Financial Statements

For the year ended 31 March 2020

Irvine Housing Association Limited

FCA Reference No. 2459RS

Registered Housing Association No. HAL280

Scottish Charity No. SC042251

Financial Statement

For the year end 31 March 2020

Irvine Housing Association

Contents

Board of Management and advisers

Board of Management:
D McEachran, Chair
C Bell
M Burgess
M Crearie
G Darroch
C Donohue (appointed 21 August 2019)
J Galbraith
R Hill
C McGuinness
J Murray
D Thornton

Secretary:
Paul Hillard

Auditor:
KPMG LLP
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LS1 4DA

Bankers:
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G1 3PE

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Report of the Board of Management

The Board presents its Report and Audited Financial Statements for the year ended 31 March 2020.

Principal activity

The principal activity of the Association is the provision and management of affordable rented housing.

Subsequent Events

During year ended 31 March 2020 a global pandemic was declared and on the evening of 23 March 2020 the UK Government declared a national lockdown. Irvine Housing Association Limited complied with the requirements and has considered the impact of the event at year end and into 2020/21, as discussed further in the report of the board of management, pages 4-8.

Review of business and future developments

Financial Strength

During the 2019/20 operating year, the Association has worked to increase efficiency to ensure it can continue to grow, and provide high quality services that meet the needs of our customers. The Statement of Comprehensive Income which is set out on Page 10 shows that an Operating Surplus of £5m was generated in the year. Turnover benefited from the receipt of grant funding in excess of £0.1m while operating costs are level with 2018/19 at £5.8m. After accounting for interest, Total Comprehensive Income for the year of £3.4m has been recorded. Overall reserves of £16m place us in a strong position, meaning that we have capacity to deliver additional housing and fund capital works programmes with a view to increasing customer satisfaction.

Review of activities

Key activities under taken by the Association during the year are noted below.

The Association has had another strong year financially and has continued to deliver on its four key challenges during the 2019/20 operational year:

- Maintaining rent affordability by driving further efficiencies in operating costs
- Delivering relevant services that meet the changing needs of our customers
- Investing significantly to enhance standards and safety in existing homes
- Developing new homes to meet the continued housing needs in our area of operation.

In response to these challenges the Association has specifically been able to use its financial capacity to:

- Restrict the annual rent increase to 2%
- Invest c.£1.8 m. in improvements to existing homes
- Invest c £600K in new smoke detection systems
- Develop and implement a new Retirement Living services operating model
- Complete the development / acquisition of 105 new homes
- Renew its model for the delivery of internal administration services.

More detail about the Association's operating activity during the year is set out below.

The Board's on-going desire to restrict rent increases to as close to CPI as possible continued to be a focus of activity throughout the year. Further development and embedding of the operating model continued with a focus on using shared services and on-line solutions backed up by processing centres for most day-to-day customer transactions. This allows highly skilled housing and sustainability colleagues to spend more time building relationships with customers and communities. Working practices and collaboration between these teams was strengthened during the year, helping to improve customer outcomes and operational efficiency.

A review of the Association's administrative function and sheltered housing service also took place, leading to an improved, more targeted service, while delivering cost savings.

The review of sheltered housing services was the last major customer orientated project delivered through the 2017 to 2020 Corporate Plan and was needed to respond to the changing needs of customers. The review included a comprehensive survey of existing sheltered housing residents to understand their priorities, the way they currently used the service, and how to deliver our operations in a way reflected this level of demand. As a result, the Board approved a move to a Retirement Living service, which allows an agile working Retirement Living Assistant to concentrate on customers overall wellbeing, supported by technological support solutions. The new service commenced in April 2020 and will continue to be improved as new technological approaches can be introduced.

The changing needs of the Association's customers has also been driven by the increasing hardship faced by existing and new tenants. This manifests itself in a range of social, financial and health issues experienced by customers that often present challenges for them in maintaining their tenancies. During the year the Association has, therefore, ensured that Housing Officers and Tenancy Sustainability Officers have focused on providing support to those tenants most at risk. We have introduced improved collaborative working between the teams to ensure that their resources are targeted and used most effectively.

