

West of Scotland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019

Registered Housing Association No. HEP201

Scottish Charity Number: SC018486

Co-operative and Community Benefit Societies Registered Number 1828R(S)

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

Report and Financial Statements for the year ended 31 March 2019

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Registration Information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registration Number 1828R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP201
Scottish Charity Number	SC018486

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Members of the Board

Ruth Simpson (Chair)
Elaine Davidson (Vice chair)
Kelly Adams
Ryan Docherty (appointed 22 May 2019)
Nick Farrell (appointed 22 May 2019)
Shona Gallacher (appointed 21 February 2019)
Robert Higgins (resigned 6 February 2019)
Ena Hutchison
Paul Macaninch (resigned 13 August 2018)
Paul McCandlish (appointed 22 May 2019)
Derek McGowan (appointed 21 February 2019)
Katy McLeod (resigned 30 May 2018)
Colin Menabney (resigned 20 March 2019)
Clare Newton
Anne Reid
John Shearer

Executive Officers

Lynne Donnelly Chief Executive Officer
(resigned 30 June 2019)
Stewart Gibb Director of Housing and
Customer Services
Andrew Kubski Director of Development
and Asset Management
Colin MacCallum Director of Finance and
Corporate Services

Registered Office

Camlachie House
40 Barrowfield Drive
Glasgow
G40 3QH

External Auditor

Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

Internal Auditor

BDO LLP
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

Banker

Barclays Bank PLC
1st Floor
Aurora House
120 Bothwell Street
Glasgow
G2 7JT

Solicitor

Harper McLeod
The Ca' d'Oro
45 Gordon Street
Glasgow
G1 3PE

Report of the Board of Management

The Board of Management (Board) presents its report and the audited financial statements for the year ending 31 March 2019.

Legal Status

West of Scotland Housing Association is a registered non-profit making organisation under the Co-operative and Community Benefits Societies Act 2014 No 1828R(S). The Association is a registered Scottish charity, No SC018486.

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefits Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Principal Activities

The principal activity of West of Scotland Housing Association is to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care.

Strategic Aims and Objectives

The Association's Vision, Values and Strategic Aims reflect West of Scotland Housing Association's priorities operating as an independent organisation delivering services across several local authority areas. The Association's strategic aims were reviewed and reaffirmed during the year and are shown below:

- Deliver outstanding service to customers in all our communities
- Actively manage our assets and develop new homes to meet local needs
- Be the best we can be for our staff and customers
- Work with others to improve tenants' lives
- Be well governed and financially strong.

The Association continues to work with partner organisations and draw on its own resources to ensure our objectives are delivered in a way that meets our vision.

Overview

2018/19 was identified as the year in which the Association would deliver the plans it agreed with tenants to support the demerger from the Gentoo Group. It was also identified as the year it would build on its Governance priorities, consolidate its relationship with its Local Authority partners and work with the Tenant Advisory Group to ensure tenants have a say in our future plans and the strategic direction of the organisation.

Throughout the year the Board worked closely with the Leadership Team to ensure the proposals set out in the Demerger Plan were achieved. Relationships with the Tenants Advisory Group and Scrutiny Panel were strengthened through members' attendance at several Board meetings where they presented their findings and recommendations for improving a range of tenant services which they had reviewed. The Board welcomed their contributions and ensures their opinions are reflected in the work we do, particularly in relation to the procurement of tenant services.

Our Board remains committed to Governance excellence. Throughout the course of the year members embraced opportunities for training and development and routinely assessed our strategies, policies, procedures and actions against the Regulatory Standards of Governance and Financial Management. The Board also considered its response to the launch of the revised Regulatory Standards and how best to ensure it is in a strong position to deliver its Assurance Statement to the Scottish Housing Regulator by October 2019.

Our current Governance Structure, established in 2017, remains fit for purpose. The Board oversees

Report of the Board of Management (cont'd)

Overview (cont'd)

the performance of its sub-committees through regular reporting by the Audit Committee, Development and Investment Sub Committee and Staffing Sub Committee. Since its inception in 2016 the Development and Investment Sub Committee has matured and has a clear focus on delivering high quality, affordable homes for new and existing tenants. During the year we delivered 68 new Homes in Symington and Troon in South Ayrshire. We will also deliver 43 new homes in East Kilbride and from a second phase of our Troon development by the second quarter of 2019/20. The Board is excited about the development opportunities outlined in its strategy and looks forward to delivering the full programme. This includes our first two developments providing 125 properties for affordable rent built to Passivhaus standards in Glasgow which will be completed in 2021.

The Development and Investment Sub Committee also led on our new Asset Management Strategy which outlines our future investment priorities. We are committed to continual assessment of our stock and have introduced a rolling programme of stock condition surveys to ensure our existing homes are safe, secure and meet energy efficiency (ESSH) targets as set out by the Scottish Government.

During the year our Staffing Sub Committee made recommendations to the Board to streamline its Corporate Services Team and re-direct resources to improving tenant services and managing Health & Safety. The sub committee concluded the year by reviewing our approach to succession planning for senior staff and recommending the Board adopt a new H.R. Strategy which supports delivery of the objectives set out in our five year Corporate Plan.

Throughout the year the Association continued to focus on improving customer service standards and performance against the indicators set out in the Annual Return on the Charter. Key highlights for the year include 91% satisfaction with the Association as a landlord, 96% satisfaction with the opportunities tenants have to participate in our decision making, 97% satisfaction with the information we provide to our tenants on the services we deliver and decisions we take. We continue to improve the repairs service we offer tenants resulting in a three year high of 90% satisfaction with the quality of the repairs service. This year saw 92% of repairs appointments kept, and a significant improvement in our repairs response times. The Board is delighted to see the changes it has put in place over recent years are having a positive impact on tenant opinion on the quality of our services. The Board is however conscious of an increase in the total rent arrears rising from 5.18% to 5.63% over the course of the year and the continuing difficulties we have in letting some of our properties which, although improved, remains above our 22 day target at 27 days. These are areas which management will focus on over the coming year.

