

West of Scotland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 2017

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

Report and Financial Statements for the year ended 31 March 2017

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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 2017

Members of the Management Committee

Ruth Simpson (Chair)
Anne Reid (Vice chair to 3 February 2017)
Katie McLeod
Ena Hutchison
Ian McGibbon
Colin Menabney
Rab Morrow
Clare Newton
Jim Hayton (Resigned 7 February 2017)
Michelle Meldrum (Parent Member)
Elaine Davidson (Vice chair from 24 May 2017)
Lynn Clark (Resigned 26 October 2016)
Kelly Adams
Paul Macaninch
Robert Higgins

Registered Office

Camlachie House
40 Barrowfield Drive
Glasgow
G40 3QH

Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Banker

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

Executive Officers

Lynne Donnelly
Stewart Gibb
Colin MacCallum

Solicitor

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

Report of the Management Committee

The Management Committee presents its report and the audited financial statements for the year ending 31 March 2017.

Legal Status

The 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.

Overview

2016/17 was an exciting and challenging year for the Association. Despite the numerous challenges we faced we sustained good performance, made significant improvements in areas that were underperforming and established new priorities to ensure we continue to meet the needs of our tenants and other customers.

During the year members of the Management Committee, with support from the Corporate Management Team, reviewed its Governance Structure and established a Development & Investment sub-committee to support strategic growth and manage the potential risk associated with delivering our ambitious development programme. The Management Committee also reviewed its arrangements for ensuring tenants have a strong and influential voice in the decisions it makes and relaunched the Tenants Advisory Group. This Group will work across all our areas of operation and encourage tenant participation in and review the quality of our services. To support these changes the Management Committee also reviewed and introduced a new staff structure to provide additional resources to improve tenant services and to deliver the development programme.

With support from an independent consultant the Management Committee completed a review of its performance against the Regulatory standards for Governance and Financial Management; the review was assessed by the Scottish Housing Regulator with minor recommendations being made which will be implemented during 2017/18.

We successfully managed the ongoing impact of welfare reform and helped support our tenants by offering a range of services through our subsidiary, Willowacre Trust. We continued to focus on delivering the services our customers require and to ensure we operate in line with the Scottish Social Housing Charter. We took advantage of increased HAG levels provided by the Scottish Government and, by working closely with our Local Authority partners, agreed an outline development programme of circa 600 homes in the next five or six years to help support the demand for increased affordable housing in our areas of operation. We delivered 18 new affordable homes in the Barrowfield area of Glasgow and invested £6.8 million in delivering our planned maintenance programme and several major repairs projects to improve the quality of life for our tenants.

The constitutional partnership with the Gentoo Group was reviewed and a joint decision was taken to bring the partnership to an end. The review concluded that the significant changes introduced by the Government in England, including but not limited to, a rent freeze and subsequent 1% per annum reduction and the introduction of the right to buy, meant the partnership could no longer deliver its stated objectives and it was in the best interest of our tenants to disaggregate the partnership. A significant amount of resource was dedicated to reviewing the partnership, this culminated in a business case being presented to the Scottish Housing Regulator for consideration and approval. It is anticipated that approval will be granted and the partnership will end during 2017/18. In preparation for the disaggregation the Management Committee introduced a new risk management system and procured a new internal audit service to ensure it manages and mitigates risk to reflect its new independent status.

During 2016/17 the Association continued to focus on improving customer service standards and performance against the Indicators set out in the Annual Return on the Charter. Our Customers helped design the content and layout of the annual report on the charter which was first published in 2016 and will continue to work with us to present our 2016/17 results. Key highlights for 2016/17 include an arrears outturn of 4.52% against an annual target of 5.30%, a reduction in the number of days to relet a home from 37 days in 2015/16 to 22 days in 2016/17.

Report of the Management Committee (cont'd)

Overview (cont'd)

Our management of complaints improved from 82% in 2015/16 to 98% in 2016/17. Tenant satisfaction with factoring and repairs and maintenance services which performed poorly during 2015/16 showed a significant improvement. Satisfaction with the quality of our factoring service increased from 57% to 73% in 2016/17 and satisfaction with the repairs and maintenance service increased from 76% to 88% during the year. During 2017/18 we aim to further improve service delivery by focusing on improving our approach to contract management to ensure standards improve and value for money is achieved.

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.