Another factor that has increased the demand for tenancy sustainment services was the continued roll-out of universal credit across the Association's operating areas. This has caused a steady increase of tenants in receipt of universal credit of approximately 25 per month. At the end of the March 2020 the total number of the Association's tenants in receipt of universal credit stood at 739 - an increase of 68% in 12 months. The Scottish Government Covid-19 'lockdown' measures associated with addressing the COVID-19 pandemic will see these numbers rise further.

Even with intensive support during the process of transferring on to universal credit, a period without income inevitably generates a level of rent arrears. The focus on support and early intervention with customers meant that the overall increase in arrears experienced by the Association was controlled and minimised. The Association's arrears stood at 3% at the end of March 2020, representing satisfactory performance given the operating context. Demand for the Association's homes remained strong throughout the year. The Association's efficient management of empty homes once again delivered exceptional performance of an average void property turnaround time of just 8 days with total void loss of just 0.3% of rental income.

The Board has also restated its commitment to ensuring that disabled adaptations were carried out on a timely basis. The Association carried out 164 disabled adaptations in the year, with the support of £130,690 funding from the Scottish Government supplemented by £138,879 from the Association's resources.

The Association continued significant investment in its existing properties during the year spending a total of £1.8m making improvements to the homes of current customers. Over 478 major components were replaced including 59 kitchens, 38 roofs, 76 boilers, 146 properties received new external doors, 119 properties received replacement windows and 36 properties we re-rendered.

Additionally, the Board remains absolutely committed to the safety of customers. As always, resources were prioritised to ensure all landlord health and safety compliance targets were met. In addition, a significant budget was set aside to ensure that the Association would install new LD2 compliant smoke alarms in all homes ahead of programme - more than 1580 had been installed before the programme was temporarily suspended because of restrictions brought in to address the COVID-19 pandemic.

The 2019/20 year also saw the Association take its first handovers of newly developed homes since it recommenced its new build programme. Eighty-seven new homes - a mixture of 2, 3 and 4 bedroom homes, as well as amenity bungalows - were built by the Association as the first phase of development at Tarryholme in Irvine. The development helped meet the significant need for social housing in the town, including assisting North Ayrshire Council with the re-homing of households from council homes in Irvine that were life expired. The Association's strong financial position also meant it was able to purchase eighteen newly built unsold homes from a private developer at Holmlea in Kilmarnock. The 3 bedroom houses are the Association's first in the town. Following the purchase, demand for the properties was extremely strong with all the homes being let through SEARCH common housing register for East Ayrshire immediately on handover.

The Association also continued to pursue a wider development programme and worked on specific opportunities located in all three of the Ayrshire local authority areas during the year.

The Association's ability to maintain a new build development programme, and invest in existing homes was further enhanced with new funding of £5m agreed with Lloyds in September 2019.

The Association continued to maintain strong governance systems during the year and made a compliant Assurance Statement to the Scottish Housing Regulator in October 2020. The Association also responded positively to the extension of the Freedom of Information (Scotland) Act to registered social landlords. Compliance with FOISA was consistent with the Association's policies and procedures on transparency and the Guide to Information was made available on the Association's website from the beginning of November 2019.

The end of the financial year saw the commencement of 'lockdown' measures introduced by the UK and Scottish Government's in response to the COVID-19 pandemic. The Association's position as part of Riverside meant that it had pre-existing systems and processes to support agile and home working, The Association was therefore, able to make the transition to virtually all staff working from home within 24 hours of the UK government's announcement. Even in this challenging environment the Association maintained its commitment to the health and safety of its customers and staff, and to maintaining robust governance. The Association continued an emergency repairs service, along with health and safety inspections where possible and continued to let homes to people in urgent need during the lockdown. The Association's Board continued to meet by video and tele-conference and a special Audit and Risk Committee was convened to address the specific risks associated with the pandemic. The Association ensured it followed all relevant guidance from the Scottish Government and regulators during the pandemic and, in accordance with this guidance made regular notifications to the Scottish Housing Regulator.