At the end of the year to March 2018, we procured a new ICT system and set up a project team tasked with developing and implementing the system. Work is progressing and we anticipate we will launch a fully integrated Housing Management and Financial system by the end of the 2019/20 financial year. Once implemented the new system will improve the quality of our information and assist in developing new services to meet the needs of our tenants.

Scottish Housing Association Pension Scheme

The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £2.1m recognised as at 31 March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments, as at 1 April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. The new defined benefit liability as at 1st April 2018 is £3.2m, resulting in a re-measurement through other comprehensive income of £1.1m. The new defined benefit liability at 31 March 2019 is £3.8m. This has therefore resulted in an increase in the liability at 31 March 2019 of £0.6m. Further detail in relation to this change in accounting is included in the accounting policy on page 24 and Note 27 to the financial statements.

Report of the Board of Management (cont'd)

Financial Review

In the year to 31 March 2019, total revenue increased to £19.4m from £18.7m. Of this rents and service charges contributed £15.1m (2018: £14.4m). The revenue for the year also reflects the release to income of £3.7m (2018: £3.6m) of Housing Association Grant received in prior years to assist with the acquisition and construction of housing stock.

Operating costs on housing activities rose to £15.6m (2018: £15.3m) reflecting an increase of £0.4m in depreciation of our housing stock offset by a £0.1m reduction in management and administration expenses.

The Association spent £6.4m (2018: £6.1m) maintaining and improving its housing stock. Of the £6.4m, £1.6m (2018: £2.4m) was spent on new components (bathrooms, boilers, kitchens and windows) to replace existing components which had come to the end of their useful lives.

The interest paid on the Association's loans rose to £1.7m (2018: £1.4m) reflecting an increase in our borrowing of £4.3m to £61.4m.

The Statement of Comprehensive Income (page 15) records a surplus for the year of £0.9m (2018: £0.8m).

The changes to the pension scheme estimate referred to above result in a change to the opening pension scheme liability at 1 April 2018 also impact on the pension scheme liability at 31 March 2019. These adjustments are contained in the Statement of Other Comprehensive Income (page 16). Further detail is contained in Note 27 to the financial statements.

The Statement of Financial Position reflects the results of the year, including the effect of the changes in pension scheme estimate, with reserves reducing to £12.3m from £13.4m.

At the year-end cash and cash equivalents had risen to £1.7m from £1.1m. The Association also has access to considerable undrawn borrowing facilities which will be used to fund our continuing development programme.

Future Prospects

During the year the Association approved its 2019-2024 Corporate Plan setting out our direction of travel and priorities over the next five year period. In the coming year we will continue to refine and improve customer services and introduce our tenants and partners to a new initiative 'The Place Standard'. This Standard will support tenants to identify and put in place actions to improve the quality of life and their communities. We will pilot the initiative in North Glasgow prior to rolling it out in other areas we manage.

We will implement our new ICT system improving the quality of data we store and process. This will increase our efficiency and improve the value for money we offer our tenants. We will also increase tenant access to digital services and provide our officers with the technology required to support mobile working to increase their presence in the communities they serve.

In 2019 we will continue to focus on delivering our Development and Asset Management Strategies to improve access to better quality housing for current and future tenants. We will also continue to invest in Community Development and support our Tenants Advisory Group and Scrutiny Panel to develop strong links with other organisations that provide support.

We are committed to providing a development programme post 2021 and welcome the Government's vision for a future that supports disadvantaged communities. In doing so, we will work closely with the Scottish Government and to build on our already strong relationships with our Local Authority partners.

Report of the Board of Management (cont'd)

Main risks and uncertainties

The Association is conscious that Business Growth brings with it additional risks which must be controlled and effectively managed. We continue to work closely with our partners to develop and improve our approach to risk management and to ensure we mitigate risks associated with the management of an active and ambitious development programme.

We have a robust approach to demonstrating our commitment to strong financial management and effective governance arrangements. We recognise and have in place arrangements to allow us to meet the new Regulatory requirements which will be tested during 2019/20 and we remain flexible and adaptable in meeting changes to Government Regulations. We have reacted quickly to address new and emerging concerns over Health and Safety for our tenants and will continue to monitor and consider the funding implications for future changes. We have carried out an assessment on the potential impact of Brexit on our ability to deliver services and have mitigation strategies in place and recognise that, with the ongoing Political uncertainty, we must have the agility to react quickly to unforeseen change.

The Board considers the additional resources placed in our Housing and Property teams will have a positive impact however, members are conscious of the negative impact welfare reform continues to have on our tenants and will continue to work closely with our subsidiary Willowacre Trust to ensure that vulnerable tenants receive additional support when required.

Employee Development, Health and Safety and Equalities

We take seriously our responsibility to employees and consult on matters of importance to them when making decisions that affect them. We launched our new HR Strategy in 2019 which provides an overarching framework that supports us to be an excellent employer and create a positive culture within the organisation. We are fully committed to investing in the potential of our staff and will continue to offer the support required to help staff achieve their goals and deliver excellent customer service. Opportunities for staff training, career development and promotion are available to all employees and we are committed to ensuring equality and diversity is incorporated into our policies and procedures.

Following a review which took place during 2017/18 the Association achieved the Investors in People and Investors in Young People Standard for its approach to developing its people and achieved Gold for our approach to ensuring staff benefit from Healthy Working lives.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities, as are those from ethnic and other minority groups. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

Community and Support Services

We understand the importance of providing our tenants and communities with access to the support they require to help them sustain their tenancy and improve their quality of life.