West of Scotland Housing Association Ltd is registered with the Financial Conduct Authority as a Friendly Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Strategic Aims and Objectives

During 2016/17 the decision was taken to bring the constitutional partnership with the Gentoo Group to an end. The Association considered, agreed and introduced a new Vision, new Values and new Strategic aims which more closely reflect West of Scotland Housing Association operating as an independent organisation delivering services across several local authority areas. The Association's strategic aims are:

- 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 customers
- Work with others to improve tenants' lives
- Be well governed and financially strong

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

Financial Review

In the year to 31 March 2017, total revenue increased to £17.9m from £17.7m. Of this rents and service charges contributed £13.9m (2016: £13.4m). The revenue for the year also reflects the release to income of £3.5m (2016: £3.5m) of Housing Association Grant received in prior years to assist with the acquisition and construction of housing stock.

Operating costs, excluding the one off pension credit, rose to £14.9m (2016: £13.7m). Management and administration expenses, service charges and depreciation on housing stock were in line with the prior year with the increase in operating costs of £1.2m attributed to increased maintenance expenditure on our housing stock.

The Association spent £7.6m (2016: £4.3m) maintaining and improving its housing stock. Of the £7.6m, £3.1m (2016: £0.9m) was spent on new components (bathrooms, boilers, kitchens and windows) to replace existing components which had come to the end of their useful lives.

During the year the provision to meet the Association's obligation under the SHAPS defined benefit pension past service deficit agreement was reassessed. The provision was reduced which led to a one off credit of £2.6m. (2016: Nil).

Interest costs on the Association's loans fell to £1.4m from £1.5m due to reduced loan balances as a

Report of the Management Committee (cont'd)

Financial Review (cont'd)

result of scheduled debt repayments during the year.

The outcome for the full year was a surplus of £2.9m (2016: £2.1m) which has been taken to reserves and will be used to fund expenditure in future periods.

The Statement of Financial Position reflects the results of the year with reserves rising to £12.5m from £9.6m.

At the year-end cash and investments had reduced to £5.0m from £6.8m reflecting repayment of loan debt of £1.7m (2016: £1.5m) and the increased repairs expenditure. The year-end cash balance also reflects the receipt of Housing Association Grant of £2m which was used in April 2017 to acquire land for development.

Future Prospects

During the latter part of 2016/17 the Management Committee and staff jointly considered our future priorities. These reflect our Strategic Plan and are clearly outlined in the annual Business Plan and supporting action plan. During 2017/18 we will focus on improving the quality of service we deliver to our customers. We will also focus on business growth, mainly through delivery of our development programme. We will complete 96 new affordable homes in Symington and Troon in Ayrshire and progress the remainder of our development programme throughout Glasgow and South Ayrshire.

Main risks and uncertainties

The Association is conscious that Business Growth brings with it additional risks which must be controlled and effectively managed. During the year we introduced a new risk management system, which specifically captures risks associated with the development process to ensure we are aware of and mitigate risk associated with the management of an active and ambitious development programme.

We will manage the disaggregation from the Gentoo Group in a positive and supportive manner reflecting the approach adopted throughout the term of the partnership. The work undertaken during 2016/17 to improve service standards, implement a new Governance and Staffing structure and introduce new risk management and internal audit arrangements will support a seamless transfer which will ensure the Association delivers good outcomes for its tenants.

Employee Development, Health and Safety and Equalities

The Association takes seriously its responsibility to employees; it consults on matters of importance to them and takes account of their interests when making decisions that affect them. We experienced significant staff turnover during 2016/17 and introduced a range of new posts aimed at service improvement, this was supported by a robust training programme to support staff as they settled into their new roles and structure. The Association is fully committed to investing in the potential of its staff and will continue to offer the support required to help 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.

The Association is heavily engaged in delivering its Healthy Working Lives initiative. It has achieved Silver Award status for Health at Work and is working towards achieving the Gold award during 2017/18.

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.

Report of the Management Committee (cont'd)

Customer Service

A full review of the staff structure was completed during 2016/17. The review was carried out to ensure staff resources reflect the revised Governance Structure and meet the priorities laid out by the Association in relation to delivering its development programme, tenant engagement and scrutiny and improving service standards. As a result of the review two teams deliver housing and tenancy services, including tenancy management, estates management, allocations and income maximisation; across dedicated areas. These teams are supported by a property team which delivers all repairs and maintenance services and the development programme. Support is also provided by the corporate services team and community and support services are delivered by the Association's subsidiary company Willowacre Trust. The impact of the new structure will be monitored and reviewed by the end of the 2017/18 financial year.

