintain high standards. The Committee were able, at its February 2020 Meeting, to review for the first-time performance information from Wishaw and were impressed by the performance of that part of the organisation.

This has been a very busy and demanding year for all staff, and the Committee have been impressed by their efforts and hard work, particularly in relation to the Audit and Performance role.



# Board of Management Report

## Internal Financial Controls

The Board of Management acknowledge their ultimate responsibility for ensuring that Trust has in place a system of controls that is appropriate to the various business environments in which it operates.

The system of internal financial controls is designed to manage risks that may impede the achievement of the business objectives rather than to eliminate those risks entirely. The systems of internal financial control therefore provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Management has established the following key measures to provide effective internal financial control:

- (i) A comprehensive budget is prepared annually and is approved by the Board.
- (ii) The Board meet regularly to review actual results and investigate any significant variance from Trust's budget.
- (iii) A Business Plan that forecasts 30 years ahead is updated annually and is approved by the Board.
- (iv) Written standing orders and a Financial Control Framework including details of delegated authority are in place and are reviewed regularly.
- (v) Trust's external auditors have attended meetings of the Audit & Performance Committee, as well as attending the AGM.
- (vi) The Audit & Performance Committee reviews the system of internal controls and reports to the Board thereon. It receives reports from the internal and external auditors and Executive Team which assess the efficiency of internal control and make recommendations for any improvements. The Convenor of the Audit & Performance Committee reports the outcome of committee meetings to the Board and provides minutes of the meetings.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the year ended 31 March 2020 and is satisfied that the existing controls and the resources in place to improve these controls are sufficient to safeguard the assets and prevent material loss. If weaknesses are found in the system of internal financial controls, appropriate action is put in place.

## Going Concern

After making enquiries of the Executive Team, the Board has a reasonable expectation that Trust has adequate resources to continue in operational existence for the foreseeable future.

When reviewing the continued operational existence, the Board of Management have considered the current COVID-19 pandemic. Risks have been considered, documented, mitigated and potential financial impact projections prepared from best to worst case scenario. Additional funding secured at the start of this financial year together with the financial projections have allowed the Board to conclude that the preparation of the financial statements on a going concern basis continues to be appropriate.

## Disclosure of Information to the Auditor

Each person who is a Board Member at the date of approval of this report confirms that:

- So far as the Board Member is aware, there is no relevant audit information of which Trust's auditors are unaware; and
- Each Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that Trust's auditors are aware of that information.

### On behalf of the Board



**John Burke, Chair**  
30 July 2020

## Appendix 1a

### Membership

Membership of the Association is open to all who are interested in the work of Trust Housing Association Limited. Every member, on payment of £1.00, is entitled to one share in the Association. Trust Housing Association Limited has a membership which now stands at 402 members (2019 – 317).

### Relations with our Membership

All Association members are invited to attend our Annual General Meeting (AGM), held in September each year. This event allows the Chair and Chief Executive, on behalf of the organisation, to report to our membership on an annual basis. The Board together with the senior management team and other staff members attend the AGM. Association members are encouraged to ask questions during the meeting and to speak with Board Members and staff throughout the event.

Board members continue to conduct their annual schedule of development visits to meet with tenants to seek their views on the work of Trust and learn about specific tenant issues.

### Project Funding for 2019/20

The Equality, Diversity and Inclusion Programme received funding for the following project:

**Older People Services Development Project** – has been developed in joint partnership with Hanover (Scotland) and Bield Housing Associations to help and support black and minority ethnic older people gain access to benefits and services.

The project is funded by the Big Lottery Fund for three years by restricted grant funding of £336,896. The project started in April 2017 and will run until March 2020. The project received £124,482 in the financial year 2019/20 and has now concluded.

### Related Parties

During the year, there were 3 (2018 – 2) members of the Management Committee (including former members and co-opted members) who were also Trust tenants. All tenancies are on normal secure tenancy terms and their position as a Board Member cannot be used to their advantage.

During the year Board Member Wendy Wilkinson continued her employment with the Scottish Government. All transactions with the Scottish Government are made on normal commercial terms, and as a Board Member, she cannot use her position to any advantage.

### Opinion

We have audited the financial statements of Trust Housing Association Limited (the 'association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, and 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 company's affairs as at 31 March 2020 and of its profit 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 requirements of the Co-Operative and Community Benefit Societies Act 2014, Schedule 7 of Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

### 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 Auditors' 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other 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 opinion.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

We draw attention to Note 2.2 of the financial statements, which outlines the Directors' assessment of the Association in preparing these accounts on a going concern basis. This assessment has considered the impact of the current COVID-19 outbreak on the future revenue streams and financial headroom available to the business. Our opinion is not modified in respect of this matter.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Overview of Business and Activities but does not include the financial statements and our Report of the Auditors thereon.

# Independent Auditor's Report

To the Members of Trust Housing Association Limited

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, 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

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Overview of Business and Activities.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Our responsibilities for the audit of the financial statements

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 a Report of the Auditors 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors Report.

## Use of Our Report

This report is made solely to the company'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 company's members those matters we are required to state to them in a Report of the Auditors 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.



### Karen Rae FCCA

Armstrong Watson Audit Limited  
Chartered Accountants & Statutory Auditors  
Glasgow

Date: 28 August 2020

# Statement of Comprehensive Income

For the year ended 31 March 2020

|  |       | 2020          | Restated<br>2019 |
|--|-------|---------------|------------------|
|  | Notes | £'000         | £'000            |
| <b>Turnover</b>  | 3     | <b>29,542</b> | <b>26,461</b>    |
| Less: operating costs  |       | (26,024)      | (23,564)         |
| <b>Operating surplus</b>                                     | 7     | <b>3,518</b>  | <b>2,897</b>     |
| Profit/(Loss) on sale of fixed assets                        |       | (146)         | (119)            |
| Profit/(Loss) on impairment of fixed asset investment        |       | –             | (50)             |
| Gain on business combinations                                | 27    | 7,181         | –                |
| Interest receivable and other income                         |       | 8             | 4                |
| Interest payable and other charges                           | 8     | (1,099)       | (742)            |
| <b>Surplus for the year</b>                                  |       | <b>9,462</b>  | <b>1,990</b>     |
| <b>Other comprehensive income</b>                            |       |               |                  |
| Initial recognition of multi-employer defined benefit scheme | 21    | –             | (521)            |
| Actuarial Gain/(Loss) on the Pension Schemes                 | 21    | 3,725         | (939)            |
| <b>Total Comprehensive income for the year</b>               |       | <b>13,187</b> | <b>530</b>       |

All operations are continuing

The only recognised gain/(loss) was the surplus for the year.