Willowacre Trust, our charitable subsidiary, plays a fundamental role in the delivery of our non-core landlord activities including specialist support and wider community services. These services include Sheltered Housing Support, Older People's Services, Money Advice, Energy Advice, Handy Person Services and the Barrowfield Community Centre.

This year we continued to build on our commitment to our Supporting Communities Strategy 2018 and we invested in initiatives aimed at tackling poverty, improving health and wellbeing and supporting community development. New initiatives included Children's Holiday Food Programme and the upcycling of furniture to assist tenants experiencing financial hardship.

Report of the Board of Management (cont'd)

Committee and Officers' Insurance

The Association maintains insurance cover for its Board and officers against liabilities in relation to their duties on behalf of the Association, as authorised by the Association's rules. In addition the Association has a professional indemnity insurance policy covering community work it undertakes for other organisations.

Creditor Payment Policy

The payment policy, which the Association follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business.

Members of the Board

Ruth Simpson, Chair – 2, 3
Elaine Davidson, Vice Chair – 1, 2
Kelly Adams - 1
Ryan Docherty
Nick Farrell
Shona Gallagher
Ena Hutchison - 3
Paul McCandlish
Derek McGowan
Clare Newton – 1, 2
Anne Reid – 3
John Shearer -1

Sub Committees

1. Audit Committee
2. Staffing Sub Committee
3. Development and Investment Sub Committee (DISC)

Alistair Campbell was co-opted onto the Audit Committee on 23 May 2018.
Jim Hayton has been a co-opted member of the DISC since 29 March 2017.

Each member of the Board holds one fully paid share of £1 in West of Scotland Housing Association. The executive officers of West of Scotland Housing Association hold no interest in West of Scotland Housing Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Board.

Executives

The Executive Officers of West of Scotland Housing Association at 31 March 2019 were as follows:

Lynne Donnelly	Chief Executive Officer	Resigned 30 June 2019
Stewart Gibb	Director of Housing and Customer Services	
Andrew Kubski	Director of Development and Asset Management	
Colin MacCallum	Director of Finance and Corporate Services	

Following the resignation of Lynne Donnelly, the Association appointed Brian Gannon as its new Chief Executive. Brian takes up his duties from Monday 2 September 2019. He joins the Association from Thenu Housing Association Limited where he was Head of Housing (Housing Management & Community Regeneration).

Report of the Board of Management (cont'd)


Disclosure of Information to Auditor

Each member of the Board and executive officers has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant Information and to establish that the auditor is aware of such information.

Auditor

Alexander Sloan, accountants and business advisers, were appointed as auditors of the Association on 26 September 2017. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Alexander Sloan will therefore continue in office.

On behalf of the Board of Management

Company Secretary: 

Dated:

28/8/19.

Statement of Board of Management's Responsibilities in respect of Internal Financial Control

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

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

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

- formal policies and procedures are in place, including the on-going documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Audit Committee/Board received reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports

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

By order of the Board of Management



Company Secretary

Dated: 28/8/19.

Statement of Board of Management's responsibilities in respect of the Board of Management's report and the financial statements

The Board of Management ("Board") is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014. The Board of Management has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Report by the auditors to the members of West of Scotland housing Association Limited on corporate Governance matters.

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 9 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 9 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes, issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
28th August 2019



Alexander Sloan
Accountants and Business Advisers

Independent auditor's report to the members of West of Scotland Housing Association Limited.

Opinion

We have audited the financial statements of West of Scotland Housing Association ("the Association") for the year ended 31st March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, 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).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus 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 Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of West of Scotland Housing Association Limited (cont'd).

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

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:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on Page 9, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of West of Scotland Housing Association Limited (cont'd).

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Conclude on the appropriateness of the Board of Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

Opinion on other matters

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant deficiencies in internal controls that we identify during our audit.

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW

28/8/2019



Alexander Sloan
Accountants and Business Advisers

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

**Statement of Comprehensive Income
 For the year ended 31 March 2019**

	Notes	2019 £000	As Restated 2018 £000
Turnover	3	19,397	18,690
Operating Expenditure	3	<u>(16,776)</u>	<u>(16,478)</u>
Operating Surplus		2,621	2,212
Gain on disposal of assets	6	1	46
Interest Receivable and similar income	7	7	4
Interest Payable and similar charges	8	(1,731)	(1,427)
Comprehensive income for the year		<u><u>898</u></u>	<u><u>835</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 20 to 42 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

**Statement of Other Comprehensive Income
For the year ended 31 March 2019**

	Notes	2019 £000	2018 £000
Comprehensive income for the year		898	835
Adjustment to reflect pension liability at 1 April 2018	27	(1,113)	-
Actuarial movements on defined benefit scheme	27	(877)	-
Total Comprehensive Income for the year		<u>(1,092)</u>	<u>835</u>

The notes on pages 20 to 42 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

**Statement of Financial Position
 For the year ended 31 March 2019**

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible Assets	9	222	222
Tangible assets - housing properties	10	211,546	206,734
Tangible assets - other	11	2,299	2,372
Investment Properties	12	225	225
		<u>214,292</u>	<u>209,553</u>
Current Assets			
Stock		1	1
Receivables	14	1,737	2,295
Cash and Cash Equivalents		1,671	1,073
		<u>3,409</u>	<u>3,369</u>
Less: Payables due within one year	15	<u>(4,046)</u>	<u>(4,614)</u>
Net Current Liabilities		(637)	(1,245)
Total Assets less Current Liabilities		213,655	208,308
Payables : amounts falling due after more than one year	16	(60,226)	(57,475)
Provisions for Liabilities and Charges	17	(97)	(94)
Provision for Defined Benefit Obligation	27	(3,771)	-
Deferred Capital Grants	18	<u>(137,296)</u>	<u>(137,382)</u>
Net assets		<u>12,265</u>	<u>13,357</u>
Reserves			
Share capital	19	-	-
Reserves		<u>12,265</u>	<u>13,357</u>
		<u>12,265</u>	<u>13,357</u>