Going Concern

The Directors of Irvine have considered the impact of COVID-19 on their operations. The main impact so far has been in relation to repairs, with access being the major issue. It is not currently expected to have a detrimental impact on Irvine's Going Concern.

Board of management

The current members of the Board of the Association, who are also Trustees of the Charity, are listed on page 3.

Each member of the Board holds one fully paid share of £1 in the Association.

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

The 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 has 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;
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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 2014 and the Registered Social Landlords Determination of Accounting Requirements 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 of the Board of Management (continued)

Statement of the board of management in respect of internal controls

The Board acknowledges that it is responsible for establishing and maintaining the Association's system of internal controls and for reviewing the effectiveness of those controls. Such a system can only provide reasonable, not absolute, assurance against material misstatement or loss, or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that strategic objectives will be achieved.

The key features of the system of internal controls which has been established, and which is designed to provide effective internal control, are as described below.

1. The Association's organisational structure embodies clearly defined levels of responsibility and delegation of authorities in relation to internal control. Appropriate policies and procedures in respect of financial management are in place and are set out in the Association's Financial Regulations. The Board retains responsibility for a range of strategic, operational, performance and financial issues.

2. The Association has a robust system of strategic and operational planning, including in stressed situations, informed by a system of risk management. The system of risk management is participative and informs all activities undertaken by the Association.

3. Experienced and suitably qualified staff are employed by the Association, and their performance is reviewed as part of a comprehensive appraisal process.

4. The Association has an appropriate system of financial reporting in place to enable the Board and senior staff to monitor the key business risks facing the Association. This system of financial reporting includes the preparation of budgets and forecasts, and the preparation of regular financial reports providing relevant and reliable financial information, where significant variances from budgets are appropriately investigated.

5. All significant new initiatives, major commitments and investment projects are subject to appropriate appraisals, review, analysis and authorisation, either by the Board or through relevant Committees of the Board, where authority to consider such matters has been appropriately delegated by the Board.

6. The Board considers reports from senior staff and auditors as relevant to provide reasonable assurance that suitable internal financial control procedures are in place and are being followed. In addition, the Association's Financial Regulations are subject to regular review and updating.

In addition to the above controls, a number of actions have been taken in order to mitigate the risk associated with the COVID-19 pandemic. These include representation on The Riverside Group Ltd twice weekly Incident Response Team meetings; increased frequency of Management Team Meetings; development of a COVID-19 issues and decisions log; specific Audit& Risk Committee meeting to discuss the risks; and the creation of a temporary COVID-19 risk register.

By order of the Board

[redacted]

Chair
7 August 2020

Report of the Independent Auditor

to the members of Irvine Housing Association Limited

Opinion

We have audited the financial statements of Irvine Housing Association Limited ("the association") for the year ended 31 March 2020 which comprise the statement of comprehensive income, statement of changes in reserves, statement of financial position, statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2020 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 2014 and the Registered Social Landlords Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

As such the Board of management continues to adopt the going concern basis.

Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report and the Statement on Internal Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on 7 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Report of the Independent Auditor (continued)

Matters on which we are required to report by exception

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.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on pages 4 to 7, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

[redacted]

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

11/08/2020

Statement of Comprehensive Income

For year ended 31 March 2020

	Note	**2020 £000**	**2019 £000**
Turnover	2	10,805	10,132
Operating costs	2	(5,818)	(5,777)
Gain on sale of fixed assets	4	17	-
Operating surplus		**5,004**	**4,355**
Interest receivable and other income	6	1	3
Interest and financing cost	7	(1,587)	(1,444)
Surplus before taxation		**3,418**	**2,914**
Taxation	9	-	-
Surplus for the year	19	3,418	2,914
Total comprehensive income for the year		**3,418**	**2,914**

All of the above operations are continuing and comply with Housing SORP 2018 and FRS 102. The notes on Pages 14 to 31 form an integral part of these financial statements.

