

Bield Housing & Care

Financial Statements



FOR THE YEAR ENDED 31 MARCH 2019

 **BIELD**
FREE TO BE

Contents

	Page
Board of Management, Directors and Advisers	3
Operating and Financial Review	4 – 13
Statement of the Board's Responsibilities	14
Board Statement on Internal Financial Controls	15
Independent Auditor's Report	16 – 17
Independent Auditor's Report on Internal Financial Controls	18
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Reserves	21
Statement of Cashflows	22
Notes to the Financial Statements	23 – 48

Board of Management, Directors and Advisers

Board of Management:

Susan Napier, BSocSc, FRICS (Chair)

Robert Fernie, ACMA, CGMA (Vice Chair)
(appointed Vice Chair 20 September 2018)

Lesley Holdsworth, PhD, FCSP, FFCI,
SRP, DPT (Vice Chair)

David Scobie, FRICS
(resigned as Vice Chair 20 September 2018)

Pat Dawson

Ingrid Deuling, Dip COT, COTSS-
Housing, HCPC (retired), BEM

Joan Fowler*
(co-opted 5 July 2018)
(resigned 26 August 2018)

Isabel McGarvie, B.Acc, CA, ATII

Margaret Moore
(co-opted 30 August 2018)
(appointed 20 September 2018)

Gerry O'Sullivan, BA

Moira R Sibbald, LLB

William Smalley*

Janette Stone, MCIPD
(co-opted 29 November 2018)

* Tenant of Bield

Company Secretary:

Clare Beesley

Directors:

Chief Executive

Brian J Logan, B.Com (Hons), CPFA
(resigned 5 July 2019)

Interim Chief Executive

Charlie Dickson, RMN, CSWM, CHM
(appointed 5 July 2019)

Asset Management

Stuart Dow, MCIQB
(resigned 16 August 2018)

Customer Services

Charlie Dickson, RMN, CSWM, CHM

Business Development

Val Hunter, BSc, MRICS
(appointed 8 April 2019)

Finance & Resources

Scott M Smith, FCMA, CGMA

Human Resources

Nicola Harcus (Interim Director)
(resigned 31 March 2019)

Bankers:

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

Registered office:

79 Hopetoun Street
Edinburgh
EH7 4QF

Solicitors:

T C Young
Melrose House
69a George Street
Edinburgh
EH2 2JG

External Auditors:

RSM UK Audit LLP
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Internal Auditors:

Wylie & Bisset LLP
168 Bath Street
Glasgow
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Operating and Financial Review

The Board of Management presents its Operating and Financial Review and the audited financial statements for the year ended 31 March 2019. The Operating and Financial Review has been prepared in accordance with the ASB's Reporting Statement issued in January 2006 and is in line with the Housing SORP 2014 requirement to include a strategic report as part of this review.

Overview of Business

Bield Housing & Care ('Bield') is a charitable Registered Social Landlord (RSL) set up in 1971. Bield's primary objective is to improve the quality of life of older people by offering a diverse range of housing, care and other services. Bield has nearly 5,500 properties in management located across Scotland.

The main areas of business are:

- supported housing for older people
- housing for general needs
- housing support services
- registered care housing (fully withdrawn in July 2018 – see page 6)
- home and day care services
- management services to owner occupiers in private retirement housing
- Bield Response 24, a community alarm service.

Governance & Management

Bield is governed by a voluntary Board of Management. A full list of Board members is shown on page 3. The composition of the Board currently includes one Bield tenant. The Board brings a broad range of skills, experience and strengths to ensure the good governance of Bield's affairs. The Board's skill mix is reviewed on a regular basis and, where gaps are identified, Board members seek to identify individuals from within Bield's existing membership and the wider environment to strengthen the range of expertise within the Board's membership. New Board members are elected at Bield's Annual General Meeting. Bield carries out induction training for new Board members and a training needs assessment has been carried out for existing Board members from which a training programme has been drawn up. Training and development of Board members is, and will continue to be, a regular feature of Board meetings.

In 2013, Bield introduced a system of individual review of Board members, facilitated through a conversation with the Chair of the Board. These conversations assist in identifying learning and development needs, reviewing the contribution of individual members and aiding succession planning.

The Board controls Bield's strategic direction and reviews its operating and financial position. It is provided with timely and relevant information in order to discharge its duties. Bield's governance arrangements are kept under review with the intention of achieving a more streamlined, efficient structure.

Bield is managed by the Senior Management Team (SMT) of Directors. Details of the membership of the SMT are provided on page 3. The first part of Bield's organisational change was to review the composition and responsibilities of Bield's SMT. Following its completion, the review has resulted in a requirement for a team comprising a Chief Executive and three Directors with responsibility for Customer Services, Business Development and Finance & Resources respectively. Bield's Chief Executive left the organisation on 5 July 2019 to take up a similar role with another organisation. The Director of Customer Services has been appointed as Interim Chief Executive until such times as a new Chief Executive is appointed.

Regulation

Bield is primarily regulated by the Scottish Housing Regulator. As part of the Regulator's risk-based approach to inspection, Bield's regulatory assessment dated March 2019 indicated that the Scottish Housing Regulator views Bield as being 'systemically important' during 2019-20. This level of engagement has remained unaltered from the previous year and is a result of Bield's size in relation to turnover. From October 2019, the governing bodies of all registered social landlords are required to provide the Regulator with an Annual Assurance Statement confirming compliance with the Regulatory Standards.

Bield's Board and staff will work through an engagement plan with the Regulator during 2019-20.

Strategy and Objectives

Bield's objectives and strategy are set out in its Business Strategy. A comprehensive and fundamental review of the Business Strategy covering a five-year period to 2022-23 was undertaken during 2017-18 and approved by the Board of Management in May 2018 with an annual refresh being approved in March 2019. The review in May 2018 included a thorough review of Bield's Vision, Mission and Values.

The theme for the strategy is 'Strong Foundations – Creating Choice'. Bield is committed to continuously improving its services for older people, involving an on-going programme of review and improvement. Our aim is to 'Put our Customers First' by putting them at the heart of everything we do along with a belief that we can help them make their own choices and be free to live as independently as possible. Bield's strategy contains three main outcomes where we will always aim to put the customer first in our decision making. The business planning process includes a series of consultation meetings with staff, staff representatives (office and development-based), senior management

and Board members and has set a challenging programme of modernisation and continuous improvement to ensure that Bield is able to meet the many challenges ahead.

The Business Strategy recognises that Bield faces a fast-changing and dynamic external environment. Changes in government at a local and national level over recent years have meant that policy direction has been subject to change. Key external policy drivers identified as impacting on Bield have been identified as follows:

- national strategy for housing older people;
- future of the social rented housing sector;
- investment strategy and performance and efficiency; and
- reshaping care for older people.

In addition, the prevailing financial climate has had an impact on Bield with funding cuts and a need for ever-greater efficiency. This will continue to be a key challenge for Bield over the next few years. Long-term plans have been kept under constant review as a result.

The 2018-23 Business Strategy has three strategic outcomes:



Operating and Financial Review (continued)

From these strategic outcomes, detailed action plans containing operational objectives and initiatives are set. These are underpinned by targets, and defined staff responsibilities to ensure that the objectives are met and that all parts of the organisation take ownership of the Business Strategy. Any financial commitments arising from the Business Strategy are reflected in Bield's Annual Budget and long-term financial projections.

Target Market & Products

Bield is focused on providing housing and support services to older people. Projections show Scotland's population ageing significantly over the next 25 years.

The fact that Scotland has an ageing population does not in itself imply any particular conclusions can be drawn about the accommodation and services that will be required in the future. The way in which services have been delivered in the past will not necessarily meet the expectations, aspirations and needs of older people in the future. Nevertheless, it would appear that it can be safely concluded that the number of older people who may be in need of services in the next 25 years is set to grow substantially.