The notes on pages 27 to 50 form part of these Financial Statements

# Statement of Financial Position

As at 31 March 2020

|   |       | 2020    |                | 2019    |                |
|---|-------|---------|----------------|---------|----------------|
|   | Notes | £'000   | £'000          | £'000   | £'000          |
| <b>Tangible fixed assets</b>                            |       |         |                |         |                |
| Housing properties                                      | 9     |         | 150,676        |         | 101,947        |
| Other   | 9     |         | 3,593          |         | 3,232          |
| <b>Total fixed assets</b>                               |       |         | <b>154,269</b> |         | <b>105,179</b> |
| <b>Current assets</b>                                   |       |         |                |         |                |
| Trade and other receivables                             | 10    | 1,705   |                | 1,762   |                |
| Cash at bank and in hand                                |       | 4,650   |                | 2,531   |                |
| Total current assets                                    |       | 6,355   |                | 4,293   |                |
| Creditors: amounts falling due within one year          | 11    | (8,810) |                | (7,963) |                |
| <b>Net current assets/ (liabilities)</b>                |       |         | <b>(2,455)</b> |         | <b>(3,670)</b> |
| <b>Total assets less current liabilities</b>            |       |         | <b>151,814</b> |         | <b>101,509</b> |
| Creditors: amounts falling due after more than one year | 12    |         | (28,676)       |         | (16,903)       |
| Deferred Capital Grants                                 | 14    |         | (87,163)       |         | (58,606)       |
| Provision for Pension Liability                         | 21    |         | (758)          |         | (3,970)        |
| <b>Net assets</b>                                       |       |         | <b>35,217</b>  |         | <b>22,030</b>  |
| <b>Capital and reserves</b>                             |       |         |                |         |                |
| Share capital   | 16    |         | –              |         | –              |
| Development reserves                                    |       |         | 88             |         | 90             |
| Happy to Translate Reserve                              |       |         | 13             |         | –              |
| Pension reserve   |       |         | (758)          |         | (3,970)        |
| Revenue reserve   |       |         | 35,874         |         | 25,910         |
|   |       |         | <b>35,217</b>  |         | <b>22,030</b>  |

The Financial Statements were approved and authorised for issue by the Board of Management and signed on its behalf on 30 July 2020:



**John Burke, Chair**



**Gordon Laurie, Vice Chair**



**Mary Strathearn, Secretary**

The notes on pages 27 to 50 form part of these Financial Statements

# Statement of Changes in Equity

As at 31 March 2020

|  | Happy to Translate Reserve | Pension Scheme reserve | Development reserve | Revenue reserve | Total         |
|--|----------------------------|------------------------|---------------------|-----------------|---------------|
|  | £'000                      | £'000                  | £'000               | £'000           | £'000         |
| <b>Current Year</b>  |                            |                        |                     |                 |               |
| Balance at 1st April 2019  | –                          | (3,970)                | 90                  | 25,910          | 22,030        |
| Issued in year   | –                          | –                      | –                   | –               | –             |
| Transfer of engagements (SoCI)                                   | –                          | (1,314)                | –                   | 8,495           | 7,181         |
| Surplus/(deficit) from statement of Comprehensive income         | –                          | 801                    | –                   | 1,480           | 2,281         |
| Surplus/(deficit) from actuarial gain/(loss) on pension scheme   | –                          | 3,725                  | –                   | –               | 3,725         |
| Transfer of Development reserve expenditure from Revenue reserve | –                          | –                      | (2)                 | 2               | –             |
| Transfer of Happy to Translate Reserve from Revenue Reserve      | 13                         | –                      | –                   | (13)            | –             |
| <b>Balance at 31st March 2020</b>                                | <b>13</b>                  | <b>(758)</b>           | <b>88</b>           | <b>35,874</b>   | <b>35,217</b> |

## Statement of Changes in Equity

As at 31 March 2020 cont...

|  | Share Capital | Happy to Translate Reserve | Pension Scheme reserve | Development reserve | Revenue reserve | Total         |
|--|---------------|----------------------------|------------------------|---------------------|-----------------|---------------|
|  | £'000         | £'000                      | £'000                  | £'000               | £'000           | £'000         |
| <b>Prior Year</b>  |               |                            |                        |                     |                 |               |
| Balance at 1st April 2018  | –             | –                          | (3,238)                | 95                  | 24,643          | 21,500        |
| Surplus/ (deficit) from statement of Comprehensive income        | –             | –                          | 728                    | –                   | 1,262           | 1,990         |
| Surplus/ (deficit) from statement of Comprehensive income        | –             | –                          | (1,460)                | –                   | –               | (1,460)       |
| Transfer of Development reserve expenditure from Revenue reserve | –             | –                          |                        | (5)                 | 5               | –             |
| <b>Balance at 31st March 2019</b>                                | <b>–</b>      | <b>–</b>                   | <b>(3,970)</b>         | <b>90</b>           | <b>25,910</b>   | <b>22,030</b> |

The Development Reserve is made up of donations from tenants, families and organisations. It is utilised for the benefit of tenants and the developments in which they stay.

## Statement of Cash Flows

For the year ended 31 March 2020

|   | 2020           | Restated 2019  |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Cash flows from operating activities</b>                 |                |                |
| Surplus for the year  | 9,462          | 1,995          |
| Depreciation of property, plant & equipment                 | 4,650          | 3,847          |
| Impairment  | –              | 50             |
| Grants from Scottish ministers                              | (2,954)        | (2,478)        |
| Proceeds from Sale of Assets                                | 146            | 120            |
| Interest Paid   | 1,016          | 657            |
| Interest Received   | (8)            | (4)            |
| Decrease/(Increase) in trade and other receivables          | 279            | (163)          |
| Increase/(decrease) in trade payables                       | (4,097)        | 711            |
| Interest costs of pension                                   | 83             | 85             |
| Gain on business combinations                               | (7,181)        | –              |
| <b>Net cash inflow/(outflow) from operating activities</b>  | <b>1,396</b>   | <b>4,820</b>   |
| <b>Cash flows from investing activities</b>                 |                |                |
| Proceeds from Sale of Property                              | 73             | –              |
| Purchase of property, plant & equipment                     | (11,094)       | (8,156)        |
| Disposal of property, plant & equipment                     | –              | –              |
| Purchase of other Fixed Assets                              | (475)          | (351)          |
| Receipt of social housing grant                             | 5,250          | 3,612          |
| Interest received   | 8              | 4              |
| Net cash from transfer of engagements                       | 2,885          | –              |
| <b>Net cash from investing activities</b>                   | <b>(3,353)</b> | <b>(4,891)</b> |
| <b>Cash flows from financing activities</b>                 |                |                |
| Interest Paid   | (1,099)        | (742)          |
| Repayments of borrowings                                    | (2,316)        | (1,713)        |
| Borrowings acquired   | 7,491          | 2,800          |
| <b>Net cash used in financing activities</b>                | <b>4,077</b>   | <b>345</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>2,119</b>   | <b>274</b>     |
| Cash and cash equivalents at beginning of year              | 2,531          | 2,257          |
| <b>Cash and cash equivalents at end of year</b>             | <b>4,650</b>   | <b>2,531</b>   |