Statement of Changes in Reserves

For year ended 31 March 2020

	Note	Income and Expenditure Reserves		
		General reserve £000	**Total reserves £000**	**Unrestricted funds £000**
Balance at 1 April 2019		12,652	12,652	12,652
Surplus from statement of comprehensive income		3,418	3,418	3,418
Balance at 31 March 2020	19	**16,070**	**16,070**	**16,070**

		Income and Expenditure Reserves		
		General reserve £000	**Total reserves £000**	**Unrestricted funds £000**
Balance at 1 April 2018		9,738	9,738	9,738
Surplus from statement of comprehensive income		2,914	2,914	2,914
Balance at 31 March 2019	19	**12,652**	**12,652**	**12,652**

Statement of Financial Position

For year ended 31 March 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Tangible fixed assets			
Housing properties	10a	80,307	71,345
Other tangible fixed assets	10b	684	81
		80,991	**71,426**
Investments			
Net investment position - NSSE	10c	-	-
		80,991	**71,426**
CURRENT ASSETS			
Debtors	11	1,203	700
Cash and cash equivalents	12	351	1,387
		1,554	**2,087**
CREDITORS			
Amounts falling due within one year	13	(3,307)	(3,194)
Net current assets/(liabilities)		**(1,753)**	**(1,107)**
Total assets less current liabilities		**79,238**	**70,319**
Creditors			
Amounts falling due after more than one year	14	(63,168)	(57,667)
Total net assets		**16,070**	**12,652**
RESERVES			
General reserve		16,070	12,652
Income and Expenditure reserves		16,070	12,652
TOTAL RESERVES		**16,070**	**12,652**

These financial statements were approved by the Board of Management on 2 July 2020, and were signed on its behalf by on 7 August 2020 by:

[redacted]

CHAIR **SECRETARY** **BOARD MEMBER**

The notes on pages 14 to 31 form an integral part of these financial statements.

Statement of Cash Flows

For year ended 31 March 2020

	Notes	2020 £000	2019 £000
Net cash inflow from operating activities	24	4,786	2,735
Cash flows from investing activities			
Purchase of tangible fixed assets		(631)	(22)
Cash paid for housing construction		(8,313)	(5,502)
Proceeds from sale of tangible fixed assets			
Interest received		1	2
Grants received		1,510	5,339
		(7,433)	**(183)**
Cash flows from financing activities			
Interest paid		(1,230)	(1,433)
New secured loans		5,309	570
Repayment of borrowings		(2,468)	(2,270)
		1,611	**(3,133)**
Net change in cash and cash equivalents		(1,036)	(581)
Cash and cash equivalents at the beginning of the year		1,387	1,968
Cash and cash equivalents at the end of the year		351	1,387

The notes on pages 14 to 31 form an integral part of these financial statements.

Notes to the Financial Statements

For year ended 31 March 2020

1 Accounting Policies

Legal Status

The Association is a public benefit entity, is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with and monitored by the Scottish Housing Regulator.

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords 2018 and comply with the Determination of Accounting Requirements 2015. As explained at note 15, the accounts of Thistle Housing Services Limited have not been consolidated with those of the Association, as the Board considers this would be of no real value to the members of the Association in view of the insignificant amounts involved.

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with the provisions of FRS 102 and has applied the exemptions available under FRS 102 in respect of the requirement to disclose related parties.

Basis of preparation

Going concern

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 4. The association has considerable financial resources and is a key part of the strategic plans of the Riverside Group Limited. The directors believe that the association is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future with the support.

The board, after reviewing the association budgets for 2020/21 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and association have adequate resources to continue in business for the period of 12 months from the date of the approval of the financial statements. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements, estimates and assumptions have had the most significant effect in amounts recognised in the financial statements:

- Tangible fixed assets. Tangible assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed below;
- Impairment of non-financial assets. Reviews for impairment of housing properties are carried out when a trigger has occurred.

Turnover

Turnover represents rental and service charge income receivable and certain revenue grants together with other income excluding value added tax.