As well as living longer, there is evidence that people are staying healthier longer, which allows moving into specialist accommodation or the need for care to be postponed to a later age.

Accommodation specifically designed for older people has ranged from specially designed housing, through sheltered and very sheltered housing to residential and nursing homes to geriatric hospital units. The trend over recent years has been to move away from the more institutional end of the spectrum towards housing and particularly home-based services. Bield has sought to respond accordingly and the home and housing with care services being provided in conjunction with local authority partners have been areas of expansion. This trend has also resulted in Bield taking a strategic decision to withdraw from the residential care market. This decision was taken during 2017 with full withdrawal being completed during the 2018-19 financial year. Some of the services closed whilst others were transferred to other providers. Within these financial statements, all references made to discontinued activities relate to these Registered Care Homes.

Bield is a significant provider of housing support for older people. Many households benefit from this type of service from Bield, most of whom are Bield tenants. However, increasingly services are delivered to people who are not Bield tenants through floating support services.

The funding of housing support services is met by local authorities through Housing Support Grant, first introduced in 2003. Budget reductions by the Scottish Government and local authorities have meant that, in common with many housing support providers, Bield faces substantial financial and operational challenges in its future delivery of housing support. This has led Bield to review the housing models that it offers in order to keep costs within the funding available. This review has led to a significant move away from traditional Sheltered and Very Sheltered Housing models to respectively, Retirement Housing and Retirement Housing with Meals models where there is no reliance on housing support funding.

Key Risks Impacting on Future Performance

Like all businesses, Bield faces a wide variety of business-related risks. Bield's approach to risk management is to ensure that an awareness of risk is embedded at all levels within the organisation and that an effective system is in place for monitoring and recording identified risks. The overarching Risk Management Framework outlines the responsibilities of Board members and staff.

Functional risk maps are developed to match as far as possible the responsibilities at Board, Committees and senior management level. The risk maps are reviewed by management and the Board with risks assessed using a rating method as to the level of risk to the organisation. New risks identified are duly considered and added to risk maps where appropriate. Risks are regularly reviewed by the Senior Management Team, at departmental team meetings and through the Board and Committees, helping to reinforce the process of embedding a risk management culture across the organisation. Appropriate control procedures and monitoring arrangements have been included within the relevant Risk Maps to ensure that risks are managed appropriately. A full and comprehensive review of Bield's approach to managing risk was undertaken during 2013-14 and is due for review in 2019.

Bield continues to operate within a very dynamic and fast-changing external environment creating many challenges. The following risks have been identified as the risks most likely to affect Bield's future performance:

Key Risk	Background to Risk
Reduction in public expenditure	The reductions in public expenditure continue and are now starting to have a real impact on the ability of organisations like Bield to continue to deliver the same level of services as in the past. The business strategy seeks to ensure that Bield places less reliance on public sector funding and remains financially stable in the longer term.
Home Care and Day Care Funding	Bield has been relatively successful in increasing business activity in this area over recent years. It is critically important that costs are contained within approved income levels to avoid Bield incurring financial loss.
Increased Pension deficits	Successive pension valuations in recent times have resulted in a requirement for increased contributions due to on-going deficits. There is a risk that this trend could continue and whilst it is difficult when participating in a multi-employer pension scheme to mitigate against this, Bield's financial projections include provision for this trend of increased employer contributions continuing.
Impact of Strategic Change	Bield continues with its programme of change with the scale of change being unprecedented for the organisation. Accordingly, there is a risk to Bield's ability to deliver its services consistently and to the same standard. Individual change projects have been managed well to date; it is the cumulative effect of numerous change initiatives which presents the greatest risk to staff morale, stress and sickness levels and the failure of day-to-day operations.
Breach of Data Protection	A review of data protection practices across the organisation took place which identified a number of potential deficiencies in practices. As a result, a breach of data protection was identified as a severe risk to the organisation. A range of policies and procedures are in place to guide staff and training is being provided to further enhance the awareness of data protection issues.
Generation of expected sales income	Sales of shared ownership properties are essential to maintain the financial viability of the organisation and as such there is potentially a severe risk to the organisation if these sales failed to materialise. Whilst the number of concluded sales has not been as high as anticipated, this has not had a significant impact on Bield's financial viability.
Loss of income through void properties	Bield had previously experienced an increased number of voids and 'difficult-to-let' properties with a consequent loss of rental income. Bield's Asset Management Strategy will seek to ensure that properties remain fit for purpose, thereby reducing the level of future voids. In recent years, there has been a reduction in the levels of income lost through voids but it nevertheless remains a key risk.

Operating and Financial Review (continued)

All risks will continue to be assessed, managed and controlled in accordance with the approved risk management strategy. Bield will continue to accept risks inherent in the achievement of its Mission and Strategic Outcomes, as set out within the Business Strategy, provided these are properly assessed. Any risk which materially jeopardises Bield's ability to achieve its Mission or Strategic Outcomes or conduct its business will not be accepted.

- Progress being made in both reservations and completed sales of shared ownership properties in St Andrews
- Continuing public relations and government lobbying in partnership with Hanover (Scotland) and Trust Housing Associations
- £9m spent on maintaining and improving the quality of Bield's housing stock

Resources

Housing Stock

Bield manages nearly 5,500 properties, of which just over 4,600 are owned by Bield, making it one of the largest RSLs in Scotland.

The aim of Bield is to have a common level of rents for all similar properties. The rent policy should be logical, consistent and easily applied. Bield's rent policy takes into account three objectives, affordability for the client group, financial viability for Bield and, marketability compared with its peer group. In order to further enhance these objectives, a full review of Bield's rent policy was undertaken and approved by the Board during the course of the year for implementation from 1 April 2019.

Operational Performance

A number of projects were successfully progressed during 2018-19. Notable projects were:

- Withdrawal from the registered care market
- Completing the implementation of the new 'Retirement Housing with Meals' model as an alternative to the traditional Very Sheltered Housing model
- Progress with digitalisation and the required move away from analogue technology including successfully securing funding from the Scottish Government to move over 100 analogue links to digital

At 31 March, Bield had the following stock in management:

	2019	2018
Amenity	365	364
Retirement (including Sheltered)	2,750	2,729
Retirement Housing with Meals, Plus (including Very Sheltered)	1,190	1,183
Care Homes	–	90
Shared Ownership/Equity	187	182
General Needs	121	119
Resident Staff	1	3
Owner Services	824	870
Total	5,438	5,540

The Board recognises the need to maintain and improve existing housing stock. Bield is expecting to spend around £60m on maintaining its properties over the next five years. This includes the outworkings from the strategic review of Bield's existing housing stock for redevelopment and re-provisioning. This level of expenditure will have a significant impact on the reserves balances that Bield currently holds and the cash requirements of the organisation.

In addition to investing in existing stock, the Board will, in accordance with the Development Strategy, seek to invest in financially viable development opportunities as they arise to further strengthen Bield's asset base.

Employees

Bield is a people organisation – Bield relies on a highly-committed workforce in order to deliver a high quality service to our customers. During 2018-19, the average number of full-time equivalent staff employed by Bield was 539 (2018: 707). The main reason for the variance from last year is the withdrawal from Registered Care home activities.

Bield benchmarks staff turnover levels, sickness absence, ethnic mix, gender and age profile against available statistics on a regular basis. In addition, Bield has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting Bield, its tenants and other service users. This is achieved through consultations with employee representatives at the Employee Forum, distribution of the Business Strategy to staff and a range of communications including regular staff meetings, newsletters and the use of its intranet, *Grapevine*.