Community and Support Services

We continue to build on our commitment to Sustainable Communities and embed the themes within the strategy namely, Tackling Poverty, Community Education, Wellbeing, Community Safety, Fuel Poverty and Waste Management in all aspects of the Association's business.

We have also continued to develop the activity within the Barrowfield Centre, our community facility in Camlachie Glasgow, and our subsidiary charity, Willowacre Trust, which delivers our non-core landlord activities. We work in partnership with a range of stakeholders across our communities to develop plans and services for the communities we serve. We continued to deliver our older persons services, including a handyman service which is free to elderly and vulnerable tenants and our volunteering service. We also introduced Digital Inclusion Workshops for our tenants.

Committee and Officers' Insurance

The Association maintains insurance cover for its Committee 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 Management Committee

Ruth Simpson, Chair - 3
Anne Reid , Vice Chair – 2,4
Michelle Meldrum, Parent Member
Robert Morrow – 1, 4
Ian McGibbon – 1
Jim Hayton - 1
Clare Newton – 1,3
Elaine Davidson – 1,2,3
Ena Hutchison - 2
Colin Menabney - 1, 4
Kelly Adams - 1
Paul Macaninch – 1, 4
Robert Higgins – 3,4
Katie McLeod - 4

Sub Committees

1 Audit Committee
2 Tenant Advisory Group
3 Staffing Sub Committee
4 Development Sub Committee

Report of the Management Committee (cont'd)

On 31st March, 2017, it was agreed by the Management Committee that all Management Committee members sitting on the Tenant Advisory Group would step down from this group. A recent

governance review had highlighted this situation as a conflict of interest. All three remaining members resigned from the group on 22nd May 2017.

Each member of the Committee 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 Committee.

Executives

The Executive Officers of West of Scotland Housing Association at 31 March 2017 were as follows:

Lynne Donnelly - Chief Executive Officer
Stewart Gibb - Director of Housing and Customer Services
Colin MacCallum - Director of Finance and Corporate Services

Disclosure of Information to Auditor

Each member of the management committee 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

KPMG LLP is the current charity auditor.

Pursuant to Section 487 of the Companies Act 2006, a resolution for the appointment of an auditor for the company is to be proposed at the forthcoming general meeting.

On behalf of the Management Committee


Company Secretary

Dated: 24th August 2017

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

The Management Committee 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 Management Committee'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 miss-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 system 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 Management Committee;
- the Audit Committee/Management Committee 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 Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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 Management Committee


Company Secretary

Dated: 24th August 2017

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

The Management Committee is responsible for preparing the Management Committee's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Management Committee to prepare financial statements for each financial year. Under those regulations the Management Committee 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 Management Committee 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 Management Committee 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 Management Committee 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.

Independent auditor's report to West of Scotland Housing Association

We have audited the financial statements of West of Scotland Housing Association for the year ended 31 March 2017 set out on pages 11 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and auditor

As more fully explained in the Statement of Management Committee's Responsibilities set out on page 9, the Association's Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2017 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 8:

- does not provide 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

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- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

M.R. Thompson

Mick Thompson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Date: *24 August 2017.*

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**Statement of Comprehensive Income
 For the year end 31 March 2017**

	Notes	2017 £000	2016 £000
Turnover	3	17,940	17,708
Operating Expenditure	3	(13,387)	(14,583)
Other Operating Income	3	14	302
(Deficit)/Surplus on disposal of assets	3	<u>(73)</u>	<u>271</u>
Operating Surplus		4,494	3,698
Interest Receivable and similar income	6	15	24
Interest Payable and similar charges	7	(1,574)	(1,615)
Total comprehensive income for the year		<u><u>2,935</u></u>	<u><u>2,107</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 15 to 35 form part of these financial statements.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
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**Statement of Financial Position
 For the year end 31 March 2017**