The notes on pages 20 to 42 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 28 August 2019 and signed by:

Board Member:

Board Member:

Company Secretary:

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

**Statement of changes in reserves
For the year ended 31 March 2019**

	Unrestricted reserve £000
<i>Current year</i>	
Balance at 1 April 2018	13,357
Deficit from statement of total other comprehensive income	(1,092)
Balance at 31 March 2019	<u>12,265</u>
	Unrestricted reserve £000
<i>Prior year</i>	
Balance at 1 April 2017	12,522
Surplus from statement of other comprehensive income	835
Balance at 31 March 2018	<u>13,357</u>

The notes on pages 20 to 42 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Cash Flows
For the year ended 31 March 2019

	Note	2019 £000	2018 £000
Net Cash Inflow from Operating Activities	20	4,438	4,166
Investing Activities			
Purchase of tangible fixed assets		(11,032)	(12,234)
Proceeds of tangible fixed assets		25	73
Purchase of intangible fixed assets		-	(222)
Grants received		4,547	4,561
Net cashflow from investing activities		(6,460)	(7,818)
Financing activities			
Interest paid		(1,726)	(1,427)
Interest received		7	4
New secured loans advanced		5,675	4,250
Repayments of borrowings		(1,336)	(3,077)
Net cashflow from financing activities		2,620	(254)
Increase / (decrease) in cash		598	(3,906)
Opening cash & cash equivalents		1,073	4,979
Closing cash & cash equivalents		1,671	1,073
Cash and cash equivalents at 31 March 2019		1,671	1,073

The notes on pages 20 to 42 form part of these financial statements.

Notes to the financial Statements
For the year ended 31 March 2019

1. Accounting policies

(a) Introduction and accounting basis

These financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2018.

The financial statements have been prepared on the historical cost basis as modified by the valuation of certain heritable properties. The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Association. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. The use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

West of Scotland Housing Association Limited meets the definition of a public benefit entity (PBE).

(b) Going concern

The Board of Management has compiled projections that indicate the Association will generate surpluses throughout the five and thirty year planning periods. The Association has a healthy cash position and has access to undrawn borrowing facilities. The Board is therefore satisfied that there are sufficient resources available to continue operating for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government.

(d) Social Housing Grant

Social Housing Grant ("SHG"), at amounts approved by The Scottish Government is paid directly to the Association during the development process.

SHG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to the net proceeds of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

SHG received as a contribution towards the capital cost of a housing development is recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structures.

(e) Intangible assets

All intangible assets shall be considered to have a finite useful life of 5 years on a straight line basis. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. Amortisation of intangible assets is shown within operating costs.

**Notes to the financial Statements
For the year ended 31 March 2019**

1. Accounting policies (cont'd)

(f) Fixed assets - Housing properties

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

1. Cost of acquiring land and buildings; and
2. Development expenditure including administration costs.

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

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

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

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

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

All costs relating to the share of property sold are removed from the financial statements at the date of sale.

(g) Capitalisation of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

(h) Development Interest

Interest incurred in financing a development is capitalised up to the date of practical completion of the scheme.

(i) Investment properties

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

**Notes to the financial Statements
For the year ended 31 March 2019**

1. Accounting policies (cont'd)

(j) Depreciation

(i). Social housing units

Each housing unit has been separated into its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been adopted by the Association:

Land	–	not depreciated
Structure	–	over 50 years
Windows	–	over 25 years
Bathrooms	–	over 30 years
Kitchens	–	over 15 years
Central Heating	–	over 15 years

(ii). Property, plant and equipment

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

The following rates have been used:-

Heritable Property	–	2% per annum
Commercial Property	–	4% per annum
Office Equipment	–	10% per annum,
Computer and Other Equipment	–	33.33% per annum
Motor Vehicles	–	25% per annum

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

(k) Impairment

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

(l) Investments

Investments in subsidiary undertakings are stated at cost.

(m) Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security can only be provided in respect of these loans once approval by The Scottish Government has been obtained.

**Notes to the financial Statements
For the year ended 31 March 2019**

1. Accounting policies (cont'd)

(n) Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade and Other Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or

**Notes to the financial Statements
For the year ended 31 March 2019**

1. Accounting policies (cont'd)

Financial Instruments (cont'd)

substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(o) Stocks

Stocks of maintenance materials have been valued at the lower of cost and net realisable value. Cost is defined as the value on the supplier's invoice.

(p) VAT

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

(q) Provisions

In accordance with Financial Reporting Standard 102 provision is made for furniture replacements.

(r) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of the cost of staff directly attributable to the operations disclosed within the Statement of Comprehensive Income.

(s) Pensions (note 27)

The Association contributes to the two Scottish Housing Association Pension Schemes (SHAPS).

Defined contribution plan

For the defined contribution scheme the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plan

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. From 1 April 2018, the Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

(t) Consolidation

The results of the Association and its subsidiary have not been consolidated as they are exempt in accordance with section 99 of the Co-operative and Community Benefit Societies Act 2014.

(u) Operating leases

Rentals under operating leases are recognised in the Statement of Comprehensive Income on an accruals basis.

(v) Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

**Notes to the financial Statements
For the year ended 31 March 2019**

2. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities.