The Investors in People standard was first awarded in 1997 and has been successfully maintained since, with the most recent review in 2018-19 awarding silver status to the organisation.

Bield seeks to recruit and retain quality staff by offering attractive employment packages. Following the triennial valuation of Bield's pension scheme at 30 September 2014, a review of its existing arrangements and extensive consultation took place with staff during Autumn 2015. From 1 April 2016, Bield has maintained a Career Average and a Defined Contribution scheme both of which are available to all staff.

These two offerings have continued to be offered following the September 2017 triennial valuation. Pension auto-enrolment became mandatory for Bield in September 2013 and as a result, there has been a rise in the number of employees participating in the pension offerings available. Re-enrolment took place for the first time during 2016-17.

Bield's salary levels are considered generally competitive in the marketplace and are subject to periodic comparability work. A wider review of reward and recognition also takes place.

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 applications from other persons irrespective of gender, sexual orientation, marital status, age, religious belief, race or ethnic origin.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Bield has prepared detailed health and safety policies and provides staff training and education on health and safety matters. Bield has a Health & Safety Management Group. This group, which includes Directors, meets to oversee activities and procedures related to health and safety. Employee consultation on health and safety matters is conducted through the Employee Forum. The Board of Management receives six-monthly reports on health and safety issues

Information & Communications Technology (ICT)

ICT is a powerful and ever-increasing business tool to enable communication, data processing, reporting, and improved organisational efficiency. In the year to 31 March 2019, £355k was spent on new ICT equipment and software. This included sums in respect of the core housing management system, enhancing ICT security and business continuity arrangements, asset management software and the on-going replacement programme for PCs and printers. Training continues to be provided to ensure all development-based staff can maximise the use of PCs to improve communication and reduce administration.

Operating and Financial Review (continued)

In accordance with Bield's ICT Strategy, further extensive ICT Projects are planned for future years including wi-fi in schemes, upgrading the telecoms system and digitalising analogue technology. There also remains an increasing need to enhance ICT security in order to ensure that data remains secure and stored appropriately. All of these significant projects form a key part of Bield's continuous improvement programme.

Continuous Improvement

Bield is committed to the principle of continuous improvement and the Business Strategy 2018-23 seeks to ensure services are reviewed and improved as required. The Performance Management Framework will identify areas of the business for improvement.

Financial Review

Accounting Policies

The principal accounting policies of Bield are set out in Note 1 on pages 23-28 of notes to the Financial Statements.

Financial Highlights

Turnover for the year was £42.4m, a decrease of 9.0% on the previous year. There was a reduction in income from both Housing Support and Care activities. These reductions resulted from the planned reconfiguration of services and unplanned reductions in income which continue to put pressure on the organisation. These reductions were partially offset by an increase in rents and service charges and the full year effect of additional units which came into management during 2017-18.

Operating costs for the year were £39.8m, a decrease of 12.0% which is greater than the decrease in turnover. The main difference being where loss making Housing Support and Care activities have either ceased or been reconfigured, resulting in an operating surplus of £2.6m in 2018-19 (2018: £1.3m). Reductions in operating costs will continue to be required in future years in order to maintain financial viability in the longer term.

The SHPS pension scheme had previously been treated as a defined contribution scheme in line with FRS102 with a liability of £9,104k recognised as at 31st March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments as at 1st April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a

defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 23 and Notes 19A, 19B and 24 to the financial statements.

The new defined benefit liability as at 1st April 2018 is £12,934k, resulting in a remeasurement through other comprehensive income of £3,830k. The new defined benefit liability as at 31st March 2019 is £15,052k and has therefore resulted in an increase in the liability at 31 March of £2,118k. The revised accounting changes in relation to pensions do not have a material impact on loan covenant compliance and it is not anticipated that there will be any material change to this or Bield's overall financial position in future accounting periods as a result of these accounting changes.

The total comprehensive income/(expenditure) for the year is significantly lower compared to the previous year at (£4.1m), (2018: £1.6m) primarily due to the financial improvement from the service changes mentioned above being offset by the revised accounting treatment for defined benefit pension schemes.

Capital expenditure on properties amounted to £3.6m (expressed in cash terms in the Cash Flow Statement) which is a decrease from £5.0m in the previous financial year, primarily as a result of a decrease in the new build development programme. Grant funding for new developments and site acquisitions continues to be difficult to secure. However, where financially viable development opportunities arise, Bield will seek to exploit those to meet its overall strategic objective of continuing to provide high quality housing for older people. After a depreciation charge of £6.2m, Bield's housing properties decreased from £127.3m to £121.0m.

Bield's investment portfolio, managed by Baillie Gifford & Co, is classed as a Current Asset rather than a Fixed Asset in the Statement of Financial Position. Although the investment portfolio is primarily held for the long term, it is anticipated that Bield may realise some of these investments in the short term in order to invest in both the current and new housing stock. Bield's portfolio had previously been subjected to turbulence in the global financial markets. The portfolio continued to recover during 2018-19 and consequently the valuation of the portfolio at the end of March had increased by £0.3m from its 2017-18 level. Bield's Board monitors the performance of the investment portfolio with an emphasis on the longer term performance trend over a three to five year period.

Donations to Charitable organisations

In order to further Bield's objectives, charitable donations totalling £1,000 (2018: £1,000) were made to the Lintel Trust.

Capital Structure and Treasury Policy

Total reserves at the end of the year were £57.7m (2018: £61.9m) of which £57.6m (2018: £61.8m) comprised the general Revenue Reserve. Long term borrowings at the period end have fallen to £2.2m (2018: £2.3m) principally due to loan repayments made during the year. The gearing ratio of 3.8% (loans as a percentage of reserves) remains relatively low compared with other RSLs and well within Bield's ceiling of 30%. Bield has substantial unutilised security on its Statement of Financial Position. Whilst this means that Bield will be able to access additional borrowing to fund new development and stock investment, it should only do so if it has the ability to service capital repayments and annual interest charges. Cash balances increased during 2018-19 mainly as a result of the timing of capital expenditure payments being made and the planned reconfiguration of services. The cash balance of £5.0m (2018: £0.3m) at the end of the financial year complies with the minimum (1 months turnover) specified in the Treasury Management Policy.

Bield's Treasury Management Policy was reviewed in early 2009 and is scheduled for review during 2019-20 following a model policy being developed by SFHA. It seeks to ensure that sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. Treasury management activity is the responsibility of the Director of Finance & Resources, operating under the policy direction of the Board. In the current economic conditions, close scrutiny is rightly placed on this area of work.

The policy of Bield in the investing of surplus funds is to achieve a satisfactory return while minimising risk. In relation to borrowing, the policy is to ensure the stability of Bield's long-term financial position by borrowing on the most economically advantageous terms with a preference for fixed rate once the money raised has been committed to long term projects.

Bield borrows at both fixed and variable rates of interest. At 31 March 2019, the percentage of fixed rate borrowing was 52% (2018: 59%) and the percentage of variable rate borrowing was 48% (2018: 41%), within the parameters set by the Board. No new borrowing facility was required in 2018-19 although there is the possibility that some additional funding may be required in the medium to longer term.

Payment of Creditors

Bield's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 15 days (2018: 10 days).

Cash Flow

The net cash increase in 2018-19 was £4.7m compared to a decrease of £0.3m in the previous year.

Bield ended the year with a positive reconciled cash balance of £5.0m (2018: £0.3m) which is more favourable than was budgeted as a result of the timing of the reconfiguration of services and capital expenditure payments taking place.

Fixed Assets

The cost of Bield's housing properties after depreciation is £121m (2018: £127m). These have been funded principally through a combination of Housing Association Grant and other grants, private finance and internal resources. The market value of Bield's housing properties is substantially higher than the net book value and is sufficient to meet all asset value related loan covenants.