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets - housing properties	8	200,088	201,324
Tangible assets - other	9	2,794	2,911
		<u>202,882</u>	<u>204,235</u>
Current Assets			
Stock		39	-
Trade and other debtors	11	844	863
Investments	23	4,718	6,254
Cash and cash equivalents	23	261	536
		<u>5,862</u>	<u>7,653</u>
Less: creditors due within one year	12	<u>(4,647)</u>	<u>(5,195)</u>
Net current assets		1,215	2,458
Total assets less current liabilities		204,097	206,693
Creditors: amounts falling due after more than one year	13	(56,487)	(61,172)
Deferred Capital Grants	14	(135,088)	(135,934)
		<u>(191,575)</u>	<u>(197,106)</u>
Net assets		<u>12,522</u>	<u>9,587</u>
Reserves			
Share capital	15	-	-
Reserves		<u>12,522</u>	<u>9,587</u>
		<u>12,522</u>	<u>9,587</u>

The notes on pages 15 to 35 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 24th August 2017 and signed by:

Committee Member:

Clairie Davidson

Committee Member:

K.S.

Company Secretary:

Penelope Cairns

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Statement of changes in reserves
For the year end 31 March 2017

	Unrestricted reserve £000	Designated reserve £000
<i>Current year</i>		
Balance at 1 April 2016	9,587	-
Surplus from statement of comprehensive income	2,935	-
Balance at 31 March 2017	<u>12,522</u>	<u>-</u>

	Unrestricted reserve £000	Designated reserve £000
<i>Prior year</i>		
Balance at 1 April 2015	7,372	108
Surplus from statement of comprehensive income	2,107	-
Transfer from designated reserve	108	(108)
Balance at 31 March 2016	<u>9,587</u>	<u>-</u>

The notes on pages 15 to 35 form part of these financial statements.

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Statement of Cashflows
For the year end 31 March 2017

	Note	2017 £000	2016 £000
Cashflow from Operating activities			
Surplus for the year		2,935	2,107
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		5,560	5,715
Increase in Stock		(39)	-
Decrease in trade and other debtors		19	110
(Decrease)/ increase in trade and other creditors		(650)	701
Deferred government grant		(3,541)	(3,542)
Deficit/(Surplus) on disposal of fixed assets		73	(271)
Gain on Broomhouse transfer		-	(302)
Interest payable and similar charges		1,574	1,615
Interest receivable and similar income		(15)	(24)
Impairment		53	-
Grant abatement		(46)	(264)
Decrease in provisions and employee benefits		(3,108)	(450)
Net cashflow from Operating activities		2,815	5,395
Cashflow from investing activities			
Purchase of tangible fixed assets		(4,448)	(3,458)
Proceeds of tangible fixed assets		114	959
Grants received		2,741	1,092
Interest received		15	24
Broomhouse cash transfer		-	352
Net cashflow from investing activities		(1,578)	(1,031)
Cashflow from financing activities			
Interest paid		(1,380)	(1,513)
Repayments of borrowings		(1,668)	(1,546)
Net cashflow from financing activities		(3,048)	(3,059)
Net change in cash and cash equivalents	23	(1,811)	1,305

The notes on pages 15 to 35 form part of these financial statements.

Notes to the financial Statements
For the year ended 31 March 2017

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 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in December 2014.

The financial statements have been prepared on the historical cost basis. 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 is a public benefit entity (PBE).

(b) Going concern

The Management Committee 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 Management Committee is therefore satisfied that there are sufficient resources available to continue operating for the foreseeable future. Accordingly, the Management Committee continue 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) 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

**Notes to the financial Statements
For the year ended 31 March 2017**

1. Accounting policies (cont'd)

Fixed assets - Housing properties (cont'd)

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.

(f) 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.

**Notes to the financial Statements
For the year ended 31 March 2017**

1. Accounting policies (cont'd)

(g) 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 income and expenditure account.

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.

(h) Investments

Investments in subsidiary undertakings are stated at cost.

(i) 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.

(j) 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.

Notes to the financial Statements
For the year ended 31 March 2017

1. Accounting policies (cont'd)

Financial Instruments (cont'd)

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 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.

(k) Apportionment of management expenses

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

(l) Pensions (note 21)

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

Defined contribution plan

For the defined contribution scheme the amount charged to income and expenditure 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

Contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Association will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

**Notes to the financial Statements
For the year ended 31 March 2017**

1. Accounting policies (cont'd)

(m) Consolidation

The Association and its subsidiary undertaking are subsidiaries of Gentoo Group Limited. These accounts represent the results of the Association and not of the Gentoo Group Limited.