Notes to the Financial Statements (continued)
For year ended 31 March 2020

Value Added Tax

The Riverside Group is partially exempt in relation to Value Added Tax (VAT), and accordingly is able to recover from HM Revenue & Customs part of the VAT incurred on expenditure. At the year-end VAT recoverable or payable is included in the statement of financial position. Irrecoverable VAT is accounted for in the statement of comprehensive income

Retirement Benefits

The L&G Mastertrust is a defined contribution scheme and as such no surplus or deficit is included in the financial statements and the accounting charge for the period is represented by the employer contribution payable. This can be found at Note 17 of these financial statements.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of housing land and properties comprises purchase price together with incidental costs of acquisition and improvements, including related administration charges.

Housing properties are principally properties available for rent. Cost includes the cost of acquiring the land and buildings, development costs and expenditure incurred in respect of improvements.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to statement of comprehensive income over the term of the lease.

Housing Properties

The Association has undertaken a review of the intended use of all housing properties and has determined that they are held for social benefit.

Depreciation

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. The estimated individual useful economic live of the components are as follows:

Component	Useful Economic Life
Structure	100 years
Kitchens	20 years
Bathrooms	30 years
Heating Systems	30 years
Boilers	15 years
Windows	25 years
External Doors	25 years
Roofs	60 years
Render	20 years

Assets that are in the course of construction are held at cost and are not depreciated until reclassified as housing properties completed.

Improvements to property

Expenditure incurred on general repairs to housing properties is charged to the statement of comprehensive income in the year in which it is incurred.

Expenditure on refurbishment or replacement of identified housing property components is capitalised.

Non-component works to existing housing properties are capitalised where they relate to an improvement, which is defined as an increase in the net rental stream or the life of a property.

Impairment of non-financial assets

The carrying amount of the Association's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of consolidated income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income immediately.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

Furniture & Equipment	20%
Plant & Machinery	33.33%
Office Property	6% to 10%

Housing Association Grant

Where developments have been financed wholly or partly by Housing Association Grant, the amount of grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure, under the accruals model. Grant received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover. Housing Association Grant in respect of housing properties in the course of construction, received in advance of expenditure, is shown as a current liability.

Other Grants

Grants received from other sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements, it is recognised as a liability until the conditions are met and then it is recognised as turnover.

Cash Policy

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand to The Riverside Group Limited.

Loan Issue Costs and Interest Costs

The cost of raising loans is amortised over the period of the loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Capitalisation of Development Overheads

Administration costs relating to development activities are capitalised only to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Taxation

The Association is a registered charity and is not therefore liable for corporation tax on its charitable activities.

2 Turnover, costs of sales, operating costs and operating surplus

	Turnover £000	Operating costs £000	2020 Surplus £000	2019 Surplus £000
Income and expenditure from lettings				
Social lettings	10,598	(5,448)	5,150	4,516
Other activities	207	(370)	(163)	(161)
Total	**10,805**	**(5,818)**	**4,987**	**4,355**
2019	10,133	(5,778)	4,355	

3a Particulars of Income and expenditure from social lettings

	General Needs Housing £000	Supported Housing £000	2020 Total £000	2019 Total £000
Rent Receivable net of Identifiable service charges	10,197	180	10,377	9,650
Service charges receivable	39	-	39	45
Gross income from rents and Service charges	10,236	180	10,416	9,695
Rent losses from voids	(20)	-	(20)	(18)
Net income from rents and service charges	10,216	180	10,396	9,677
Grants released from deferred income	198	2	200	209
Other revenue grants	2	-	2	-
Total turnover from affordable lettings	**10,416**	**182**	**10,598**	**9,886**
Management and maintenance administration costs	2,167	49	2,216	2,194
Service costs – landscape	429	-	429	311
Service costs – sheltered housing schemes	-	103	103	98
Planned and cyclical maintenance	583	23	606	733
Reactive maintenance	869	11	880	778
Bad debts – rent and service charges	55	-	55	(9)
Depreciation of affordable letting properties	1,139	21	1,160	1,265
Impairment of affordable letting properties				-
Operating costs for affordable letting activities	5,242	207	5,449	5,370
Operating surplus on affordable letting Activities	**5,174**	**(25)**	**5,149**	**4,516**
Operating surplus from letting activities for 2019	4,501	15	4,516	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £1k (2019: £12.8k).