Reserves

Bield holds two principal reserves: a restricted reserve and a revenue reserve.

The restricted reserve mainly represents the restricted element of the Bield Housing Trust's assets transferred during 2009-10 along with the balance of monies received from a number of valued contributors, including specifically The Scottish Government People and Communities Fund, The Bank of Scotland Foundation and the R S Macdonald Charitable Trust.

Operating and Financial Review (continued)

The revenue reserve represents the accumulated annual surpluses of Bield. This reserve has been primarily invested in property assets let to tenants. This reserve has increased significantly since 2010 as a result of fundamental changes in accounting standards rather than an improvement in financial performance. Whilst it is understandable that readers of the financial statements interpret the level of reserves held as capacity to spend money, the requirement to satisfy loan covenants restricts the amount of reserves that can be released. The reserve is invested in property and is not held as cash.

18% of Bield's total reserves are represented by cash or liquid investments. These sums were historically built up to fund future anticipated investment in Bield's ageing housing stock and as a buffer against unforeseen emergencies.

Key Performance Indicators

The Board recognises the importance of monitoring performance against a range of internal targets as a means of measuring continuous improvement. A number of key performance indicators are included within the Business Strategy and are the subject of regular monitoring reports to the Board of Management and the Performance & Audit Committee.

The Board considers Bield's overall performance to be satisfactory. In relation to operational performance, the staff sickness absence indicator failed to meet the internal target. A higher level of long-term absence due to serious illness has been experienced across Bield with the figures

shown below including these long term absentees even although their eligible pay may have expired. Voids and rent arrears are being closely monitored.

Bield's targets for 2019-20 remain broadly the same as listed in the table below.

Equality & Diversity

Bield's Equality & Diversity Strategy commits Bield to providing equality of opportunity for all. An Equality Action Plan has been compiled and is included in the Business Strategy. Bield takes a positive approach to promoting its services to the Black and Minority Ethnic (BME) communities.

The Modern Slavery Act 2015

The Modern Slavery Act 2015 requires certain organisations to provide information regarding their efforts to eliminate slavery and human trafficking in their supply chains.

The following statement sets out the position of Bield in compliance with the Act.

We strive to make sure that when we purchase goods and services we comply with all relevant laws and conduct ourselves in an open, honest and ethical manner.

We carry out checks on our suppliers through pre-qualification questionnaires and/or tender documents. In doing so, we exclude any unsuitable companies. Once we engage a supplier, we make sure they have policies which are similar to ours and match our overall values.

The following summarises some of the key performance indicators for Bield:

Indicator	2018/19	2017/18	Internal Target
Operational			
Reactive repairs carried out and completed right first time	92%	94%	90% or better
Social Housing Rent loss (Voids) due to empty properties during the year	2.3%	2.1%	Under 2.25%
Social Housing Rent arrears as a % of rent due	1.9%	1.6%	Under 1.75%
Staff sickness absence	5.3%	5.4%	3.5% or less
Financial			
Quick ratio	151%	91%	Over 100%
Surplus as a proportion of turnover	6.1%	3.4%	Over 3%
Interest cover	3,724%	1,744%	110% (min)
Gearing	3.8%	3.8%	50% (max)

Bield does not currently provide staff with training in relation to slavery and human trafficking in the supply chains as Bield believes that the policies and procedures referred to above are sufficiently robust to ensure that the risk of any occurrence is extremely low.

Bield therefore believes that to the best of its knowledge, its suppliers do not engage in illegal slavery or human trafficking. Further details can be found on Bield's website at: www.bield.co.uk.

Environmental, Social and Community Issues

Bield takes its environmental responsibilities seriously and strives, wherever possible and within financial constraints, to minimise the impact of its activities on the environment. Plans are being implemented to improve energy efficiency within developments and to control temperature levels within developments more effectively.

Bield actively engages in social and community activity at a local level. In particular, efforts are made by development managers to ensure developments and projects form an integral part of community life. As part of this commitment, Bield has an active programme of recruiting volunteers to assist residents with social activities, provide befriending support and tutor older people in the use of computers.

Going Concern

Bield's business activities, together with the factors likely to affect its future development, performance and position are set out within this Operating and Financial Review. The Operating and Financial Review also includes a review of the financial position of Bield, its cash flows, liquidity position and borrowing facilities.

Bield's financial projections demonstrate that Bield has the ability to meet its commitments in the short, medium and long-term. Therefore, the Board of Management believes that Bield is well placed to manage its business risks successfully despite the current uncertain economic outlook. Difficult decisions may have to be made during the life of the 2018-23 Business Strategy in order to ensure that this remains the case.

The Board has a reasonable expectation that Bield has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Internal Control

The Board is responsible for Bield's system of internal control and its effectiveness and therefore demands a strong control environment. However, the system is designed to manage rather than eliminate risk and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board through the Performance & Audit Committee has reviewed the effectiveness of Bield's internal financial controls and risk management for the year ended 31 March 2019. No significant weakness in the internal controls has occurred resulting in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board's full Statement on Internal Financial Controls is set out on page 15.

Awareness of Audit Information

The Board members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. Each of the Board Members has confirmed that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditors

In line with guidance issued by the Scottish Housing Regulator on the appointment of external auditors, the Board of Management intend to conclude a procurement process for the provision of external audit services by the time the Annual General Meeting takes place in September 2019.

By order of the Board of Management

SUSAN NAPIER

Chair of the Board of Management

4 July 2019

Statement of the Board's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Bield and of the surplus or deficit for that period. In preparing these financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that Bield will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of Bield and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Accounting for Registered Social Landlords Statement of Recommended Practice 2014. It has general responsibility for taking reasonable steps to safeguard the assets of Bield and to prevent and detect fraud and other irregularities.

Board Statement on Internal Financial Controls

- The Board acknowledges its ultimate responsibility for ensuring that Bield has in place a system of controls that is appropriate to the various business environments in which it operates.
- The systems of internal financial control, which are under regular review, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute assurance, against material misstatement or loss.
- The key procedures which have been established and which are designed to provide effective internal financial control include:
 - Comprehensive budgeting systems with an annual budget approved by the Board of Management.
 - Regular consideration by the Board of Management of actual results compared with budgets, together with a forecast for the year. Significant variances from budgets are investigated, explained as appropriate and action taken as agreed.
 - An internal audit programme which is designed to cover the main business activities of Bield. The scope and content of this programme are reviewed by the Performance & Audit Committee. The independent professional internal auditor, who works closely with the external auditor, has direct access to the Performance & Audit Committee which receives the reports and agrees appropriate action plans.
 - Written scheme of delegation including details of delegated authority.
 - An assessment of the risk areas faced by Bield, with details of the control mechanisms in place to counteract that risk. The Performance & Audit Committee reports annually to the Board of Management on the effectiveness of the Risk Management procedures.
- The Performance & Audit Committee assists the Board in meeting its responsibility for ensuring that Bield's financial systems provide accurate and up to date information on its financial position and that the Annual Accounts represent a true and fair reflection of this position. The Committee also assists the Board by review of the accounting policies and internal financial controls. The internal and external auditors attend meetings of the Performance & Audit Committee at least once a year. The internal auditor has direct access to the Chair of the Performance & Audit Committee.

The Board has reviewed the effectiveness of the system of internal financial controls. No weaknesses have been found which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements. Where weaknesses in internal financial controls are identified, appropriate remedial action is taken.
- These arrangements are considered appropriate to the scale and range of Bield's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.