# Statement of Cash Flows

For the year ended 31 March 2020 cont...

|  | 2020         | Restated<br>2019 |
|--|--------------|------------------|
|  | £'000        | £'000            |
| <b>Components of cash and cash equivalents</b> |              |                  |
| Cash   | 4,650        | 2,531            |
| Cash Equivalents                               | –            | –                |
|  | <b>4,650</b> | <b>2,531</b>     |

|                                       | 2020          | 2019          |
|---------------------------------------|---------------|---------------|
|                                       | £'000         | £'000         |
| <b>Reconciliation of Net Debt</b>     |               |               |
| <b>Net Debt as at 1st April 2019</b>  | <b>18,664</b> | <b>17,577</b> |
| Loans received                        | 4,791         | 2,800         |
| Transfer of engagements               | 9,446         | –             |
| Loan repayments                       | (2,316)       | (1,713)       |
| <b>Net Debt as at 31st March 2020</b> | <b>30,585</b> | <b>18,664</b> |

# Notes to the Financial Statements

For the year ended 31 March 2020

## 1. Legal status and principal activities

Trust Housing Association Limited is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing.

Trust Housing Association is a Public Benefit Entity (PBE).

## 2. Accounting Policies

### 2.1. Basis of Accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements are prepared in Sterling (£) and are rounded to the nearest £'000.

The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

### 2.2. Going Concern

The Board of Management considers on an annual basis the appropriateness of preparing the Company's Financial Statements on a going concern basis. Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
- The financial position of the Association and the impact, if any, of perceived weaknesses on the Association's viability.

- The short, medium and long-term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analyses and independent verification of key underlying assumptions.

When reviewing the continued operational existence of the Association, the Board of Management have considered the current COVID-19 pandemic. Risks have been considered, documented, mitigated and potential financial impact projections prepared from best to worst case scenarios. Additional funding secured at the start of this financial year together with the aforementioned financial projections have allowed the Board to conclude that the preparation of the financial statements on a going concern basis continues to be appropriate.

### 2.3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (i) Useful Lives of Properties

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and review of current housing stock. Uncertainties in these

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.

## (ii) Recoverability of Debtors

Management considers the reasonable likelihood of rent arrears and debtors being recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Association in the future, the actual amounts which might be received are often out with the Association's control.

## (iii) Present Value of Pension Scheme

The present value of the SHAPS Defined Benefit Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Any changes in these assumptions, which are disclosed in note 21 will impact the carrying amount of the pension liability. GMP equalisation has also been considered within the current year valuation however this has not made a significant impact to the net pension deficit. The latest full actuarial valuation was dated 31 March 2020.

## 2.4. Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue-based grants receivable from local authorities and the Scottish Government's Housing and Investment Division.

Rental income is recognised from the point properties become available for letting, net of any voids.

Revenue-based grants are receivable when the conditions for receipt of agreed grant funding have been met.

Other income is recognised when invoices are raised.

## 2.5. Housing Properties

Housing properties are stated at cost, are split by component category and include the cost of acquiring the land, site clearance costs and construction. In addition to this the costs also include replacement components and medical adaptations.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property, that has been treated separately for depreciation purposes and depreciated over its useful economic life, is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard performance. Such enhancement can occur if improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

The major components of properties are deemed to be structure, kitchens, windows, central heating systems, roofs, windows, lifts, electrics, doors, common facilities, bathrooms and external fabric. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note (2.8).

## 2.6. Housing Association Grant

For developments under the 1988 Housing Act, Housing Association Grant is paid directly to Trust as required to meet liabilities during the development process.

Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

Housing Association Grant is received as a contribution towards the capital cost of a housing development and is recognised in line with the accrual model. The accrual model results in the grant being recognised within the Statement of Comprehensive Income over the expected useful life of the housing property structure and its individual components.

Housing Association Grant attributed to individual components is written off to the statement of Comprehensive Income when these components are replaced.

Housing Association Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

## 2.7. Sales of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion and the costs of property sales are recognised within operating costs. Subsequent tranches are treated as non-current assets disposals with the gain or loss on disposal recognised in the Statement of Comprehensive Income.

## 2.8. Depreciation

### (i) Housing Properties

**Housing properties are stated at cost less accumulated depreciation.**

Depreciation is charged on the original cost of properties (after deducting land costs) on a straight-line basis over the expected useful life of the property.

#### Housing properties held for letting;

|                         |                |
|-------------------------|----------------|
| Structure               | 50 to 60 years |
| Kitchens                | 15 to 20 years |
| Central heating systems | 20 to 30 years |
| Roofs                   | 40 to 50 years |
| Windows                 | 25 to 30 years |
| Lifts                   | 30 years       |
| Electrics               | 30 years       |
| Doors                   | 25 to 30 years |
| Common facilities       | 15 to 30 years |
| Bathrooms               | 30 years       |
| External fabric         | 35 years       |
| Shared Ownership        | 50 years       |
| Stage 3 Adaptations     | 10 years       |

### (ii) Impairment

Annual reviews are undertaken to confirm that no financial impairment has arisen to reduce the value of any class of property to an amount less than the carrying value in the financial statements.

### (iii) Other Fixed Assets

Other Fixed Assets include office properties, office equipment, furniture and computer hardware and software. Depreciation is charged from the date of purchase to the date of disposal.

|                              |          |
|------------------------------|----------|
| Office properties            | 50 years |
| Office equipment             | 5 years  |
| Computer hardware & software | 5 years  |
| Motor vehicles               | 4 years  |
| Furniture & equipment        | 10 years |

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

These Other Fixed Assets are depreciated on a straight-line basis over the expected useful life of the asset.

## 2.9. Contribution to Pension

Following changes to our pension arrangements in 2013/14 we now have the following arrangements in place:

1. SHAPS DC scheme – comprised mainly of former SHAPS DB scheme members with employer contributions of 6% of salary + employee contributions.
2. A small number of personal pensions where the contributions are as in point 1 above.
3. Our auto-enrolment scheme with the Peoples Pension which is an entry level scheme with contributions at 3% for employee contribution and 2% for employer contribution, this increased from the 1 April 2019 to 5% employee contribution and 3% employer contribution.

None of the schemes create any liability to Trust beyond the contribution payments outlined above.

The Association also has obligations with respect to the former SHAPS Defined Benefit Pension Scheme which is a multi employer defined benefit scheme but which is no longer open to applicants. Retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Association.

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 cost of the defined benefit pension plan is determined using actuarial valuations. The

actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

The previous treatment of the Association's scheme complied with FRS 102 sections 28.11 and 28.11A which due to a lack of sufficient information being available allowed the Association to account for the multi-employer defined benefit scheme as though it were a defined contribution scheme. The Association therefore previously recognised a liability in respect of its annual committed deficit reduction contributions.