The results of the Association and its subsidiary have been consolidated into the results of the Gentoo Group. Consolidated accounts for the Gentoo Group have been prepared and copies can be obtained from Emperor House, 2 Emperor Way, Sunderland, SR3 3XR.

(n) Operating leases

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

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;-

- 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.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
 For the year ended 31 March 2017

3. Particulars of Turnover, Operating Costs and Operating Surplus

Income and Expenditure From Lettings	2017				2016				
	Turnover £000	Operating Costs £000	Other Income £000	Sale of Assets £000	Turnover £000	Operating Costs £000	Other Income £000	Sale of Assets £000	Operating Surplus £000
Social Lettings (Note 4)	17,460	12,418	-	-	16,976	13,684	-	-	3,292
Other Activities (Note 5)	480	969	-	-	732	899	-	-	(167)
	<u>17,940</u>	<u>13,387</u>	<u>14</u>	<u>(73)</u>	<u>17,708</u>	<u>14,583</u>	<u>302</u>	<u>271</u>	<u>3,698</u>

Operating expenditure for social lettings and Other Activities includes an exceptional pension credit of £2,645,000 (2016 £nil) (Note 21).
 The amount of the exceptional pension credit within Social Lettings and Other activities is £2,546,000 and £99,000 respectively.

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
For the year ended 31 March 2017

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	2017 Total £000	2016 Total £000
Income from rent and service charges					
Rent receivable net of service charges	12,272	1,037	93	13,402	13,117
Service charges	377	165	3	545	506
Gross income from rents and service charges	12,649	1,202	96	13,947	13,623
Less voids	(49)	(9)	-	(58)	(189)
Net income from rents and service charges	12,600	1,193	96	13,889	13,434
Release of Deferred Income Grant	3,519	-	22	3,541	3,542
Other Revenue Grants	30	-	-	30	-
Total turnover from affordable letting activities	16,149	1,193	118	17,460	16,976
Expenditure					
Management and maintenance administration costs	3,967	280	39	4,286	4,150
Service charges	372	189	2	563	562
Planned cyclical maintenance including major repairs	2,288	165	-	2,453	1,498
Reactive maintenance costs	1,997	121	-	2,118	1,861
Bad Debts - rents and service charges	63	4	-	67	76
Depreciation of social housing	5,031	342	51	5,424	5,537
Impairment of social housing	53	-	-	53	-
Exceptional pension credit (Note 21)	(2,546)	-	-	(2,546)	-
Operating costs for affordable lettings activities	11,225	1,101	92	12,418	13,684
Operating surplus on affordable lettings activities	4,924	92	26	5,042	3,292
2016	3,354	(90)	28		

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
 For the year ended 31 March 2017

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		Other operating Costs		Operating deficit			
	2017	£000	2017	£000	2017	£000	2016	£000	2017	£000	2016	£000	2017	£000	2016	£000
Stage 3 adaptations	174		-		-		174	201	174		201		-		-	
Factoring	-		-		100		100	47	100		106		-		(59)	
Exceptional pension credit (Note 21)	-		-		-		-	-	(99)		-		99		-	
Development and construction of property activities	-		-		5		5	25	116		77		(111)		(52)	
Support activities	-		-		-		-	-	53		42		(53)		(42)	
Other activities	-		152		49		201	459	625		473		(424)		(14)	
Total for other activities	<u>174</u>		<u>152</u>		<u>154</u>		<u>480</u>		<u>969</u>				<u>(489)</u>			
2016	<u>201</u>		<u>438</u>		<u>93</u>		<u>732</u>				<u>899</u>				<u>(167)</u>	

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
For the year ended 31 March 2017

6. Interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable on deposits	<u>15</u>	<u>24</u>

7. Interest payable and similar charges

	2017	2016
	£000	£000
Interest on loans	1,380	1,513
Interest on pension liability	<u>194</u>	<u>102</u>
	<u>1,574</u>	<u>1,615</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
For the year ended 31 March 2017