By order of the Board of Management

SUSAN NAPIER

Chair of the Board of Management

4 July 2019

Independent Auditor's Report

to the Members of Bield Housing & Care

Opinion

We have audited the financial statements of Bield Housing & Care (the Association) for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements February 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing UK (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Bield Housing & Care in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- The Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

to the Members of Bield Housing & Care (continued)

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board's Responsibilities set out on page 14, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

July 2019

Independent Auditor's Report to the Members of Bield Housing & Care

on Internal Financial Controls

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning Bield Housing & Care's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of Bield Housing & Care and examination of relevant documents. The Bulletin does not require us to review the effectiveness of Bield Housing & Care's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK AUDIT LLP

Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

July 2019

Statement of Comprehensive Income

for the Year Ended 31 March 2019

	Notes	Continuing Operations £'000	Discontinued Operations £'000	2019 Total £'000	Continuing Operations £'000	Discontinued Operations £'000	2018 Total £'000
Turnover	2	41,777	583	42,360	41,479	5,061	46,540
Operating expenditure	2	(38,466)	(1,268)	(39,734)	(37,331)	(7,861)	(45,192)
Operating surplus		3,311	(685)	2,626	4,148	(2,800)	1,348
Investment income and interest receivable	6	119	–	119	100	–	100
Interest and financing costs	7	(387)	–	(387)	(214)	–	(214)
Gain/(loss) on disposal of fixed assets	9	128	(130)	(2)	123	–	123
Movement in fair value of current asset investments	14	267	–	267	227	–	227
Surplus for the financial year		3,438	(815)	2,623	4,384	(2,800)	1,584
Other comprehensive income							
Initial recognition of multi-employer defined benefit pension scheme	19.B	(3,830)	–	(3,830)	–	–	–
Actuarial losses in respect of pension schemes	19.B	(2,937)	–	(2,937)	–	–	–
Total comprehensive income for the year		(3,329)	(815)	(4,144)	4,384	(2,800)	1,584

The results for the year relate to continuing activities along with the withdrawal from Registered Care Home activities which have been included as discontinued operations above in both the current and previous financial years. This was a strategic decision taken by the Board during 2017 which saw the completion of this withdrawal during the 2018-19 financial year.

The accompanying notes on pages 23 to 48 form part of these financial statements.

Statement of Financial Position

as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Intangible assets	11.A	189	78
Housing properties	11.B	121,017	127,304
Other fixed assets	11.C	6,094	6,265
		127,300	133,647
Current Assets			
Properties held for sale	12	5,958	7,295
Trade and other debtors	13	1,364	1,526
Current asset investments	14	5,390	5,122
Cash and cash equivalents		5,014	308
		17,726	14,251
Current Liabilities			
Creditors: amounts falling due within one year	15	(7,777)	(7,608)
		9,949	6,643
Net Current Assets			
		137,249	140,290
Total Assets Less Current Liabilities			
Creditors: amounts falling due after more than one year	16	(64,350)	(69,163)
Provision for pension liability	19.A	(85)	(117)
Pension – deficit funding liability	19.B	–	(9,104)
Pension – defined benefit liability	19.B, 24	(15,052)	–
		57,762	61,906
Total Net Assets			
Reserves:			
Revenue reserve		57,662	61,753
Restricted reserve		100	153
		57,762	61,906

The financial statements were approved by the Board of Management and authorised for issue on 4 July 2019 and are signed on its behalf by:

SUSAN NAPIER

Member of the Board of Management

DAVID SCOBIE

Member of the Board of Management

CLARE BEESLEY

Company Secretary

The accompanying notes on pages 23 to 48 form part of these financial statements.

Statement of Changes in Reserves

for the Year Ended 31 March 2019

	Restricted Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
Balance at 1 April 2018	153	61,753	61,906
Surplus for year	–	2,623	2,623
Initial recognition of multi-employer defined benefit pension scheme	–	(3,830)	(3,830)
Actuarial losses in respect of pension schemes	–	(2,937)	(2,937)
Transfer from/(to) Income and Expenditure Account	7	(7)	–
Transfer (to)/from Income and Expenditure Account	(60)	60	–
	100	57,662	57,762
Balance at 31 March 2019	100	57,662	57,762

Statement of Cashflows

for the Year Ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	21	5,934	5,010
Cash flow from investing activities			
Purchase of tangible and intangible fixed assets		(3,497)	(4,989)
Purchase of current asset investments		(1)	(106)
Net proceeds from sale of tangible fixed assets		2,346	357
Proceeds from sale of current asset investments		–	105
Interest received		119	100
Net cash (used) in investing activities		(1,033)	(4,533)
Cash flow from financing activities			
Interest paid		(70)	(216)
Repayments of borrowings		(125)	(560)
Net cash (used) in financing activities		(195)	(776)
Net increase/(decrease) in cash and cash equivalents		4,706	(299)
Cash and cash equivalents at beginning of year		308	607
Cash and cash equivalents at end of year		5,014	308

The cash and cash equivalents are made up of bank accounts held at the year end.

Reconciliation of net cash flow to movement in net cash/debt

	2019 £'000	2018 £'000
Increase/(decrease) in cash	4,706	(299)
Repayments of borrowings	125	560
Net cash inflow from operating activities	4,831	261
Net (debt) at 1 April	(2,040)	(2,301)
Net cash/(debt) at 31 March	2,791	(2,040)
Cash at bank	5,014	308
Loan finance	(2,223)	(2,348)
Net cash/(debt) at 31 March	2,791	(2,040)

Notes to the Financial Statements

1. Accounting Policies

Bield is registered in Scotland under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator (Registration No. HEP 71) under the Housing (Scotland) Act 2010. Bield has charitable status with HM Revenue & Customs (Charity Number SC006878) and is eligible for exemptions from corporation tax on charitable activities.

The address of Bield's registered office and principal place of business is provided on page 3 of these financial statements.

The principal activity of Bield is providing a diverse range of housing, care and other services to older people. The nature of these operations is explained more fully in the Overview of Business in the Operating and Financial Review (pages 4-13).

Bield is a Public Benefit Entity in accordance with the definition set out in FRS102.

ACCOUNTING BASIS

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention, modified to include certain financial instruments at fair value. The financial statements are prepared in sterling (£) and rounded to the nearest £'000 unless where otherwise stated.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the economic useful life estimates of the components of housing properties. Management reviews its estimate of the useful lives of depreciable components at each reporting date based on industry standards and actual usage experienced. For impairment purposes of housing stock, a cash generating unit is deemed to be an individual housing unit.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 19). The net defined benefit pension liability at 31 March 2019 was £15,052k.

For the purposes of determining the shared ownership operating costs for letting activities, costs are allocated on a unit basis as it is not always possible to determine the shared ownership portion of the overall social housing costs.

TURNOVER

Turnover represents rental and service charge income receivable (net of voids), fees, income from shared ownership first tranche sales, revenue grants and donations. Tenant service charges are levied on a basis intended to cover appropriate service costs each year. Income collected where Bield is acting as an agent is not included in turnover.

Notes to the Financial Statements (continued)

FIXED ASSETS – INTANGIBLE ASSETS

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of three years, on a straight-line basis and recognised in operating costs within the Statement of Comprehensive Income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

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

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

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

The major components are deemed to be Land, Structure, Kitchen, Bathroom, Windows & Doors, Heating, Lift, Fire Alarm, Warden Call and Communal Lighting. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown opposite.

SALE OF HOUSING PROPERTIES

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

HOUSING ASSOCIATION GRANT

Housing Association Grant (HAG) is payable by the Scottish Government, City of Edinburgh Council and Glasgow City Council. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Where costs are not funded by HAG, the residual finance is sought from other sources or is funded internally.

HAG received for housing properties is recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) on a pro-rata basis under the accruals model.

On disposal of an asset for which HAG was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant the liability is included in the Statement of Financial Position.