Due to sufficient information becoming available, the association will be early adopting Amendments to FRS 102 Multi-employer defined benefit plans (9 May 2019). The relevant date for this new information to be applied was 1 April 2018. During this transitional period, the Association has disclosed within Other Comprehensive Income, the de-recognition of the deficit funding agreement liability and the recognition of the net pension deficit to reflect the impact of this change in accounting treatment.

## 2.10. Equalisation Accounts

Charges for landlord services and heating are made to tenants at a level that is expected to recover expenditure on services for the year. Any over or under charges which are carried forward in these equalisation accounts are taken into account when the landlord service and heating charge is calculated for the following year.

## 2.11. Interest Payable

All interest payable in the year in connection with the development, construction or acquisition of housing properties is charged to the income and expenditure account in the period in which it falls due for payment. The basis of the interest payable is by using the effective interest rate over the life of the loan.

## 2.12. Shared Ownership Properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Statement of Comprehensive Income. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value – Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less any provision for depreciation or impairment.

## 2.13. Trade and other receivables

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## 2.14. Trade and other payables

Short-term payables 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.

## 2.15. Financial Instruments

The Association only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables are measured initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation of the amount that the Association would receive for the asset if it were to be sold at the date of the Statement of Financial Position.

Financial assets and liabilities are offset, and the net amount reported in the Statement of



# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 2.16. Development Reserves

The Development Reserve has been created mainly from charitable donations and bequests and is used for development specific projects. Amounts utilised in respect of development specific projects are transferred from Revenue Reserves to Development Reserves as incurred.

## 2.17. Happy to Translate Reserve

The Happy to Translate Reserve has been created for the sole purpose of expenditure in relation of the Happy to Translate Service. Amounts utilised in respect of the Happy to Translate Service are transferred from Revenue Reserves to Development Reserves as incurred.

## 2.18. Transfer of engagements

A transfer of engagements is treated as an acquisition in the receiving entity with assets and liabilities being fair valued using external data available and any gains on business combinations presented in the receiving entity. Should there be a contractual obligation to transfer an acquired entity's engagements at the time of initial acquisition, there are no fair value movements on transfer. There is no consideration paid.

## 2.19. Operating and finance leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

## 3. Particulars of turnover, operating costs and operating surplus or deficit

|                  | Turnover      | Operating Costs | Operating Surplus or Deficit 2019/20 | Restated Operating Surplus or Deficit for Previous Period of Account 2018/19 |
|------------------|---------------|-----------------|--------------------------------------|--|
|                  | £'000         | £'000           | £'000                                | £'000  |
| Social Letting   | 26,964        | 23,777          | 3,187                                | 2,830  |
| Other activities | 2,578         | 2,247           | 331                                  | 67   |
| <b>Total</b>     | <b>29,542</b> | <b>26,024</b>   | <b>3,518</b>                         | <b>2,897</b>   |

## 4a. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

|   | Other revenue grants | Grants from Scottish Ministers | Supporting people income | Other income | Total Turnover | Other operating costs | Operating surplus or deficit 2019/20 | Restated Operating surplus or deficit for previous period of account 2018/19 |
|---|----------------------|--------------------------------|--------------------------|--------------|----------------|-----------------------|--------------------------------------|--|
|   | £'000                | £'000                          | £'000                    | £'000        | £'000          | £'000                 | £'000                                | £'000  |
| <b>Support Activities</b>   |                      |                                |                          |              |                |                       |                                      |  |
| Care and repair of property   |                      | 61                             |                          |              | 61             | 22                    | 39                                   | -  |
| Development and construction of property activities                           |                      |                                |                          | 24           | 24             | -                     | 24                                   | -  |
| Support activities  |                      |                                | 2,025                    |              | 2,025          | 2,003                 | 22                                   | -  |
| Factoring   |                      |                                |                          | 7            | 7              | 12                    | (5)                                  | -  |
| Wider Role Activities   |                      |                                |                          |              | -              | 2                     | (2)                                  | -  |
| Other agency/management services  |                      |                                |                          | 172          | 172            | -                     | 172                                  | 91   |
| <b>Other activities</b>   |                      |                                |                          |              |                |                       |                                      |  |
| HTT   |                      |                                |                          | 86           | 86             | 47                    | 39                                   | (56)   |
| Older Peoples Project   | 124                  |                                |                          | 24           | 148            | 98                    | 50                                   | 21   |
| Equal Opps  | -                    |                                |                          |              | -              | 57                    | (57)                                 | (22)   |
| Never too Late to Learn Project   | -                    |                                |                          |              | -              |                       | -                                    | 2  |
| Training Grant  | 11                   |                                |                          |              | 11             |                       | 11                                   | -  |
| Arran Care and Repair   | -                    |                                |                          |              | -              | -                     | -                                    | (1)  |
| Income Recharge   |                      |                                |                          | 32           | 32             | -                     | 32                                   | 24   |
| Donations   |                      |                                |                          | 7            | 7              |                       | 7                                    | 8  |
| Block Insurance Income  |                      |                                |                          | 6            | 6              | 6                     | -                                    |  |
| <b>Total from other activities</b>  | <b>135</b>           | <b>61</b>                      | <b>2,025</b>             | <b>357</b>   | <b>2,578</b>   | <b>2,247</b>          | <b>331</b>                           | <b>67</b>  |
| <b>Total from other activities for the previous period of account 2018/19</b> | <b>113</b>           |                                | <b>2,080</b>             | <b>155</b>   | <b>2,348</b>   | <b>2,281</b>          | <b>67</b>                            |  |