3b Turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £000	Other Revenue Grants £000	Other Income £000	Total Turnover £000	Operating Costs Bad Debts £000	Other Operating Costs £000	2020 Operating Surplus/ (Deficit) £000	2019 Operating Surplus / (Deficit) £000
Factoring	-	-	73	73	16	89	(32)	(33)
Aids and adaptations	131	-	-	131	-	265	(134)	(131)
Other activities	-	-	3	3	-	-	3	3
Total from other activities	**131**	**-**	**76**	**207**	**16**	**354**	**(163)**	**(161)**
Total from 2019	**167**	**-**	**79**	**246**	**-**	**407**	**(161)**	

4 Profit on sale of fixed assets

	2020 £000	2019 £000
Proceeds from sale of housing accommodation	25	-
Costs of disposal of housing accommodation	(8)	-
Profit on sale of fixed asset	**17**	**-**

5 Employee information

5 a Directors Emoluments

No member of the Board received any emoluments during the year.

	2020 £000	2019 £000
Emoluments of the Managing Director	102	100
Employers pension contributions for the Managing Director	11	11
Total emoluments of the Managing Director	**113**	**111**
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	237	234

The number of staff whose emoluments (excluding pension contributions) were within the following ranges was:

£60,000 to £69,999	1	1
£70,000 to £79,999	1	1
£80,000 to £89,999	-	-
£90,000 to £100,000	-	-
£100,000 to £109,000	1	1

	2020 £000	2019 £000
Aggregate consideration payable to third parties for services of key management personnel	-	-
Aggregate compensation payable to staff for loss of office	5	10

Notes to the Financial Statements (continued)
For year ended 31 March 2020

5 b Staff

	2020 Number	2019 Number
Average number of persons employed during this year		
Permanent	37	36
Temporary	3	2
Average number of full time equivalents employed during the year	36.27	34.06

Staff Cost

	2020 £000	2019 £000
Wages and Salaries	1,246	1,273
Social Security Costs	121	127
Other Pension Costs	129	129
Total staff cost	**1,496**	**1,529**

6 Interest receivable and other income

	2020 £000	2019 £000
Bank interest receivable	1	3
Interest receivable and other income	**1**	**3**

7 Interest payable and similar charges

	2020 £000	2019 £000
On Bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	1,587	1,444
Interest payable and similar charges	**1,587**	**1,444**

8 Surplus on ordinary activities before taxation

	2020 £000	2019 £000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible fixed assets	1,172	1,299
Auditors' remuneration:		
In their capacity of auditor	20	20
	1,192	**1,319**

9 Tax on surplus on ordinary activities

	2020 £000	2019 £000
Current tax charge	-	-
Prior year adjustments	-	-
Total current tax charge	-	-
Reconciliation of current tax charge	-	-

	2020 £000	2019 £000
Factors affecting the tax charge for the year		
Total comprehensive income for the year	3,418	2,914
Expected tax charge	649	554
Expenses not deductible for tax purposes	-	-
Capital allowances for the period in excess of depreciation	-	-
Adjustments relating to prior periods	-	-
Profits exempt from tax due to charitable exemption	(649)	(554)
Prior year adjustment		
Unrelieved tax losses	-	-
Other short term timing differences	-	-
Actual tax charge for the year	-	-
Total factors affecting the tax charge for the year	-	-

10a Tangible fixed assets

	Housing Properties		
	Rental £000	Under Construction £000	Total £000
Cost			
At 1 April 2019	77,421	9,162	86,583
Additions	1,803	8,312	10,115
Disposals	(14)	-	(14)
Transfers	15,499	(15,499)	0
At 31 March 2020	**94,709**	**1,975**	**96,684**
Depreciation			
At 1 April 2019	15,238	-	15,238
Charge for the year	1,147	-	1,147
Disposals	(8)	-	(8)
At 31 March 2020	**16,377**	**-**	**16,377**
Net book value at 31 March 2020	**78,332**	**1,975**	**80,307**
Net book value at 31 March 2019	62,183	9,162	71,345

Improvements to existing properties consist of £1.8m (2019: £2m) capitalised costs in addition to £607k (2019: £733k) non-capital improvements which have been charged to the statement of comprehensive income.