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Depreciation

(i) Intangible assets:

Amortisation is charged on a straight-line basis over its estimated useful life as follows:

ICT Software	3 years
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(ii) Housing properties:

Depreciation is charged on a straight-line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Structure	50 years
Kitchen	18–20 years
Shower & Bathroom	15–30 years
Windows & Doors	25 years
Heating	10–20 years
Lift	25 years
Fire Alarm	15 years
Warden Call	10 years
Communal Lighting	15 years
Land is not depreciated	

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, Bield 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 operating costs in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised as income. 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.

(iii) Other fixed assets:

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is charged on a straight-line basis as follows:

Office Premises	50 years
Office Fixtures & Fittings	10 years
Furniture & ICT Equipment	3 years
Motor Vehicles	5 years
Community Alarm Units	5 years

The office premises are held under a cost model with no revaluation. Expenditure less than £1,000 is not capitalised. Any costs related to the employment of staff specifically to manage ICT capital projects are capitalised.

STOCK

Stock of housing properties is stated at the lower of cost and net realisable value and is recognised under current assets.

SHARED OWNERSHIP

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. Proceeds from first tranche disposals of shared ownership properties are accounted for in the Statement of Comprehensive Income of the period in which the disposal occurs and are recognised as Turnover. The cost of disposal of first tranche disposals is included within Operating Costs. The cost of sales is calculated on a square footage basis of each property. The first tranche element of any unsold properties is shown as a current asset within stock.

Notes to the Financial Statements (continued)

RESTRICTED RESERVES

A restricted reserve is held where funds are subject to conditions specified by a third party. Bield holds one restricted reserve in relation to donations received and where the use of those funds is limited to a specific purpose. Further restricted reserves will be created as required. Further explanation of the reserves held is given on page 11.

RETIREMENT BENEFITS

Bield participates in two industry wide, multi-employer defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) and the Growth Plan, and a defined contribution scheme. 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.

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHPS. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £9,104k, within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £9,104k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £12,934k was recognised at this date in the statement of financial position. The resulting net difference of £3,830k on initial recognition of the SHPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £15,052k, which has been included within creditors as a defined benefit pensions liability in the financial statements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as a remeasurement of net defined benefit liability.

The cost of the defined benefit plan, recognised in the Statement of comprehensive income (SoCI) as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the SoCI as 'Interest and financing costs'.

For the Growth Plan, current service 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 RSL will fund a deficit. This is included within provisions for pensions liability in the financial statements.

FINANCIAL INSTRUMENTS

Bield has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when Bield becomes a party to the contractual provisions of the instrument, and are offset only when Bield 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 which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade 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 income and expenditure as 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 the Statement of Comprehensive Income.

Financial liabilities

Trade creditors

Trade 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 trade 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.

VALUE ADDED TAX

Bield is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Consequently little VAT paid is recoverable and expenditure is therefore shown inclusive of VAT. Any VAT recovered is offset against operating costs.

Notes to the Financial Statements (continued)

INVESTMENTS

Investment income is recognised when due and receivable. Investments are stated at fair value which is the quoted bid price of trade investments quoted on a recognised stock exchange. All gains or losses on valuation are reflected through the Statement of Comprehensive Income.

OPERATING LEASE RENTALS

Operating lease rentals are charged on a straight-line basis over the term of the lease.

DEPOSITS AND LIQUID RESOURCES

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

PROVISIONS

Provisions are recognised when Bield has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Notes	Turnover £'000	Operating Costs £'000	2019 Operating Surplus/ (Deficit) £'000	2018 Operating Surplus/ (Deficit) £'000
Affordable Letting activities	3	34,430	(31,348)	3,082	1,489
Other activities	4	7,930	(8,386)	(456)	(141)
Total		42,360	(39,734)	2,626	1,348
Total for previous reporting period		46,540	(45,192)	1,348	

Notes to the Financial Statements (continued)

3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities

	General Needs Social Housing £'000	Supported Social Housing Accommodation £'000	Registered Care £'000	Shared Ownership Housing £'000	Total 2019 £'000	Total 2018 £'000
Rent receivable net of service charges	580	16,783	578	248	18,189	21,936
Service charges	66	14,082	–	137	14,285	14,129
Gross income from rents and service charges	646	30,865	578	385	32,474	36,065
Less voids	(6)	(869)	(92)	(178)	(1,145)	(1,207)
Net income from rents and service charges	640	29,996	486	207	31,329	34,858
Grants released from deferred income	–	2,971	90	33	3,094	3,174
Revenue grants from Scottish Ministers	–	–	7	–	7	27
Total turnover from affordable letting activities	640	32,967	583	240	34,430	38,059
Management and maintenance administration costs	(120)	(6,151)	(144)	(100)	(6,515)	(6,633)
Service costs	(212)	(11,077)	(1,023)	(180)	(12,492)	(16,148)
Planned and cyclical maintenance including major repairs costs	(59)	(3,010)	(21)	(49)	(3,139)	(3,103)
Reactive maintenance costs	(53)	(2,696)	(50)	(44)	(2,843)	(2,705)
Bad debts – rents and service charges	(1)	(63)	45	(1)	(20)	(69)
Depreciation of affordable let properties	(106)	(5,882)	(75)	(123)	(6,186)	(6,383)
Impairment of affordable let properties	–	(153)	–	–	(153)	(1,529)
Operating costs for affordable letting activities	(551)	(29,032)	(1,268)	(497)	(31,348)	(36,570)
Operating surplus or deficit for affordable letting activities	89	3,935	(685)	(257)	3,082	1,489
Operating surplus or deficit for affordable letting activities for previous reporting period	95	4,062	(2,800)	132	1,489	

During 2017, the Board took a strategic decision to withdraw from the provision of Registered Care Homes. This withdrawal was fully completed during the 2018–19 financial year. All discontinued activities included within 2018 and 2019 relate solely to Registered Care Home activity.

4. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs: Bad Debts £'000	Other Operating Costs £'000	Operating Surplus or Deficit £'000	Operating Surplus or Deficit for previous reporting period £'000
Support activities	–	–	312	–	312	–	(354)	(42)	(254)
Care activities (excluding Care Homes)	–	3,131	49	414	3,594	5	(3,244)	355	(153)
Contracted out services undertaken for other organisations	–	–	–	1,369	1,369	–	(1,359)	10	96
Community alarm, letting of communal facilities	–	–	–	881	881	–	(720)	161	370
Business development activities	–	–	–	14	14	–	(458)	(444)	(294)
Business strategy/ transformation	–	–	–	–	–	–	(824)	(824)	(321)
First tranche shared ownership sales	–	–	–	1,760	1,760	–	(1,451)	309	282
Pension scheme change of assumptions	–	–	–	–	–	–	19	19	133
Total from other activities	–	3,131	361	4,438	7,930	5	(8,391)	(456)	(141)
Total from other activities for the previous reporting period	–	2,914	1,203	4,364	8,481	(1)	(8,621)	(141)	

Included within letting of communal facilities and community alarm is income of £526k (2018: £472k) in respect of Bield Response 24, a community alarm service. Included within development activities are marketing costs of £138k (2018: £122k).

The Accounting Determination includes additional information lines to that shown in notes 3 and 4 above. The Board does not feel that any additional information is required with regard to these notes.