The use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The principal areas where management has exercised judgement are:-

a. Financial instrument break clauses

The Association has considered the break clauses attached to its financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

b. Financial instruments - basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

c. Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pension Trust has developed a method of calculating each member's share of the assets and liabilities of the scheme. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 27). The net defined benefit pension liability at 31 March 2019 was £3,771k.

Areas where estimates are used are:-

- In estimating the useful lives of housing properties and capitalised components.
- In estimating depreciation rates to be applied to housing properties, capitalised components and other fixed assets.
- In estimating the recoverable amounts of rental and other trade receivables.
- In estimating grant amortisation.
- In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

WEST OF SCOTLAND HOUSING ASSOCIATION
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the financial Statements
 For the year ended 31 March 2019

3. Particulars of Turnover, Operating Costs and Operating Surplus

	2019		As Restated 2018		
Income and Expenditure From Lettings	Turnover £000	Operating Costs £000	Turnover £000	Operating Costs £000	Operating Surplus £000
Social Lettings (Note 4)	18,587	15,642	17,964	15,271	2,693
Other Activities (Note 5)	810	1,134	726	1,207	(481)
	<u>19,397</u>	<u>16,776</u>	<u>18,690</u>	<u>16,478</u>	<u>2,212</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the financial Statements
For the year ended 31 March 2019

4. Particulars of turnover, operating costs and operating surplus from social lettings activities

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Accommodation £000	2019 Total £000	As Restated 2018 Total £000
Income from rent and service charges					
Rent receivable net of service charges	13,508	854	81	14,443	13,828
Service charges	407	223	2	632	598
Gross income from rents and service charges	13,915	1,077	83	15,075	14,426
Less voids	(161)	(12)	-	(173)	(81)
Net income from rents and service charges	13,754	1,065	83	14,902	14,345
Release of Deferred Income Grant	3,667	-	18	3,685	3,584
Other Revenue Grants	-	-	-	-	35
Total turnover from affordable letting activities	17,421	1,065	101	18,587	17,964
Expenditure					
Management and maintenance administration costs	4,439	293	56	4,788	4,938
Service costs	305	413	2	720	755
Planned cyclical maintenance including major repairs	1,491	155	-	1,646	1,643
Reactive maintenance costs	2,106	163	-	2,269	2,131
Bad Debts - rents and service charges	113	7	-	120	141
Depreciation of social housing	5,772	271	56	6,099	5,663
Operating costs for affordable lettings activities	14,226	1,302	114	15,642	15,271
Operating surplus on affordable lettings activities	3,195	(237)	(13)	2,945	2,693
2018	2,920	(124)	(11)		

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the financial Statements
For the year ended 31 March 2019

5. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers		Other revenue grants		Other Income		Total Turnover		Other operating Costs		Operating surplus/deficit	
	2019 £000	2019 £000	2019 £000	2019 £000	2019 £000	2019 £000	2018 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Stage 3 adaptations	309	-	-	-	-	309	242	288	254	21	(12)	
Factoring	-	-	126	-	126	126	97	130	121	(4)	(24)	
Development and construction of property activities	-	-	-	-	-	-	-	224	156	(224)	(156)	
Impairment charge	-	-	-	-	-	-	-	-	140	-	(140)	
Other activities	-	241	134	-	134	375	387	492	536	(117)	(149)	
Total for other activities	309	241	260	260	810	810	1,134	1,134	1,207	(324)	(481)	
2018	242	242	242	242	726	726	1,207	1,207	1,207	(481)	(481)	

**Notes to the financial Statements
 For the year ended 31 March 2019**

6. Gain on Sale of Housing Assets

	2019	2018
	£000	£000
Sales Proceeds	25	73
Cost of Sales	<u>24</u>	<u>27</u>
Gain on Sale of Housing Stock	<u><u>1</u></u>	<u><u>46</u></u>

The cost of sales includes a Housing Association Grant adjustment.

7. Interest receivable and similar income

	2019	2018
	£000	£000
Interest receivable on deposits	<u>7</u>	<u>4</u>

8. Interest payable and similar charges

	2019	2018
	£000	£000
Interest on loans	1,726	1,424
Effective interest rate adjustment	37	22
Interest on pension liability	<u>77</u>	<u>6</u>
	1,840	1,452
Less: Development interest capitalised	<u>(109)</u>	<u>(25)</u>
	<u><u>1,731</u></u>	<u><u>1,427</u></u>

The average interest capitalisation rate was 2.17% (2018: 1.82%).

9. Intangible assets

	2019	2018
	£000	£000
Cost		
At start of year	222	-
Additions during year	<u>-</u>	<u>222</u>
At end of year	<u><u>222</u></u>	<u><u>222</u></u>

The £222,346 reflects the initial payments to acquire a new computer system which is being treated as an intangible asset. Further payments will be made in line with the agreed contract schedule. It is anticipated that the new system will be implemented in late 2019/20 or early 2020/21. Once the systems are in operation the total expenditure will be amortised in line with the accounting policy on intangible assets.

**Notes to the financial Statements
For the year ended 31 March 2019**

10. Tangible Fixed Assets – Housing properties

	Housing Properties Held for Letting £000	Housing Properties In Course of Construction £000	Shared Ownership Held for Letting £000	TOTAL £000
Cost				
At start of year	265,469	8,298	2,616	276,383
Additions during year	2,487	8,467	-	10,954
Transfers in year	9,033	(9,033)	-	-
Disposals	(871)	-	(63)	(934)
At end of year	<u>276,118</u>	<u>7,732</u>	<u>2,553</u>	<u>286,403</u>
Depreciation				
At start of year	68,771	-	878	69,649
Provided in the year	6,043	-	56	6,099
Eliminated on Disposal	(871)	-	(20)	(891)
At end of year	<u>73,943</u>	<u>-</u>	<u>914</u>	<u>74,857</u>
Net Book Value at 31 March 2019	<u>202,175</u>	<u>7,732</u>	<u>1,639</u>	<u>211,546</u>
Net Book Value at 31 March 2018	<u>196,698</u>	<u>8,298</u>	<u>1,738</u>	<u>206,734</u>

Additions to housing properties include capitalised development administration costs of £85,254 (2018: £88,874) and capitalised interest of £108,767 (2018: £24,716). The average interest capitalisation rate was 2.17% (2018: 1.82%).