Notes to the Financial Statements (continued)
For year ended 31 March 2020

10b Tangible fixed assets (continued)

	Office Property & Tenant's Improvements £000	Furniture & Equipment £000	Plant & Machinery £000	Total £000
Cost				
At 1 April 2019	484	52	24	560
Additions	-	657	-	657
Disposals	(80)	(40)	-	(120)
Reclassifications	-	24	(24)	-
At 31 March 2020	**404**	**693**	**-**	**1,097**
Depreciation				
At 1 April 2019	436	28	15	479
Charge for the year	7	47	-	54
Disposals	(80)	(40)	-	(120)
Reclassification	-	15	(15)	-
At 31 March 2020	**363**	**50**	**-**	**413**
Net Book Value at 31 March 2020	**41**	**643**	**-**	**684**
Net Book Value as 31 March 2019	**48**	**24**	**9**	**81**

The £657k additions in furniture and equipment relate to smoke detectors that are installed in individual properties.

10c NSSE investment

	2020 £000	2019 £000
Investment properties	842	842
Equity loan / grant	(842)	(842)
NSSE investment	-	-

11 Debtors: amounts due within one year

	2020 £000	2019 £000
Rent Arrears	870	351
Bad Debt Provision	(112)	(224)
Other Debtors and Accrued Income	445	573
Debtors: amounts due within one year	**1,203**	**700**

Trade debtors are measured at amortised cost less impairment.

12 Cash and cash equivalents

	2020 £000	2019 £000
Short term money markets deposits	-	997
Cash at bank and in hand	351	390
Cash and cash equivalents	**351**	**1,387**

The Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2020 the Association has £20.5m (2019: £20.2m) of undrawn loan facilities.

13 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Sundry Creditors	776	758
Rents in Advance	437	499
Accruals and Deferred Income	2,086	1,866
Other Taxes	1	29
Amounts due to group undertakings	7	42
Creditors: amounts falling due within one year	**3,307**	**3,194**

Trade creditors are measured at amortised cost. Intercompany creditors are related to trading balances and are repayable on demand.

14 Creditors: amounts falling due after one year

Housing Loans

Loans are secured by standard securities over the Association's Housing Properties and are repayable at varying rates of interest other than by instalments as follows

	2020 £000	2019 £000
Two years or more but less than five years	-	-
Five years or more	32,859	28,201
	32,859	**28,201**
Pension Cessation Cost	1,401	1,868
Deferred Income – Grants	28,908	27,598
Creditors: amounts falling due after one year	63,168	57,667

The above figures includes a loan of £6.9m (2019: £2.3m) from The Riverside Group Ltd. The above figures contain £92k of capitalised finance costs (2019: £99k). These are charged to income and expenditure over the term of the facility. The amount charged in 2020 was £7k (2019: £7k).

14a Deferred Income

	2020 £000	2019 £000
Grant at start of year	30,912	25,571
Received in year	1,511	5,341
Disposals	-	-
	32,423	**30,912**
Amortisation at start of year	(3,314)	(3,104)
Released to income	(200)	(210)
Released to disposal	-	-
	(3,515)	**(3,314)**
Total deferred income	**28,908**	**27,598**

15 Investment in Subsidiary Undertaking

On 23 October 1997 Irvine Housing Association Limited acquired the entire ordinary share capital of Thistle Housing Services Limited for no consideration. Thistle Housing Services Limited originally traded as lessors of property and equipment but is now dormant. The results of Irvine Housing Association Limited and Thistle Housing Services Limited have not been consolidated as the Board considers this to be of no real value due to the insignificant amounts involved. Thistle Housing Services Limited did not trade in the year to 31 March 2020.