Notes to the Financial Statements (continued)

5. Units under development and in management

	Units Under Development		Units In Management	
	2019 Units	2018 Units	2019 Units	2018 Units
General Needs Housing	–	–	121	119
Supported Housing:				
Sheltered/Very Sheltered/Amenity	–	–	4,306	4,293
Retirement Care	–	–	–	76
	–	–	4,427	4,488
Shared ownership	–	–	187	182
Private housing under management:				
Wholly owned	–	–	787	833
Agency	–	–	37	37
	–	–	824	870
Total units under development and in management	–	–	5,438	5,540

The movement in Shared Ownership is due to 9 new units at Cyprian Court, Lenzie and 3 fully staircased units at St Andrews View, Bearsden moved to wholly owned; plus 1 unit at Halmyre Court transferred to Amenity Housing.

6. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest on bank deposits	14	2
Income from listed investments	105	98
	119	100

7. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest arising on:		
Bank loans and overdrafts	70	83
Unwinding of discount factor	2	131
Net interest expense on defined benefit pension	315	–
	387	214

8. Operating surplus or deficit

	2019 £'000	2018 £'000
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	6,187	6,383
Amortisation of intangible fixed assets	89	–
Depreciation of other tangible fixed assets	387	533
Impairment of housing properties	153	1,529
Operating lease rentals	105	115
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
	2019 £'000	2018 £'000
Audit services – statutory audit of the Association	24	23
Other services	–	–
	24	23

9. Surplus or deficit on disposal of fixed assets

	2019 £'000	2018 £'000
Motor Vehicles: gain on sale	–	7
Housing Properties: sale proceeds	2,346	350
Less Deferred HAG/HAG Repaid	(1,725)	–
Less: Net Book Value	(583)	(220)
Housing Properties: (loss)/gain on disposal	38	130
Disposal of Housing Properties Components	(40)	(14)
	(2)	123

The components disposal arose due to the earlier than scheduled replacement of some items.

Notes to the Financial Statements (continued)

10. Employees

	2019 No.	2018 No.
The average monthly number of full-time equivalent persons employed by the Association (including Directors) during the year was:		
Office and management/Administration	168	179
Scheme based staff	371	528
	539	707
	2019 £'000	2018 £'000
Staff costs for the above persons:		
Wages and salaries	13,967	17,972
Social security costs	1,014	1,251
Pension costs	2,007	2,106
Redundancy payments	732	597
	17,720	21,926
The Directors (Key Management Personnel) are defined as the members of the Board of Management, the Chief Executive and any other member of the Senior Management Team. No emoluments were paid to any member of the Board of Management during the year.		
The number of Directors who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:		
	Number	Number
£60,001 to £70,000	–	–
£70,001 to £80,000	1	1
£80,001 to £90,000	2	3
£90,001 to £100,000	–	–
£100,001 to £110,000	1	1
	4	5
	2019 £'000	2018 £'000
Aggregate emoluments for the above Directors (excluding pension contributions and including benefits in kind)	358	425
Aggregate pension contributions in relation to the above Directors	20	18
Aggregate benefits in kind in relation to the above Directors	15	18
The emoluments for the Chief Executive (excluding pension contributions)	109	106
The pension contributions for the Chief Executive	6	6
Total emoluments for the Chief Executive	115	112
Total expenses reimbursed to Directors and to Board of Management members insofar not chargeable to Income Tax were £6,676 (2018: £8,573). All benefits in kind relate to motor vehicles. No loans were made to Board members, officers or employees during the year.		

11A. Intangible Fixed Assets

	Software £'000
Cost:	
1 April 2018	118
Additions	200
Disposals	–
31 March 2019	318
Amortisation and impairment:	
1 April 2018	(40)
Amortisation charged in year	(89)
Released on disposal	–
31 March 2019	(129)
Net book value	
31 March 2019	189
31 March 2018	78

FRS102 requires that computer software is classified as an intangible fixed asset.

Software with a net book value of £78k was included in Computers within Note 11.C Other Fixed Assets last year, with it being shown separately for 2018–2019.

Notes to the Financial Statements (continued)

11B. Tangible Fixed Assets – Housing Properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost:				
1 April 2018	232,761	101	6,293	239,155
Additions	–	22	–	22
Works to existing properties	3,059	–	–	3,059
Disposals	(6,758)	–	(102)	(6,860)
Transfers to properties for letting	56	–	(56)	–
Schemes completed	–	–	–	–
31 March 2019	229,118	123	6,135	235,376
Depreciation and impairment:				
1 April 2018	(110,539)	–	(1,312)	(111,851)
Depreciation charged in year	(6,064)	–	(123)	(6,187)
Impairment charged in year	(153)	–	–	(153)
Released on disposal	3,826	–	6	3,832
31 March 2019	(112,930)	–	(1,429)	(114,359)
Net book value				
31 March 2019	116,188	123	4,706	121,017
31 March 2018	122,222	101	4,981	127,304
Expenditure on works to existing properties				
			2019 £'000	2018 £'000
Improvement work capitalised			36	51
Replacement component spend capitalised			3,022	2,636
Amounts charged to statement of comprehensive income			3,139	3,103
Total major repairs spend			6,197	5,790

Bield considers each development to be a separate cash generating unit when assessing for impairment, in accordance with SORP 2014.

During the year, Bield has recognised a total impairment loss of £153k in relation to one development of 40 units at Whitehill Court, Kirkintilloch with a net book value of £181k which is scheduled to be replaced by a new development over the course of the next two financial years.

Land with a value of £8.2m (2018: £8.7m) is included in the cost figure of the note above.

11C. Tangible Fixed Assets – Other

	Freehold property £'000	Computers and Office Equipment £'000	Furniture fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost:					
1 April 2018	7,612	4,308	269	176	12,365
Additions	26	156	34	–	216
Disposals	–	–	–	(68)	(68)
31 March 2019	7,638	4,464	303	108	12,513
Depreciation and impairment:					
1 April 2018	(1,659)	(4,007)	(258)	(176)	(6,100)
Depreciation charged in year	(144)	241	(2)	–	(387)
Released on disposal	–	–	–	68	68
31 March 2019	(1,803)	(4,248)	(260)	(108)	(6,419)
Net book value					
31 March 2019	5,835	216	43	–	6,094
31 March 2018	5,953	301	11	–	6,265

12. Properties for sale

	2019 £'000	2018 £'000
Completed properties	5,958	7,295

13. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Rent and service charges receivable	853	1,130
Less: provision for bad and doubtful debts	(305)	(333)
	548	797
Other debtors	300	226
Prepayments and accrued income	516	493
Other taxation and social security costs	–	10
	1,364	1,526
The amount of debtors held at amortised cost is £848k.		

Notes to the Financial Statements (continued)

14. Current Asset Investments

	2019 £'000	2018 £'000
Valuation at 1 April 2018	5,122	4,894
Additions in year	1	106
Disposals in year	–	(105)
Appreciation on disposals/revaluation	267	227
Valuation at 31 March 2019	5,390	5,122

15. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Debt (note 18)	1,200	125
Rent and service charges received in advance	299	394
Other grants received in advance	11	21
Deferred capital grants (note 17)	3,022	3,182
Trade creditors	1,652	1,262
Other taxation and social security costs	398	337
Other creditors	470	875
Accruals and deferred income	725	1,412
	7,777	7,608

The amount of creditors held at amortised cost is £5,070k.

16. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Debt (note 18)	1,023	2,223
Deferred capital grant (note 17)	63,327	66,940
	64,350	69,163

17. Deferred Capital Grant

	2019 £'000	2018 £'000
As at 1 April 2018	70,122	73,296
Capital grant abated	(679)	–
Capital grant released	(3,094)	(3,174)
As at 31 March 2019	66,349	70,122
Amounts to be released within one year	3,022	3,182
Amounts to be released in more than one year	63,327	66,940
	66,349	70,122

18. Debt Analysis – Borrowings

	2019 £'000	2018 £'000
Being loans falling due:		
– within one year	1,200	125
– after more than one year	1,023	2,223
	2,223	2,348
Based on the lender's earliest repayment date, borrowings are repayable as follows:		
Due within one year	1,200	125
Due in one year or more but less than two years	142	1,200
Due between two and five years	493	460
Due in more than five years	388	563
	2,223	2,348
Bank loans:		
Fixed Rate	1,155	1,280
Variable Rate	1,068	1,068
	2,223	2,348
Interest rates for year		
– fixed	4.14%	4.39%
– variable	1.69%	1.36%
– overall	3.02%	3.51%

Total security of £14.6m is held by lenders, made up of 717 housing development units.