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 4b. Income from Lettings

|   | General Needs | Supported Housing | Shared Ownership | 2019/20       | Restated 2018/19 |
|---|---------------|-------------------|------------------|---------------|------------------|
|   | £'000         | £'000             | £'000            | £'000         | £'000            |
| Rent receivable net of identifiable service charges         | 2,638         | 14,689            | 62               | 17,389        | 15,959           |
| Service charges receivable eligible for Housing Benefit     | 3             | 868               | –                | 871           | 853              |
| Service charges receivable not eligible for Housing Benefit | 23            | 6,108             | –                | 6,131         | 5,244            |
| <b>Gross rents receivable</b>                               | <b>2,664</b>  | <b>21,665</b>     | <b>62</b>        | <b>24,391</b> | <b>22,056</b>    |
| Less: Rent losses from voids                                | (17)          | (364)             | –                | (381)         | (421)            |
| <b>Net rents receivable</b>                                 | <b>2,647</b>  | <b>21,301</b>     | <b>62</b>        | <b>24,010</b> | <b>21,635</b>    |
| Grants received from Scottish ministers                     | 716           | 2,210             | 29               | 2,955         | 2,478            |
| <b>Total income from social lettings activities</b>         | <b>3,363</b>  | <b>23,511</b>     | <b>91</b>        | <b>26,965</b> | <b>24,113</b>    |
| <b>Expenditure on letting activities</b>                    |               |                   |                  |               |                  |
| Services Costs  | 47            | 6,206             | –                | 6,253         | 5,848            |
| Planned and cyclical maintenance                            | 282           | 434               | –                | 716           | 409              |
| Management  | 1,040         | 5,210             | 9                | 6,259         | 5,230            |
| Reactive Maintenance  | 285           | 1,946             | 1                | 2,232         | 1,926            |
| Rent debts – rents and service charges                      | 79            | –                 | –                | 79            | 194              |
| Depreciation and Impairment of Social Housing               | 545           | 3,699             | 69               | 4,313         | 3,571            |
| Major Repairs expenditure                                   | –             | 281               | –                | 281           | 371              |
| Stock Condition surveys                                     | –             | 4                 | –                | 4             | 43               |
| Rent/Landlord Staff Costs                                   | –             | 1,876             | –                | 1,876         | 1,890            |
| Development Services  | –             | 1,646             | –                | 1,646         | 1,556            |
| Concierge Service   | –             | 9                 | –                | 9             | 133              |
| Voids Costs   | –             | 18                | –                | 18            | 51               |
| Development Sundries  | –             | 91                | –                | 91            | 61               |
| <b>Total operating costs for social letting activities</b>  | <b>2,278</b>  | <b>21,420</b>     | <b>79</b>        | <b>23,777</b> | <b>21,283</b>    |
| <b>Operating Surplus for Social Lettings</b>                | <b>1,085</b>  | <b>2,092</b>      | <b>11</b>        | <b>3,187</b>  | <b>2,830</b>     |
| <b>Prior year Operating Surplus</b>                         | <b>384</b>    | <b>2,441</b>      | <b>5</b>         | <b>2,830</b>  |                  |

## 5. Officers' Emoluments

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| Aggregate emoluments payable to Officers. (Excluding pension contributions and benefits in kind). Officers are defined as members of the Leadership Team. | 661              | 585              |
| Total emoluments (Including pension contributions and benefits in kind)   | 732              | 658              |
| Emoluments (excluding pension contribution) of the Chief Executive Officer amounted to:   | 120              | 115              |
| Pension Contributions of the highest paid Officer amounted to:  | –                | –                |

| The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) in the following ranges were: | Number of Officers | Number of Officers |
|---|--------------------|--------------------|
| £60,001 to £70,000  | 2                  | –                  |
| £70,001 to £80,000  | 1                  | 3                  |
| £80,001 to £90,000  | 2                  | –                  |
| £90,001 to £100,000   | –                  | –                  |
| £100,001 to £115,000  | 1                  | 1                  |
| Number of Officers to whom pension benefits are accruing:   | 11                 | 8                  |

The Officers are ordinary members of the pension schemes described in Notes 1.7 and 21. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. The Association's pension contributions for the Officers in the year amounted to £28,095 (2019 £28,095).

No emoluments were paid to the Board of Management during the year.

|  | £'000 | £'000 |
|--|-------|-------|
| Total expenses reimbursed to the Board of Management in so far as not chargeable to United Kingdom income tax. | 3     | 4     |

Officers are considered to be key management personnel of the association.

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 6. Employee Information

| The average number of full-time equivalent persons employed during the year was: | 2019/20         | 2018/19         |
|--|-----------------|-----------------|
|  | Number of staff | Number of staff |
| Office staff   | 106             | 87              |
| Development based staff  | 266             | 260             |
|  | <b>372</b>      | <b>347</b>      |
| The average number of staff employed during the year was:                        |                 |                 |
| Office staff   | 113             | 94              |
| Development based staff  | 520             | 499             |
|  | <b>633</b>      | <b>593</b>      |
|  | £'000           | £'000           |
| Staff costs (including directors emoluments):                                    |                 |                 |
| Wages and salaries   | 10,434          | 9,779           |
| Social security costs  | 723             | 622             |
| Pension costs  | 356             | 252             |
|  | <b>11,513</b>   | <b>10,653</b>   |

## 7. Operating Surplus

| Operating surplus is stated after charging: | £'000   | £'000   |
|---|---------|---------|
| Depreciation                                | 4,652   | 3,847   |
| Amortisation of Grants                      | (2,930) | (2,478) |
| Repairs: cyclical, planned and day-to-day   | 3,229   | 2,706   |
| Auditors' remuneration – audit services     | 18      | 13      |

## 8. Interest Payable and Other Charges

|   | £'000        | Restated £'000 |
|---|--------------|----------------|
| On loans payable wholly or partly in more than 5 years: |              |                |
| Amounts payable to Banks and Building Societies         | 836          | 657            |
| Arrangement fees  | 180          | -              |
| Finance interest cost on pension                        | 83           | 85             |
|   | <b>1,099</b> | <b>742</b>     |

## 9. Tangible Fixed Assets

|                         | Housing Properties held for letting £'000 | Shared Ownership Housing Properties £'000 | Housing Properties in the course of construction £'000 | 2019/20 Total £'000 | 2018/19 Total £'000 |
|-------------------------|---|---|--|---------------------|---------------------|
| <b>Cost</b>             |   |   |  |                     |                     |
| At beginning of year    | 154,957                                   | 349                                       | 5,286  | 160,592             | 153,098             |
| Transfer of engagements | 60,151                                    | 1,323                                     | 2,058  | 63,532              | -                   |
| Additions               | 4,124                                     | -   | 6,971  | 11,095              | 8,156               |
| Disposal                | (929)                                     | (36)                                      | -  | (965)               | (662)               |
| Transfers               | 5,172                                     | (88)                                      | (5,084)  | -                   | -                   |
| <b>At end of year</b>   | <b>223,475</b>                            | <b>1,548</b>                              | <b>9,231</b>   | <b>234,254</b>      | <b>160,592</b>      |
| <b>Depreciation</b>     |   |   |  |                     |                     |
| At beginning of year    | 58,559                                    | 86  | -  | 58,645              | 55,784              |
| Transfer of engagements | 20,663                                    | 432                                       | 454  | 21,549              | -                   |
| Charge for year         | 4,081                                     | 62  | -  | 4,143               | 3,402               |
| Transfers               | 25  | (25)                                      | -  | -                   | -                   |
| Disposals during year   | (723)                                     | (36)                                      | -  | (759)               | (541)               |
| <b>At end of year</b>   | <b>82,605</b>                             | <b>519</b>                                | <b>454</b>   | <b>83,578</b>       | <b>58,645</b>       |
| <b>Net Book Value</b>   |   |   |  |                     |                     |
| At beginning of year    | 96,398                                    | 263                                       | 5,286  | 101,947             | 97,314              |
| <b>At end of year</b>   | <b>140,870</b>                            | <b>1,029</b>                              | <b>8,777</b>   | <b>150,676</b>      | <b>101,947</b>      |