8. 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	255,913	2,358	2,880	261,151
Additions during year	3,206	1,218	-	4,424
Transfers in year	2,657	(2,594)	(63)	-
Disposals	(612)	-	-	(612)
At end of year	<u>261,164</u>	<u>982</u>	<u>2,817</u>	<u>264,963</u>
Depreciation				
At start of year	58,975	-	852	59,827
Transfers in year	16	-	(16)	-
Provided in the year	5,373	-	51	5,424
Eliminated on Disposal	(429)	-	-	(429)
Impairment	53	-	-	53
At end of year	<u>63,988</u>	<u>-</u>	<u>887</u>	<u>64,875</u>
Net Book Value at 31 March 2017	<u>197,176</u>	<u>982</u>	<u>1,930</u>	<u>200,088</u>
Net Book Value at 31 March 2016	<u>196,938</u>	<u>2,358</u>	<u>2,028</u>	<u>201,324</u>

The proceeds of property disposals in the year were £65,000 (2016: £252,816). The unit cost was £82,725. (2016: £492,604) and had a net book value of £57,152 (2016: £351,452). Grant of £7,218 (2016: £17,217) is due to be repaid/ recycled in respect of these disposals.

The total expenditure on major repairs during the year was £4,322,062 (2016: £1,761,390). Of this £3,074,463 (2016: £929,124) was attributable to component replacements which have been capitalised. The remaining £1,247,599 (2016: £832,266) was charged to the income and expenditure account as a revenue expense.

Components with a cost of £529,046 (2016: £512,878), Grant of £Nil (2016:£Nil) and accumulated depreciation of £404,248 (2016: £229,049) were disposed of during the year.

The carrying value of land included within housing properties is £17.7 million (2016: £17.7 million). All land and housing properties are freehold.

Within housing properties held for letting are properties with a net book value of £111 million that have been pledged as security to the Association's lenders in respect of outstanding loans.

WEST OF SCOTLAND HOUSING ASSOCIATION
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
 For the year ended 31 March 2017

9. Tangible Fixed Assets – Other

	Land £000	Commercial Property £000	Offices £000	Other Equipment £000	TOTAL £000
Cost					
At start of year	152	100	2,999	1,564	4,815
Additions in year	-	-	-	23	23
Disposals in year	-	-	-	(889)	(889)
At end of year	<u>152</u>	<u>100</u>	<u>2,999</u>	<u>698</u>	<u>3,949</u>
Depreciation					
At start of year	-	20	438	1,446	1,904
Provided in the year	-	4	60	72	136
Disposals in year	-	-	-	(885)	(885)
At end of year	<u>-</u>	<u>24</u>	<u>498</u>	<u>633</u>	<u>1,155</u>
Net Book Value					
At 31 March 2017	<u>152</u>	<u>76</u>	<u>2,501</u>	<u>65</u>	<u>2,794</u>
Net Book Value					
At 31 March 2016	<u>152</u>	<u>80</u>	<u>2,561</u>	<u>118</u>	<u>2,911</u>

WEST OF SCOTLAND HOUSING ASSOCIATION
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the financial Statements
For the year ended 31 March 2017

10. 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 loss on ordinary activities after taxation of Willowacre Trust for the year to 31 March 2017 is £44,718 (2016: Profit £5,727).

11. Trade and Other Receivables

	2017	2016
	£000	£000
Rental Arrears	662	661
Less: provision for bad debts	(243)	(229)
	<u>419</u>	<u>432</u>
Amounts owed by Subsidiary undertakings (due within 1 year)	-	6
Other Debtors	347	328
Prepayments and Accrued Income	<u>77</u>	<u>97</u>
	<u><u>844</u></u>	<u><u>863</u></u>

12. Creditors amounts falling due within one year

	2017	2016
	£000	£000
Commercial loans (Note 13)	1,684	1,659
Trade Creditors	232	1,515
Contract Retentions	218	182
Other Creditors	621	1,085
Accruals and deferred income	1,556	466
Rent in advance	<u>336</u>	<u>288</u>
	<u><u>4,647</u></u>	<u><u>5,195</u></u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in Other Creditors is £503,529 (2016: £943,101) in respect of pension contributions due to the Scottish Housing Associations Pension Schemes.

**Notes to the financial Statements
For the year ended 31 March 2017**

13. Creditors – amounts falling due after more than one year

	2017 £000	2016 £000
Commercial loans	54,196	55,888
SHAPS pension deficit repayment plan	2,055	5,010
Grant Repayable / Recyclable	236	239
Contract Retentions	-	35
	<u>56,487</u>	<u>61,172</u>

The commercial loans are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 0.59% to 7.24% (2016: 0.74% to 7.24%).