Notes to the Financial Statements (continued)

19A. Provisions for Pension Liability – Growth Plan

	Growth Plan £'000
1 April 2018	117
Unwinding of the discount factor	2
Deficit contribution paid	(15)
Remeasurements – impact of any change in assumptions	1
Remeasurements – amendments to the contribution schedule	(20)
31 March 2019	85

The provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits. See note 25 Retirement Benefits for further information.

19B. Pension Defined Benefit Liability – SHPS

	SHPS Pension £'000
1 April 2018	9,104
Initial recognition of multi-employer defined benefit scheme	(9,104)
Current service cost plus expenses	–
Net interest expense	–
Employer contributions	–
Actuarial loss	–
31 March 2019	–
Initial recognition of multi-employer defined benefit scheme	
Reversal of provision (above)	9,104
Recognition of pension liability at 1 April 2018 (Note 24)	(12,934)
Recognised in other comprehensive income	(3,830)

20. Share Capital

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

	2019 Number	2018 Number
Number of members		
1 April 2018	82	79
Joined during the year	4	6
Left during year	(3)	(3)
31 March 2019	83	82

21. Reconciliation of surplus to net cash generated from/(used) in operations

	2019 £'000	2018 £'000
Surplus/(deficit) for the year	2,623	1,584
Adjustments for non-cash items:		
Depreciation and amortisation of tangible and intangible fixed assets	6,663	6,916
Impairment losses on tangible fixed assets	153	1,529
Amounts released from deferred capital grant	(3,094)	–
Defined benefit pension schemes	(1,166)	(1,347)
(Decrease) in provisions	–	(3,174)
Loss/(gain) on disposal of tangible fixed assets	2	(123)
Fair value movement of current asset investments	(267)	(227)
Interest receivable	(119)	(100)
Interest payable	387	214
Operating cash flows before movements in working capital	5,182	5,272
Decrease in stock	1,337	840
Decrease in trade and other debtors	162	13
(Decrease) in trade and other creditors	(747)	(1,115)
Cash generated from operations	5,934	5,010

22. Capital commitments and other contractual obligations

	2019 £'000	2018 £'000
Capital expenditure approved but not contracted for in the financial statements	5,838	–
Capital expenditure contracted for but not provided in the financial statements	147	–

23. Commitments under operating leases

	2019 £'000	2018 £'000
The total future minimum payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	46	82
Between one and five years	53	91
	99	173

Notes to the Financial Statements (continued)

24. Retirement Benefits – SHPS Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association 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.

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution scheme as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Association's financial statements. The net present value for this contractual obligation was £9,104k.

For the year ended 31 March 2019, sufficient information is available for the Association in respect of SHPS to account for its obligation on a defined benefit basis. For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 is £12,934k and is £15,052k as at 31 March 2019.

The amendment to FRS102 issued in May 2019 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. This amendment is effective for accounting periods beginning on or after 1 January 2020 with early application permitted. The Association has chosen to apply this amendment in this financial year. The change on transition has resulted in a re-measurement difference of £3,830k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

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

	31 March 2019 (£000s)	31 March 2018 (£000s)
Fair value of plan assets	46,455	45,945
Present value of defined benefit obligation	61,507	58,879
Surplus (deficit) in plan	(15,052)	(12,934)
Unrecognised surplus	–	–
Defined benefit asset (liability) to be recognised	(15,052)	(12,934)

Reconciliation of the impact of the asset ceiling

	31 March 2019 (£000s)
Impact of asset ceiling at start of period	–
Effect of the asset ceiling included in net interest cost	–
Actuarial losses (gains) on asset ceiling	–
Impact of asset ceiling at end of period	–

Reconciliation of opening and closing balances of the defined benefit obligation

	Period Ending 31 March 2019 (£000s)
Defined benefit obligation at start of period	58,879
Current service cost	406
Expenses	52
Interest expense	1,469
Contributions by plan participants	237
Actuarial losses (gains) due to scheme experience	(172)
Actuarial losses (gains) due to changes in demographic assumptions	183
Actuarial losses (gains) due to changes in financial assumptions	3,579
Benefits paid and expenses	(3,126)
Liabilities acquired in a business combination	–
Liabilities extinguished on settlements	–
Losses (gains) on curtailments	–
Losses (gains) due to benefit changes	–
Exchange rate changes	–
Defined benefit obligation at end of period	61,507

Notes to the Financial Statements (continued)

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

	Period Ending 31 March 2019 (£000s)
Fair value of plan assets at the start of period	45,945
Interest income	1,154
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	653
Contributions by the employer	1,592
Contributions by plan participants	237
Benefits paid and expenses	(3,126)
Assets acquired in a business combination	–
Assets distributed on settlements	–
Exchange rate changes	–
Fair value of plan assets at end of period	<u>46,455</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,807,000.

Defined benefit costs recognised in statement of comprehensive income (SOCl)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	406
Expenses	52
Net interest expense	315
Losses (gains) on business combinations	–
Losses (gains) on settlements	–
Losses (gains) on curtailments	–
Losses (gains) due to benefit changes	–
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>773</u>

Defined benefit costs recognised in other comprehensive income

	Period ending 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	653
Experience gains and losses arising on the plan liabilities – gain (loss)	172
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	(183)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	<u>(3,579)</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(2,937)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	–
Total amount recognised in other comprehensive income – gain (loss)	<u>(2,937)</u>

Assets

	31 March 2019 (£000s)	31 March 2018 (£000s)
Global Equity	7,817	9,075
Absolute Return	4,020	5,613
Distressed Opportunities	844	444
Credit Relative Value	850	–
Alternative Risk Premia	2,679	1,742
Fund of Hedge Funds	209	1,513
Emerging Market Debt	1,603	1,853
Risk Sharing	1,403	425
Insurance-Linked Securities	1,332	1,207
Property	1,046	2,115
Infrastructure	2,436	1,178
Private Debt	623	409
Corporate Bond Fund	2,168	1,887
Long Lease Property	683	–
Secured Income	1,663	1,703
Over 15 Year Gilts	–	–
Liability Driven Investment	16,990	16,738
Net Current Assets	89	43
Total assets	<u>46,455</u>	<u>45,945</u>

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

Notes to the Financial Statements (continued)

Key Assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	2.29	2.55
Inflation (RPI)	3.30	3.20
Inflation (CPI)	2.30	2.20
Salary Growth	3.30	3.20
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

25. Retirement Benefits – Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating 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 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

25. Retirement Benefits – Growth Plan (continued)

Deficit Contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum payable monthly and increasing by 3% each on 1 April)
---------------------------------------	--

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit Contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 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 payable under the agreement that relates to the deficit. 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.

Present Values of Provision

	31 March 2019 (£000s)	31 March 2018 (£000s)	31 March 2017 (£000s)
Present value of provision	85	117	132

Reconciliation of Opening and Closing Provisions

	Period Ending 31 March 2019 (£000s)	Period Ending 31 March 2018 (£000s)
Provision at start of period	117	132
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(15)	(15)
Remeasurements – impact of any change in assumptions	1	(2)
Remeasurements – amendments to the contribution schedule	(20)	–
Provision at end of period	85	117

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