The total expenditure on existing properties during the year was £3,431,226 (2018: £3,236,701). Of this £1,649,866 (2018: £2,368,512) was attributable to component replacements which have been capitalised and £837,358 on other structural improvements (2018: £nil). The remaining £944,002 (2018: £868,189) was charged to the statement of comprehensive income as a revenue expense.

The proceeds of property disposals in the year were £25,497 (2018: £72,865). The unit cost was £63,294 (2018: £126,032) and had a net book value of £43,585 (2018: £85,065). Grant of £nil (2018: £nil) is due to be repaid/ recycled in respect of these disposals.

Components with a cost of £870,779 (2018: £848,188), grant of £nil (2018: £nil) and accumulated depreciation of £649,840 (2018: £756,195) were written off during the year. The net book value of the components of £220,939 (2018: £91,993) is included in the depreciation charge for the year.

The carrying value of land included within housing properties is £20 million (2018: £18.2 million). All land and housing properties are freehold. Within housing properties held for letting are properties with a net book value of £138 million (2018: £92 million) that have been pledged as security to the Association's lenders in respect of outstanding loans. All land and buildings are heritable properties.

**Notes to the financial Statements
 For the year ended 31 March 2019**

11. Tangible Fixed Assets – Other

	Land £000	Community Centre £000	Offices £000	Other Equipment £000	TOTAL £000
Cost					
At start of year	152	100	2,483	673	3,408
Additions in year	-	-	-	15	15
At end of year	<u>152</u>	<u>100</u>	<u>2,483</u>	<u>688</u>	<u>3,423</u>
Depreciation					
At start of year	-	28	396	612	1,036
Provided in the year	-	4	50	34	88
At end of year	<u>-</u>	<u>32</u>	<u>446</u>	<u>646</u>	<u>1,124</u>
Net Book Value					
At 31 March 2019	<u>152</u>	<u>68</u>	<u>2,037</u>	<u>42</u>	<u>2,299</u>
Net Book Value					
At 31 March 2018	<u>152</u>	<u>72</u>	<u>2,087</u>	<u>61</u>	<u>2,372</u>

12. Investment Property

	2019 £000	2018 £000
At start of year	225	-
Additions during year	-	225
As at 31 March 2019	<u>225</u>	<u>225</u>

During 2017/18 the Association relocated staff from its offices at 225 Keppochhill Road. The property was subsequently let to an unconnected third party at an arm's length rent. The term of the lease is for five years. It is the Association's intention to continue to hold this property on an investment basis. The historical cost of the property is £516,572 and at the date of reclassification the net book value was £364,865. The property was valued on 14 December 2016 by an appropriately qualified valuer at a market value of £225,000; accordingly an impairment charge of £139,865 was recognised in the 2017/18 accounts (Note 5). The directors consider this valuation to be an accurate reflection of the value of the property as at 31 March 2019.

Notes to the financial Statements
For the year ended 31 March 2019

13. Subsidiary Undertaking

West of Scotland Housing Association controls Willowacre Trust, a Scottish charity and company limited by guarantee. The registered office of Willowacre Trust is Camlachie House, 40 Barrowfield Drive, Glasgow, G40 3QH. The principal activities of Willowacre Trust are the provision of support and services. The aggregate amount of capital and reserves and results of Willowacre Trust for the year ended 31 March 2019 were as follows:

	2019	2018
	£000	£000
Capital and Reserves	<u>414</u>	<u>343</u>
Surplus/(Deficit) for the Year	<u>71</u>	<u>(53)</u>

During the year the Association provided management services to Willowacre Trust for which a charge of £13,210 (2018: £13,164) was raised of which £3,302 (2018: £nil) was outstanding at the year-end. An amount of £3,602 (2018: £8,535) was due from the Trust in respect of other goods and services purchased by the Association on behalf of the Trust.

The Association leases premises to Willowacre Trust for a nominal rent of £1 (2018: £1).

To support the activities undertaken by Willowacre Trust which deliver services and projects associated with the Supporting Communities strategy to West of Scotland Housing Association tenants and communities, the Association makes support funding available on an annual basis. This funding is subject to annual review. In the year ended 31 March 2019 £253,818 (2018: £272,817) was paid to the Trust.

14. Receivables amounts falling due within one year

	2019	2018
	£000	£000
Rental Arrears	892	844
Less: provision for bad debts	(380)	(360)
	<u>512</u>	<u>484</u>
Amounts owed by Subsidiary undertaking (due within 1 year)	7	9
Other Debtors	805	1,644
Prepayments and Accrued Income	<u>413</u>	<u>158</u>
	<u>1,737</u>	<u>2,295</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the financial Statements
For the year ended 31 March 2019

15. Payables - amounts falling due within one year

	2019	2018
	£000	£000
Bank loans (Note 16)	1,402	1,357
Trade Creditors	1,001	913
Contract Retentions	142	41
Other Creditors	151	130
SHAPS past service pension deficit payment plan	-	519
Accruals and deferred income	930	1,319
Rent in advance	420	335
	<u>4,046</u>	<u>4,614</u>

Included in Other Creditors is £40,756 (2018: £44,230) in respect of pension contributions due to the Scottish Housing Associations Pension Schemes.