The commercial loans are repayable as follows:

	£000	£000
Between one and two years	1,719	1,669
Between two and five years	6,252	5,699
In five years or more	<u>46,225</u>	<u>48,520</u>
	54,196	55,888
Amounts included due within one year	<u>1,684</u>	<u>1,659</u>
	<u>55,880</u>	<u>57,547</u>

14. Deferred Capital Grants

	Housing Properties Held for Letting £000	Housing Properties In Course of Construction £000	Shared Ownership Properties Held for Letting £000	Total £000
At start of year	134,510	1,032	392	135,934
Additions during year	13	2,728	-	2,741
Transfers in year	69	-	(69)	-
Disposals	(46)	-	-	(46)
Amortised in year	<u>(3,519)</u>	<u>-</u>	<u>(22)</u>	<u>(3,541)</u>
At end of year	<u>131,027</u>	<u>3,760</u>	<u>301</u>	<u>135,088</u>

Notes to the financial Statements
For the year ended 31 March 2017

15. Share Capital

Shares of £1 each issued and fully paid

	2017	2016
At beginning of year	208	107
Issued during the year	1	21
Shares forfeited in year	(7)	(11)
Transferred in during year	<u>-</u>	<u>91</u>
At end of year	<u>202</u>	<u>208</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.

16. Key Management Personnel

The directors are defined as the members of the Management Committee, the executive officers and any other person reporting directly to the Chief Executive or the Management Committee. No emoluments were paid to any members of the Management Committee during the year.

A new Chief Executive was appointed in October 2015. The emoluments for the year to 31 March 2016 shown below represent the aggregate of the amounts paid to the incoming and departing chief executive.

	2017	2016
	£	£
Chief Executive		
Emoluments (excluding pension contributions)	78,248	82,320
Employer's pension contributions	<u>9,466</u>	<u>9,954</u>
Total emoluments payable	<u>87,714</u>	<u>92,274</u>

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

	2017	2016
£60,001 - £65,000	2	-
£75,001 - £80,000	<u>1</u>	<u>-</u>

As a result of the changes in the management team during the year to 31 March 2016 there were no employees whose emoluments exceeded £60,000 in that year.

**Notes to the financial Statements
 For the year ended 31 March 2017**

16. Key Management Personnel (cont'd)

The total emoluments paid to directors, including those holding the post of Chief Executive, during the year was;

	2017	2016
	£	£
Emoluments (excluding pension contributions)	201,836	145,497
Employer's pension contributions	<u>14,884</u>	<u>5,917</u>
Total emoluments payable	<u><u>216,720</u></u>	<u><u>151,413</u></u>

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 21. The Association's contribution for the Chief Executive in the year amounted to £9,466 (2016: £9,954).

17. Employee Information

	2017	2016
	No.	No.
The average number of persons (expressed as full time equivalents) employed during the year was:		
Maintenance Operatives	40	41
Adminstration Staff	21	22
Wardens and Cleaners	<u>4</u>	<u>4</u>
	<u><u>65</u></u>	<u><u>67</u></u>

	2017	2016
	£000	£000
Staff costs (including directors emoluments):	2,220	2,300
Social security costs	214	182
Pension Costs *	<u>(2,404)</u>	<u>212</u>
	<u><u>30</u></u>	<u><u>2,694</u></u>

*Pension costs (including exceptional pension credit of £2,645,000 (2016: Enil) (note 21).

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**Notes to the Financial Statements
For the year ended 31 March 2017**

18. Operating Surplus

	2017	2016
	£000	£000
Operating surplus is stated after charging/(crediting):		
Depreciation	5,560	5,999
Amortised capital grants	(3,541)	(3,542)
Operating lease payments	6	6
Repairs: cyclical, major, day to day	4,659	3,359
Auditors remuneration		
- in their capacity as auditors	14	14
- in respect of other services	<u>1</u>	<u>1</u>

19. 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.