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 9. Tangible Fixed Assets (continued)

|                           | Office<br>Properties<br>£'000 | Motor<br>Vehicles<br>£'000 | Office<br>Equipment<br>£'000 | Development<br>Furniture<br>£'000 | 2019/20<br>Total<br>£'000 | 2018/19<br>Total<br>£'000 |
|---------------------------|-------------------------------|----------------------------|------------------------------|-----------------------------------|---------------------------|---------------------------|
| <b>Cost</b>               |                               |                            |                              |                                   |                           |                           |
| At beginning of year      | 4,413                         | 40                         | 3,304                        | 1,376                             | 9,133                     | 8,059                     |
| Transfer of<br>engagement | 722                           | –                          | 89                           | 44                                | 855                       | –                         |
| Additions during year     | –                             | –                          | 314                          | 161                               | 475                       | 352                       |
| Disposals during year     | –                             | (12)                       | (16)                         | –                                 | (28)                      | –                         |
| <b>At end of year</b>     | <b>5,135</b>                  | <b>28</b>                  | <b>3,691</b>                 | <b>1,581</b>                      | <b>10,435</b>             | <b>8,411</b>              |
| <b>Depreciation</b>       |                               |                            |                              |                                   |                           |                           |
| At beginning of year      | 2,672                         | 40                         | 2,395                        | 794                               | 5,901                     | 4,735                     |
| Transfer of<br>engagement | 331                           | –                          | 73                           | 43                                | 447                       | –                         |
| Charge for year           | 79                            | –                          | 270                          | 160                               | 509                       | 444                       |
| Disposals during year     | –                             | (12)                       | (3)                          | –                                 | (15)                      | –                         |
| <b>At end of year</b>     | <b>3,082</b>                  | <b>28</b>                  | <b>2,735</b>                 | <b>997</b>                        | <b>6,842</b>              | <b>5,179</b>              |
| <b>Net Book Value</b>     |                               |                            |                              |                                   |                           |                           |
| At beginning of year      | 1,741                         | –                          | 909                          | 582                               | 3,232                     | 3,324                     |
| <b>At end of year</b>     | <b>2,053</b>                  | <b>–</b>                   | <b>956</b>                   | <b>584</b>                        | <b>3,593</b>              | <b>3,232</b>              |

Total expenditure on existing properties in the year amounted to £7,412,000 (2019 – £6,348,000). The amount capitalised is £4,124,000 (2019 – £3,519,000) with the balance charged to the statement of comprehensive income. Capitalised amounts are related to component replacement.

During the year Trust purchased outright 1 of their Shared Ownership properties leaving 40 Shared Ownership properties remaining at March 20.

## 10. Trade and other receivables

|   | 2019/20<br>£'000 | Restated<br>2018/19<br>£'000 |
|---|------------------|------------------------------|
| <b>Amounts falling due within one year:</b> |                  |                              |
| Rent and Service Charge Arrears             | 657              | 776                          |
| Less: bad debt provision                    | (337)            | (137)                        |
|   | <b>320</b>       | <b>639</b>                   |
| Intercompany Debtors                        | 106              | 188                          |
| Other debtors                               | 155              | 8                            |
| Prepayments and accrued income              | 304              | 403                          |
| Sundry Debtors                              | 1,047            | 752                          |
| Less: Bad debt provision                    | (281)            | (228)                        |
|   | <b>1,705</b>     | <b>1,762</b>                 |

## 11. Creditors due within one year

|                                    | 2019/20<br>£'000 | 2018/19<br>£'000 |
|------------------------------------|------------------|------------------|
| Rent in advance                    | 368              | 255              |
| Housing loans                      | 2,064            | 1,761            |
| Other taxation and social security | 191              | 162              |
| Creditors and accruals             | 4,428            | 3,840            |
| Service Equalisation Account       | 1,759            | 1,945            |
|                                    | <b>8,810</b>     | <b>7,963</b>     |

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 12. Creditors due after more than one year

|                 | 2019/20<br>£'000 | 2018/19<br>£'000 |
|-----------------|------------------|------------------|
| Housing loans   | 28,521           | 16,903           |
| Other creditors | 155              | –                |
|                 | <b>28,676</b>    | <b>16,903</b>    |

## 13. Housing Loans

| Analysis of Loan Facilities | 2019/20<br>£'000 | 2018/19<br>£'000 |
|-----------------------------|------------------|------------------|
| <b>Fixed Rate</b>           |                  |                  |
| Advanced by lenders         | 9,649            | 6,227            |
| <b>Variable Rate</b>        |                  |                  |
| Advanced by lenders         | 20,936           | 12,437           |
|                             | <b>30,585</b>    | <b>18,664</b>    |

| Housing loans:             | 2019/20<br>£'000 | 2018/19<br>£'000 |
|----------------------------|------------------|------------------|
| In one year or less        | 2,064            | 1,761            |
| Between one and two years  | 2,117            | 1,753            |
| Between two and five years | 7,817            | 5,857            |
| In five years or more      | 18,587           | 9,293            |
|                            | <b>30,585</b>    | <b>18,664</b>    |

Housing loans are secured over a number of the Associations housing properties. The repayment terms vary between 4 and 24 years.

Interest on the loans was charged at interest rates between 2.15% and 5.3%.

The Association also has a facility with the Scottish Government. The loan is repayable in 5 years of equal repayments and is interest free.

## 14. Deferred Capital Grants

|                              | Housing<br>Properties<br>held for<br>letting<br>£'000 | Shared<br>Ownership<br>£'000 | WIP<br>£'000 | 2019/20<br>Total<br>Housing<br>Properties<br>£'000 | 2018/19<br>Total<br>Housing<br>Properties<br>£'000 |
|------------------------------|---|------------------------------|--------------|--|--|
| <b>Cost</b>                  |   |                              |              |  |  |
| At beginning of year         | 55,074  | 223                          | 3,309        | 58,606   | 57,473   |
| Additions                    | 473   | –                            | 4,776        | 5,249  | 3,612  |
| Transfer of engagement       | 24,717  | 616                          | 946          | 26,279   | –  |
| Transfers                    | 2,320   | –                            | (2,320)      | –  | –  |
| Disposals                    | (24)  | (17)                         | –            | (41)   | (1)  |
| Grant Amortisation           | (2,918)   | (12)                         | –            | (2,930)  | (2,478)  |
| <b>Grants at end of year</b> | <b>79,642</b>   | <b>810</b>                   | <b>6,711</b> | <b>87,163</b>                                      | <b>58,606</b>                                      |

## 15. Rent Arrears and Rent

|                         | 2019/20  | 2018/19  |
|-------------------------|----------|----------|
| Rent arrears            | £319,531 | £639,453 |
| Average monthly rent    | £552     | £543     |
| Average rental increase | 1.7%     | 3.5%     |

As part of the transfer of engagements the former Wishaw and District properties have been granted a rental freeze for three years.