16. Payables – amounts falling due after more than one year

	2019	2018
	£000	£000
Bank loans	59,990	55,696
SHAPS past service pension deficit payment plan	-	1,543
Grant Repayable / Recyclable	236	236
	<u>60,226</u>	<u>57,475</u>

The bank loans are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 0.93% to 5.32% (2018: 0.74% to 7.82%).

The bank loans are repayable as follows:

	2019	2018
	£000	£000
Between one and two years	1,721	1,437
Between two and five years	5,413	6,382
In five years or more	52,856	47,877
	59,990	55,696
Amounts included due within one year	1,402	1,357
	<u>61,392</u>	<u>57,053</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
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**Notes to the financial Statements
For the year ended 31 March 2019**

17. Provision for Liabilities and Charges

	2019	2018
	£000	£000
Furniture Replacement for Supported Accommodation		
At start of year	94	-
Added during year	97	94
Released during Year	(94)	-
At 31 March 2019	<u>97</u>	<u>94</u>

18. Deferred Capital Grants

	Housing Properties Held for Letting	Housing Properties In Course of Construction	Shared Ownership Properties Held for Letting	Total
	£000	£000	£000	£000
At start of year	129,731	7,450	201	137,382
Additions during year	-	3,621	-	3,621
Transfers in year	5,052	(5,052)	-	-
Disposals	-	-	(22)	(22)
Amortised in year	<u>(3,667)</u>	<u>-</u>	<u>(18)</u>	<u>(3,685)</u>
At end of year	<u>131,116</u>	<u>6,019</u>	<u>161</u>	<u>137,296</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:-

	2019	2018
	£000	£000
Amounts due within one year	3,746	3,676
Amounts due in one year or more	<u>133,550</u>	<u>133,706</u>
	<u>137,296</u>	<u>137,382</u>

**Notes to the financial Statements
For the year ended 31 March 2019**

19. Share Capital

Shares of £1 each issued and fully paid	2019	2018
At beginning of year	191	202
Issued during the year	1	3
Shares forfeited in year	<u>(2)</u>	<u>(14)</u>
At end of year	<u><u>190</u></u>	<u><u>191</u></u>

Each member of the Association holds one share of £1 in the Association. The shares carry no rights to dividends or distributions in the event of a wind up. When a shareholder ceases to be a member, that member'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.

20. Statement of Cash Flows

Reconciliation of surplus to net cash inflow from operating activities	2019 £000	2018 £000
Surplus	897	835
Depreciation of tangible fixed assets	6,187	5,779
Decrease in Stock	-	39
Increase in trade and other debtors	(405)	(78)
Increase in trade and other creditors	78	155
Release of deferred government grant	(3,685)	(3,584)
Gain on disposal of fixed assets	(1)	(46)
Interest payable and similar charges	1,731	1,427
Interest receivable and similar income	(7)	(4)
Impairment	-	140
Decrease in provisions and employee benefits	<u>(357)</u>	<u>(497)</u>
Net cashflow from operating activities	<u><u>4,438</u></u>	<u><u>4,166</u></u>

21. Movement in Net Debt

	2018	Movements	Loans	Loans	2019
	£000	in cash flow	Drawn	Repaid	£000
		£000	£000	£000	
Cash and cash equivalents	1,073	598	-	-	1,671
Loans outstanding	<u>(57,053)</u>	<u>-</u>	<u>(5,675)</u>	<u>1,336</u>	<u>(61,392)</u>
	<u><u>(55,980)</u></u>	<u><u>598</u></u>	<u><u>(5,675)</u></u>	<u><u>1,336</u></u>	<u><u>(59,721)</u></u>

**Notes to the financial Statements
For the year ended 31 March 2019**

22. Key Management Personnel

The key management personnel are defined as the members of the Board, the executive officers and any other person reporting directly to the Chief Executive or the Board. No emoluments were paid to any members of the Board during the year.

	2019	2018
	£	£
Emoluments (excluding pension contributions) of:		
Chief Executive	<u>83,131</u>	<u>80,961</u>

The number of employees whose emoluments exceeded £60,000 during the year was as follows (including pension contributions):-

£60,001 - £70,000	3	2
£80,001 - £85,000	<u>1</u>	<u>1</u>

The total emoluments paid to key management personnel, including the chief executive, during the year were:

	2019	2018
	£	£
Emoluments (excluding pension contributions)	<u>279,048</u>	<u>210,983</u>

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 27. The Association's contribution for the Chief Executive in the year amounted to £10,304 (2018: £10,038).

23. Employee Information

	2019	2018
The average total number of persons employed during the year was	<u>83</u>	<u>77</u>

	2019	2018
The average monthly number of full time equivalent persons employed during the year was	<u>74</u>	<u>70</u>

	2019	2018
	£000	£000
Staff costs (including directors emoluments):	2,629	2,402
Social security costs	254	228
Pension Costs	<u>441</u>	<u>250</u>
	<u>3,324</u>	<u>2,880</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
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Notes to the financial Statements
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24. Operating Surplus

	2019	2018
	£000	£000
Operating surplus is stated after charging/(crediting):		
Depreciation	6,187	5,687
Amortised capital grants	(3,685)	(3,584)
Operating lease payments	5	4
Repairs: cyclical, major, day to day	3,247	3,221
Auditors remuneration		
- in their capacity as auditors	16	16
- in respect of other services	-	-
	<u> </u>	<u> </u>

25. Taxation

The Association is a registered charity and is exempt from corporation tax on its charitable activities. No corporation tax was due on its non-charitable activities.

26. Capital Commitments

	2019	2018
	£000	£000
Capital expenditure which has been contracted for but has not been provided for in the financial statements	11,521	8,516
Capital expenditure which has been authorised by the Board of Management but is not contracted	-	5,486
	<u> </u>	<u> </u>
	11,521	14,002

The above commitments will be finance by a mixture of public grant and the Association's own resources.