20. Capital Commitments

Capital Commitments

	2017	2016
	£000	£000
Capital expenditure which has been contracted for but has not been provided for in the financial statements	7,263	400
Capital expenditure which has been authorised by the Management Committee but is not contracted	5,486	1,400
	<u>12,749</u>	<u>1,800</u>

This is to be funded by:

Funding from the Scottish Government	8,381	-
Private Finance	<u>4,368</u>	<u>1,800</u>
	<u>12,749</u>	<u>1,800</u>

**Notes to the Financial Statements
For the year ended 31 March 2017**

21. Pensions

The company participates in the Scottish Housing Associations Pension Scheme (SHAPS), a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 the company 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.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	5,473	5,821
Unwinding of the discount factor (interest expense)	120	124
Deficit contribution paid	(463)	(450)
Remeasurements - impact of changes in assumptions	74	(22)
Remeasurements - amendments to the contribution schedule	(2,645)	-
Provision at end of period	2,559	5,473

WEST OF SCOTLAND HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Financial Statements
For the year ended 31 March 2017

21. Pensions (cont'd)

INCOME AND EXPENDITURE ACCOUNT	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	120	124
Remeasurements – impact of changes in assumptions	74	(22)
Remeasurements – amendments to the contribution schedule	(2,645)	-

ASSUMPTION	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.06	2.29	2.22

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the Association and the scheme at each year end period:

Year ending	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	504	463	450
Year 2	519	477	463
Year 3	534	492	477
Year 4	550	506	492
Year 5	519	522	506
Year 6	-	537	522
Year 7	-	553	537
Year 8	-	570	553
Year 9	-	587	570
Year 10	-	605	587
Year 11	-	623	605
Year 12	-	321	623
Year 13	-	-	321

**Notes to the Financial Statements
For the year ended 31 March 2017**

22. Property Stock

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

	Units in Management		Units under Development	
	2017	2016	2017	2016
General Needs Housing	3,192	3,163	-	18
Shared Ownership Accommodation	47	52	-	-
Supported Housing Accommodation	<u>221</u>	<u>221</u>	<u>-</u>	<u>-</u>
Total Housing Stock	<u><u>3,460</u></u>	<u><u>3,436</u></u>	<u><u>-</u></u>	<u><u>18</u></u>
<u>Other Property</u>				
Commercial	4	5	-	-
Heritable - Association's Offices	<u>2</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total Other Property	<u><u>6</u></u>	<u><u>8</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

23. Cash and cash equivalents

	2017 £000	2016 £000
Investments	4,718	6,254
Cash at bank	<u>261</u>	<u>536</u>
Closing cash and cash equivalents	4,979	6,790
Less		
Opening cash and cash equivalents	<u>(6,790)</u>	<u>(5,485)</u>
Net change in the year	<u><u>(1,811)</u></u>	<u><u>1,305</u></u>

24. Other Financial Commitments

	£000	£000
Non-cancellable operating lease rentals are payable as follows		
Within one year	7	6
Within two to five years	<u>-</u>	<u>7</u>
	<u><u>7</u></u>	<u><u>13</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2017**

25. Related Party Transactions

The Association has one wholly owned subsidiary, Willowacre Trust, a charitable company limited by guarantee. Under FRS 102, the Association is not required to disclose transactions with wholly owned subsidiaries.

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

Rental income and associated services charges of £28,757 (2016: £28,138) were received from members of the Management Committee who were also tenants of the Association. The aggregate balance outstanding at 31 March 2016 was £Nil (2016: £1,030). At 31 March 2017 no member of the Management Committee's rental account was in arrears (2016: one). The amount due was £Nil (2016: £1,030).

During the year expenses of £6,150 (2016: £3,531) were reimbursed to members of the Management Committee in respect of training, travelling and subsistence costs.

26. Transfer of Engagements

On 30 November 2015 the Association accepted a transfer of engagements from Broomhouse Housing Association (1986) Limited. In the year to 31 March 2016 the Association recognised a gain of £302,000 on the transfer and is disclosed in the Income and Expenditure Account as Other Operating Income. The assets and liabilities recognised as a consequence of the transfer of engagements were as follows:

	£000s
Housing properties	2,900
Less aggregate depreciation	<u>(952)</u>
	<u>1,948</u>
Housing Association Grant	(2,212)
Less amortised	<u>716</u>
	<u>(1,496)</u>
Cash	352
S75 pension expense	(480)
Other net liabilities	<u>(22)</u>
	<u>(150)</u>
Gain on transfer	<u><u>302</u></u>

In the year to 31 March 2017 there were adjustments to the carrying values of certain liabilities. As a result the Association recognised a further gain of £14,000 which is included within Other Operating Income, bringing the total gain on the transfer of engagements to £316,000.