## 16. Called Up Share Capital

|  | 2019/20    | 2018/19    |
|--|------------|------------|
| Shares of £1 each issued and fully paid: | £          | £          |
| At beginning of year                     | 317        | 346        |
| Transfer of engagement                   | 121        | –          |
| Movement during year                     | (36)       | (29)       |
| <b>At end of year</b>                    | <b>402</b> | <b>317</b> |

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled, and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 17. Units in Management

|                              | 2019/20         | 2018/19         |
|------------------------------|-----------------|-----------------|
|                              | Number of Units | Number of Units |
| Housing accommodation        | 1,269           | 276             |
| Supported accommodation      | 2,296           | 2,296           |
| Shared ownership             | 40              | 4               |
| <b>Total number of units</b> | <b>3,605</b>    | <b>2,576</b>    |

## 18. Accommodation Managed by Others

| Name of Managing Body        | 2019/20   | 2018/19   |
|------------------------------|-----------|-----------|
| Leonard Cheshire Foundation  | 16        | 16        |
| Trust Enterprises Limited    | 56        | 40        |
| <b>Total number of units</b> | <b>72</b> | <b>56</b> |

## 19. Investments in Subsidiary

Trust Housing Association Limited has set up a wholly-owned trading subsidiary named Trust Enterprises Limited; the subsidiary will be used to separate our core charitable activities from those likely to generate commercial trading income and incur related expenditure. Any surpluses generated through the subsidiary will be gift-aided back to Trust Housing Association Limited.

On 13 June 2008, Trust Housing Association Limited purchased 1 Ordinary Share of £1 at par.

The subsidiary has not been consolidated in these results. In accordance with section 13 of the Co-Operative & Community Benefit Societies Act 2014 the consent of the regulator has been obtained on the basis that it would be of no real value to members of the society in view of the insignificant amounts involved.

During the year, the subsidiary generated revenue of £247k and incurred costs of £234k, resulting in a profit of £13k. Gross assets of the subsidiary as at 31 March 2020 were £81k and the subsidiary had net liabilities of £84k (2019: £97k).

At the year end, an amount of £160k (2019: £181k) was owed to Trust Housing Association by the subsidiary.

Financial statements in compliance with the Companies Act 2006 will be prepared and submitted to Companies House.

## 20. Capital and Other Commitments

|   | 2020       | 2019       |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>Capital Expenditure that has been contracted for but has not been provided for in the accounts</b> | <b>907</b> | <b>523</b> |

## 21. Commitments under operating leases

At 31 March 2020 the Housing Association had future minimum lease payments under non-cancellable operating leases as follows:

|  | 2020       | 2019      |
|--|------------|-----------|
|  | £'000      | £'000     |
| Not later than 1 year                        | 72         | 55        |
| Later than 1 year and not later than 5 years | 71         | 31        |
|  | <b>143</b> | <b>86</b> |

## 22. Pensions

### Defined contribution pension scheme

The Association maintains a SHAPS defined contribution pension scheme and also an auto-enrolment pension scheme through the Peoples Pension. The schemes provide benefits directly determined by the value of the contributions paid in respect of each member. Employer contributions to these schemes during the year under review totalled £284k (2019: £252k) and were charged to the Statement of Comprehensive Income.

### Defined benefit pension scheme

The Association also has obligations with respect to the former SHAPS Defined Benefit Pension Scheme which is a multi employer defined benefit scheme but which is no longer open to applicants. The scheme is a defined benefit scheme in the UK.

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 is classified as a 'last-man standing arrangement'. Therefore, Trust is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

|  | 31 March 2020<br>(£000s) | 31 March 2019<br>(£000s) |
|--|--------------------------|--------------------------|
| Fair value of plan assets                          | 31,368                   | 24,004                   |
| Present value of defined benefit obligation        | 32,126                   | 27,974                   |
| Surplus (deficit) in plan                          | (758)                    | (3,970)                  |
| Defined benefit asset (liability) to be recognised | (758)                    | (3,970)                  |

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

|  | Period ended<br>31 March 2020<br>(£000s) |
|--|--|
| Defined benefit obligation at start of period                      | 27,974                                   |
| Current service cost   | 30                                       |
| Expenses   | 26                                       |
| Interest expense   | 646                                      |
| Member contributions   | 12                                       |
| Actuarial losses (gains) due to scheme experience                  | 196                                      |
| Actuarial losses (gains) due to changes in demographic assumptions | (221)                                    |
| Actuarial losses (gains) due to changes in financial assumptions   | (3,913)                                  |
| Benefits paid and expenses   | (1,347)                                  |
| Liabilities acquired in a business combination                     | 8,723                                    |
| <b>Defined benefit obligation at end of period</b>                 | <b>32,126</b>                            |

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

|   | Period ended<br>31 March 2020<br>(£000s) |
|---|--|
| Fair value of plan assets at start of period  | 24,004                                   |
| Interest income   | 563                                      |
| Experience on plan assets (excluding amounts included in interest income) – gain (loss) | (213)                                    |
| Contributions by the employer   | 940                                      |
| Contributions by plan participants  | 12                                       |
| Benefits paid and expenses  | (1,347)                                  |
| Assets acquired in a business combination   | 7,409                                    |
| Fair value of plan assets at end of period  | 31,368                                   |

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £350,000.

## Defined benefit costs recognised in statement of comprehensive income (SoCI)

|  | Period from<br>31 March 2019 to<br>31 March 2020<br>(£000s) |
|--|---|
| Current service cost   | 30  |
| Expenses   | 26  |
| Net interest expense   | 83  |
| Defined benefit costs recognised in statement of comprehensive income (SoCI) | 139   |

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## Defined benefit costs recognised in other comprehensive income (OCI)

|  | Period ended<br>31 March 2020<br>(£000s) |
|--|--|
| Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)                                      | (213)                                    |
| Experience gains and losses arising on the plan liabilities – gain (loss)  | (196)                                    |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss) | 221                                      |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)   | (3,913)                                  |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)          | 3,725                                    |
| <b>Total amount recognised in other comprehensive income – gain (loss)</b>   | <b>3,725</b>                             |

## Assets

|                             | 31 March 2020<br>(£000s) | 31 March 2019<br>(£000s) |
|-----------------------------|--------------------------|--------------------------|
| Global Equity               | 4,314                    | 3,861                    |
| Absolute Return             | 1,926                    | 2,033                    |
| Distressed Opportunities    | 572                      | 410                      |
| Credit Relative Value       | 755                      | 417                      |
| Alternative Risk Premia     | 2,514                    | 1,341                    |
| Fund of Hedge Funds         | –                        | 67                       |
| Emerging Markets Debt       | 1,115                    | 769                      |
| Risk Sharing                | 994                      | 696                      |
| Insurance-Linked Securities | 841                      | 623                      |
| Property                    | 584                      | 477                      |
| Infrastructure              | 1,849                    | 1,006                    |
| Private Debt                | 621                      | 310                      |
| Corporate Bond Fund         | 764                      | 1,683                    |
| Long Lease Property         | 2,292                    | 291                      |
| Secured Income              | 822                      | 837                      |
| Over 15 Year Gilts          | 767                      | 617                      |
| Liability Driven Investment | 8,261                    | 8,541                    |
| Net Current Assets          | 238                      | 25                       |
| <b>Total assets</b>         | <b>31,368</b>            | <b>24,004</b>            |