16 Related Party Transactions

The Riverside Group Ltd provides loan funding to the Association. Payments of £1.7m were made to The Riverside Group Ltd during the year and as disclosed in Note 14, the balance outstanding to the Riverside Group Ltd at the year end was £6.9m (2019: £2.3m)

During the year purchases from Thistle Housing Services Limited amounted to £nil (2019: £nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2019: £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2019: £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2019: £nil).

Various members of the Board and their relatives are tenants of the Association. Aggregate transactions in the year totalled £13.1k. All of these transactions have been carried out on the terms applicable to all tenants and no rent payments were outstanding at year end.

17 Pension Cost

The Association contributed to a defined contribution scheme during the accounting period. The scheme is Our Riverside Retirement Plan, administered by Legal and General as part as Mastertrust. This is also used as the vehicle for Auto Enrolment. Separate rates apply where employees have moved from previous pension schemes (such as Strathclyde Pension Fund or SHPS) to allow higher pension contribution rates to continue.

The total pension cost for the Association was £119k (2019: £123k).

18 Share capital

Shares of £1 each, allotted, issued and fully paid	2020 £	2019 £
At 1 April 2019	102	132
Issued during the year	1	1
Cancelled	(18)	(31)
At 31 March 2020	**85**	**102**

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends on a winding up. Each member has a right to vote at members' meetings.

19 Housing stock

	2020	2019
General Needs accommodation	2,265	2,160
Supported Housing accommodation	41	41
Total units in management at the end of the year	**2,306**	**2,201**

Land held for development has been funded by Housing Association Grant

20 Financial commitments

At 31 March 2020 the Association had total commitments under operating leases as follows

	2020 Land and Building £000	2020 Other £000	2019 Land and Building £000	2019 Other £000
Operating leases which expire				
Within one year	1	-	-	-
Within 2 to 5 years	-	4	86	1
After 5 years	486	-	-	-
Total financial commitments	**487**	**4**	**86**	**1**

Land and Buildings leases may be cancelled after five years. Operating leases may be cancelled at the lessee's request.

21 Capital commitments

	2020 £000	2019 £000
Future Capital Expenditure		
Authorised and contracted	-	5,167
Total capital commitments	**-**	**5,167**

It is expected these commitments will be funded by Housing Association Grant and Private Finance.

22 Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is The Riverside Group Ltd, registered in England as a charitable Industrial & Provident Society (Registration No, 30938R) and Registered Provider of Social Housing Reg. No. L4552. A copy of the Group Financial Statements can be obtained from The Riverside Group Ltd, 2 Estuary Boulevard, Estuary Commerce Park, Liverpool, L24 8RF.

23 Notes to the cash flow statement

Reconciliation of operating surplus to net cash inflow from operating activities

	2020 £000	2019 £000
Operating Surplus	5,004	4,355
Depreciation & Impairment	1,072	1,135
Amortisation of grant	(210)	(244)
Expenditure on capitalised movement	(1,789)	(2,159)
(Increase) / Decrease in debtors	961	(1,694)
Increase / (Decrease) in creditors	(252)	1,342
Net cash inflow from operating activities	**4,786**	**2,735**

Analysis of net debt

	At 1 April 2019 £000	Non Cash Movement £000	Cash Flow £000	At 31 March 2020 £000
Cash at Bank and in hand	1,387	-	(1,036)	351
Debt due after one year	(28,201)	-	(4,658)	(32,859)
Total	**(26,814)**	**-**	**(5,694)**	**(32,508)**

Reconciliation of net cash flow to movement in net debt

	2020 £000	2019 £000
Increase/(decrease) in cash in the year	(1,036)	(581)
Cash inflow from increase in debt	(4,658)	1,692
Non cash movement - write off of arrangement fee relating to loans	-	-
Movement in net debt in the year	**(5,694)**	**1,111**
Net debt at 1 April 2019	**(26,814)**	**(27,925)**
Net debt at 31 March 2020	**(32,508)**	**(26,814)**