	2019	2018
	£000	£000
Funding from the Scottish Government	3,948	7,926
Private Finance	<u>7,573</u>	<u>6,076</u>
	<u>11,521</u>	<u>14,002</u>

**Notes to the financial Statements
For the year ended 31 March 2019**

27. Pensions

West of Scotland Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme). The scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme. The Association is an admitted body under the Scottish Housing Association Pension Fund, the assets of which are held in a separate trustee administered fund.

The scheme operates on a "last man standing" basis, meaning that in the event of an employer withdrawing from the scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The last valuation of the scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%). All scheme members have agreed to make contributions towards the past service deficit.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

Change in Accounting Estimate

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pension Trust has developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRC issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Statement of Financial Position. The change has been reflected in the Statement of Other Comprehensive Income as follows:-

	£000
Opening pension liability per actuary at 1 April 2018	3,175
Opening past service deficit at 1 April 2018	<u>2,062</u>
Movement to other comprehensive income	<u>1,113</u>

As a result, the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

**Notes to the financial Statements
 For the year ended 31 March 2019**

27. Pensions (cont'd)

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at	2019	2018
	% p.a.	% p.a.
Salary growth	3.3%	3.2%
Inflation (RPI)	3.3%	3.2%
Inflation (CPI)	2.3%	2.2%
Discount rate	2.3%	2.6%

Allowance for commutation of pension for cash at retirement is 75% (2018: 75%) of maximum allowance.

The defined benefit obligation is estimated to comprise of the following:

	2019
	No.
Employee members	45
Deferred pensioners	34
Pensioners	35
	<u>114</u>

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
	(Years)	(Years)
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

Fair value of scheme assets by category

	2019
	£000
Growth Assets	9,226
Matching Plus	2,160
Liability Driven Investment	7,037
Net Current Assets	19
Total assets	<u>18,442</u>

**Notes to the Financial Statements
 For the year ended 31 March 2019**

27. Pensions (cont'd)

Net Pension Liability	2019
	£000
Fair value of employer's assets	18,442
Present value of defined benefit obligation	<u>(22,213)</u>
Defined benefit liability to be recognised	<u>(3,771)</u>

Reconciliation of fair value of employer assets	2019
	£000
Opening fair value of employer assets at start of period	16,909
Interest income	442
Experience on plan assets	595
Contributions by the Employer	724
Contribution by plan participants	189
Benefits and expenses paid	<u>(417)</u>
Fair Value of plan assets at 31 March 2019	<u>18,442</u>

Return on plan assets was £1,037,000.

Reconciliation of defined benefit obligation	2019
	£000
Opening defined benefit obligation	20,084
Current Service Cost	350
Expenses	16
Interest Cost	519
Contribution by plan participants	189
Actuarial (gains)/losses due to scheme experience	(45)
Actuarial (gains)/losses due to changes in demographic assumptions	58
Actuarial (gains)/losses due to changes in financial assumptions	1,459
Benefits paid and expenses	<u>(417)</u>
Defined benefit obligation at end of period	<u>22,213</u>

**Notes to the Financial Statements
 For the year ended 31 March 2019**

27. Pensions (cont'd)

Analysis of amount charged to the Statement of Comprehensive Income	2019
	£000
Charged to operating costs:	
Current service cost	350
Expenses	16
Net interest expense	77
Defined benefit costs recognised in SoCI	<u>443</u>
Defined benefit costs recognised in the Other Comprehensive Income	£000
Experience on plan assets	595
Experience gains and losses arising on plan liabilities - gain/(loss)	45
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(58)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	<u>(1,459)</u>
Total actuarial gains/(losses) recognised in year	<u>(877)</u>
Net liability	2019
	£000
At as 1 April 2018	2,062
Adjustment to opening pension liability	1,113
Defined benefit costs recognised in SoCI	443
Total actuarial losses recognised in year	877
Contributions by the Employer	<u>(724)</u>
As at 31 March 2019	<u>3,771</u>

**Notes to the Financial Statements
For the year ended 31 March 2019**

28. Property Stock

The number of units of accommodation owned by the Association was as follows;

	Units in Management		Units under Development	
	2019	2018	2019	2018
General Needs Housing	3,284	3,214	43	34
Shared Ownership Accommodation	41	42	-	-
Supported Housing Accommodation	<u>221</u>	<u>221</u>	<u>-</u>	<u>-</u>
Total Housing Stock	<u>3,546</u>	<u>3,477</u>	<u>43</u>	<u>34</u>
<u>Other Property</u>				
Commercial	7	7	-	-
Heritable - Association's Offices	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total Other Property	<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>

29. Other Financial Commitments

Non-cancellable operating lease rentals
are payable as follows

	2019	2018
	£000	£000
Within one year	5	5
Within two to five years	<u>5</u>	<u>9</u>
	<u>10</u>	<u>14</u>

30. Lessor

At the reporting end date the Association had contracted with tenants for the following minimum lease payments £36,965 (2018: £35,750).

31. Related Party Transactions

The Association has one wholly owned subsidiary, Willowacre Trust, a charitable company limited by guarantee. Details of transactions with the Trust are included in Note 13.

The terms applicable to tenant members of the Association are the same terms applicable to all tenants.

Rental income and associated services charges of £20,571 (2018: £32,853) were received from members of the Board who were also tenants of the Association. The aggregate balance outstanding at 31 March 2019 was £nil (2018: £nil).

During the year expenses of £11,307 (2018: £12,309) were reimbursed to members of the Board of Management in respect of training, travelling and subsistence costs.