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

## Key assumptions

|   | 31 March 2020<br>% per annum | 31 March 2019<br>% per annum |
|---|------------------------------|------------------------------|
| Discount Rate   | 2.38%                        | 2.28%                        |
| Inflation (RPI)   | 2.63%                        | 3.30%                        |
| Inflation (CPI)   | 1.63%                        | 2.30%                        |
| Salary Growth   | 2.63%                        | 3.30%                        |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance     | 75% of maximum allowance     |

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                                    |

## 23. Financial Instruments

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| <b>Financial assets</b>   |               |               |
| Cash and Cash Equivalents   | 4,650         | 2,531         |
| Financial assets that are debt instruments measured at amortised cost | 1,706         | 1,762         |
|   | <b>6,356</b>  | <b>4,293</b>  |
| <b>Financial liabilities</b>  |               |               |
| Financial liabilities measured at amortised cost                      | 37,294        | 24,704        |
|   | <b>37,294</b> | <b>24,704</b> |

Financial assets measured at amortised cost comprise of trade and other debtors.

Financial liabilities measured at amortised cost comprise of trade, other creditors, accruals and deferred income, and housing loans.



# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 24. Taxation

Trust Housing Association is a Registered Charity and is therefore exempt from Corporation Tax on its charitable activities.

## 25. Post Balance Sheet Events

The pension valuation reflected in the accounts shows a significant decrease from the prior period of £3.2m. This decrease is driven by changes in assumptions which impact the discount rate used to calculate the value of the pension liability at the year-end. Due to a significant decrease in CPI and RPI rates the projected net present value of future payments with regards to the pension liability has decreased significantly from the prior year.

The impact that COVID-19 has had on the global economy has had a significant effect on the discount rate used in the pension valuation post year end. This has resulted in a lower discount rate being applied by the pension actuaries TPT Retirement Solutions in subsequent valuations which has seen the pension liability increase up to £3.1m in April 2020. The planned contributions to the pension scheme for the 2021 period are of a similar value to those made in the prior year and have not been materially impacted by these changes in valuation.

As the change in value at the year-end is short lived and the subsequent increase is so significant, it was deemed appropriate by the Directors to disclose the post year end change in the pension valuation in order to mitigate any expectations that the pension value would remain comparable with the year-end valuation moving forward. There have been no adjustments to the financial statements in this regard.

## 26. Controlling Party

In the opinion of the Board of Management there is no individual controlling party

## 27. Prior year adjustment

In the prior year the interest costs of the defined benefit pension were misallocated within the Statement of Comprehensive Income. A restatement of comparatives has been made in order to allocate these costs accurately.

Trust Housing holds a number of properties which are rented out at mid-market rates by its trading subsidiary Trust Enterprises Limited. Trust Housing is contracted by the subsidiary to collect rents on the subsidiary's behalf for an agreed upon management charge.

In prior years the rental income and rental expenses in relation to these mid-market properties have not been shown gross within Trust Enterprises Limited and have been netted off against the management charge due to Trust Housing. This is incorrect and a prior year adjustment has been made to properly reflect the transaction between the two entities. Within the 2019 figures rental income has been reduced by £228k, rental costs have been reduced by £137k and other income has been increased by £91k. These adjustments do not impact the previously stated surplus or reserves carried forward.

In the prior year the arrears receivable for mid-market rent properties managed by Trust Enterprises were shown within Trust Housing Association's accounts. The total value of £14k has been posted as a prior year adjustment in order to correct this error.

## 28. Transfer of engagements

On 1 December 2019 the assets and liabilities of Wishaw and District Housing Association were transferred into Trust Housing through a transfer of engagements. The transfer has been incorporated into the Associations financial statements using the acquisition method of accounting.

There were no fair value adjustments arising as a result of the transfer.

|   | <b>Book Value<br/>Wishaw &amp;<br/>District Housing<br/>Association</b> | <b>Fair value<br/>adjustments</b> | <b>Fair value</b> |
|---|---|-----------------------------------|-------------------|
|   | £'000   | £'000                             | £'000             |
| <b>Assets</b>   |   |                                   |                   |
| Housing Properties Depreciated cost                     | 41,983  | –                                 | 41,983            |
| Other non-current assets                                | 407   | –                                 | 407               |
| Receivables   | 222   | –                                 | 222               |
| Investments   | 805   | –                                 | 805               |
| Cash at bank and in hand and fixed deposits             | 2,080   | –                                 | 2,080             |
| <b>Liabilities</b>                                      |   |                                   |                   |
| Creditors – amounts falling due within one year         | (1,278)   | –                                 | (1,278)           |
| Loans and borrowings                                    | (9,446)   | –                                 | (9,446)           |
| Pension Liability                                       | (1,314)   | –                                 | (1,314)           |
| <b>Deferred Income</b>                                  |   |                                   |                   |
| Social Housing Grants                                   | (26,278)  | –                                 | (26,278)          |
| <b>Net Assets</b>                                       | <b>7,181</b>  | <b>–</b>                          | <b>7,181</b>      |
| <b>Consideration</b>                                    |   |                                   |                   |
| <b>Gain on business combination arising on transfer</b> |   |                                   | <b>7,181</b>      |

# Notes to the Financial Statements

For the year ended 31 March 2020 cont...

## 29. COVID-19 Impact on Organisation

The World Health Organization announced a global pandemic of COVID-19 on 11 March 2020 which was subsequently followed by a nationwide lockdown on the 23 March 2020. The impact on the Registered Social Landlord's performance in the current year has not been materially impacted by these events. The management committee has assessed the possible future impact on the organisation and continue to monitor the effects against projected budgets for the 2020/21 period. The board has considered the impact of the COVID-19 pandemic in concluding on-going concern. The risks facing the Association have been considered. As a result of these considerations the Board has been able to conclude that the adoption of the going concern assumption continues to be appropriate.

## 30. Related Parties

Several members of the board are also tenants of the Housing Association. The transactions with the Housing Association are all on standard terms, as applicable to all tenants. During the year £20,588 (2019: £19,955) of rent was receivable from these tenant members. At the year-end there were £69 (2019: £69) of rent arrears owed to these tenant members. There are also board members that hold a position with other councils and Housing Associations. Any transactions with these related parties are made at arm's length, on normal commercial terms and these Board members cannot use their position on the Board to the related party's advantage.



### Head Office

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Registered under the Co-operative and  
Community Benefit Societies Act 2014  
No. 1778 R (S)

The Scottish Housing Regulator Registered  
No. HEP 143

Trust Housing Association is a Registered  
Scottish Charity No. SC009086





Housing, Care and Support Provider

**Version: 08/20**

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