

**ARK HOUSING ASSOCIATION LIMITED**  
**GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

Registered Housing Association No. HEP66

Financial Conduct Authority No. 1899R (S)

Charitable No. SC015694

**ARK HOUSING ASSOCIATION LIMITED**

**PROFESSIONAL ADVISORS**

**31 MARCH 2017**

**Registered Office**

The Priory  
Canaan Lane  
Edinburgh  
EH10 4SG

**Bankers**

The Royal Bank of Scotland plc  
Corstorphine (C) Branch  
239 St Johns Road  
Edinburgh  
EH12 7XA

**Solicitors**

Shepherd and Wedderburn WS  
1 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8UL

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

**External Auditors**

Chiene + Tait LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

**Internal Auditors**

TIAA Ltd  
Business Support Centre  
53-55 Gosport Business Centre  
Aerodrome Road  
Gosport  
Hampshire  
PO13 0FQ

**ARK HOUSING ASSOCIATION LIMITED**

**GROUP FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

<b>Contents</b>	<b>Page</b>
Board of Management and Executive Officers	4
Report of Board of Management	5 - 15
Statement of Board Responsibilities	16
Board of Management Statement on Internal Financial Controls	17
Independent Auditor's Report	18
Report by Auditors on Corporate Governance Matters	19
Group Statement of Comprehensive Income	20
Housing Association Statement of Comprehensive Income	21
Group Statement of Changes in Reserves	22
Group Statement of Financial Position	23
Housing Association Statement of Financial Position	24
Group Statement of Cash Flows	25
Housing Association Statement of Cash Flows	26
Notes to the Financial Statements	27 – 55

**Registration Particulars:**

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 1899R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP66
Charity Number	SC015694

REPORT OF BOARD OF MANAGEMENT  
31 MARCH 2017

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS  
31 MARCH 2017

**Board of Management - Serving in 2016-2017**

Marilyn Barrett MSc\*

Ken Brown \*#

Michael Brown PhD, MSc, PGCE, BSc (Hons), RN, FHEA

Colin Cackette MB, ChB, FRCGP<sup>+</sup> \*

Shona Dunsmore CMCIPD<sup>+</sup> (Co-opted 7 November 2016)

Anne Kershaw BSc. FIA<sup>+</sup>#

Ann Lyon (Chair)<sup>+</sup>#

Graham Mitchell BSc, MRICS, MIRPM, ACI Arb<sup>+</sup> (Co-opted 7 November 2016)

David Proudfoot \* (Co-opted 22 September 2016)

Lucy Robinson MSc, PGDIP.Hg, BSc (ECON), MCIH (Co-opted 7 November 2016)

Henry A Robson \*

Caroline Tough

**Board of Management – resigned during period**

Sue Broussine BSc, MA, PGCE\* - Resigned 22 September 2016

Peter Slater B Eng, C Eng, MiMechE<sup>+</sup>, MCIM - Resigned 22 September 2016

James Rigby FCMA \*# - Resigned 22 September 2016

Tammy McLellan – Resigned 7 November 2016

Alastair Wallace MA, BA, LLB \*# – Resigned 4 February 2017

\* Audit sub committee member

<sup>+</sup> Housing sub committee member

# Finance sub committee member

**Executive Officers - current**

Jane Gray BSc, MSc, MA

- Chief Executive

Bobby Duffy MBA, DSSL, RMN

- Director, Care and Support

Victoria Knox MCIPD

- Director, Human Resources

Ron Watson MBA, FCMA, CGMA

- Director, Finance

The Board of Management presents its report and audited financial statements for the year ended 31 March 2017.

## Overview of Business

---

The principal objects of ARK Housing Association (ARK) are to provide quality homes for rent to anyone in the community and to provide care and support for those with learning disabilities.

## Mission, Values, Vision, Objectives

---

### *Vision*

ARK will play a significant part in improving Scottish society and living environments. We will change lives for the better and will encourage communities to be available and welcoming to people who require support in life.

### *Mission*

Our mission is to provide the best regarded care, housing and support services in Scotland for families, children and adults of all ages who require support to have a good life and to build life-long and life-enhancing relationships, whilst promoting the right of people to have a life free from poverty and discrimination.

### *Values*

Our values are the beliefs and behaviours that determine the culture of ARK and which are the foundations for the delivery of quality services and the nature of individual and corporate relationships. They guide the spirit in which we will operate.

We believe in:

- The worth of each person;
- Trusting relationships;
- Understanding difference;
- Challenging oppression;
- Personal and organisational accountability;
- Caring for the environment; and
- Enjoyment.

### *Objectives*

In order to turn its strategy into a business plan ARK developed its strategic planning using the Balanced Scorecard approach, which seeks to ensure that all of ARK's activities are linked to the achievement of the vision, mission and strategy.

The Balanced Scorecard tool helps to bring focus, alignment and accountability to all of ARK's organisational objectives and activities. This supports the governance and management of the business through a risk based approach. It utilises SMART (Specific, Measurable, Attainable, Relevant and Time-bound) objectives, grouped into five perspectives of Customer, Learning and Innovation (People), Learning and Innovation (Organisation), Internal Processes and Financial.

This transforms ARK's strategic plan into an operational plan with objectives, targets, initiatives and tasks for staff at all levels of the organisation. It provides a framework that not only provides performance measurements but helps ARK identify what should be done and what should be measured, including the identification of business critical issues and activities, through regular review. As a result, it enables ARK's Executive Team to fully execute ARK's strategy.

### **Structure, Governance and Management**

ARK is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority. ARK, a Registered Social Landlord and a registered charity, was established in 1977 under a Memorandum of Association which established the objects and powers of the Association.

ARK is governed by a voluntary Board of Management (the Board) and the management of ARK is delegated by this Board to the Executive Officers. Governance, management policies and procedures that set the parameters for those matters to be dealt with by the Board, and those which can be dealt with by the Executive Officers, have been approved by the Board. Meetings of both parties are held on a regular basis throughout the year and are conducted in accordance with ARK's reporting procedures.

The Board has two sub-committees (Finance and Audit) each with specific terms of reference and functions delegated by the Board and with a member of the Board as their Chair. The Board also established an Executive Committee with delegated authority for decision-making in particular circumstances. The Board and Executive Officers of ARK serving during the year are listed on page 4.

Each member of the Board holds one fully paid share of £1 in ARK. The Executive Officers of ARK hold no interest in ARK's share capital and, although not having the legal status of Directors, act as Executives within the authority delegated by the Board.

ARK has a documented policy for recruitment to the Board and the recruitment process is structured in such a way as to ensure that those appointed to the Board have the required diversity of skills, interests and experience. ARK has established twice-yearly induction days and is creating additional learning days for Board members to ensure they maintain and enhance their contribution to Board Governance. Continuous learning requirements will be captured through a Board Effectiveness Survey.

ARK has two fully controlled subsidiaries in Ark Services Limited and Ark Commercial Investment Limited.

Ark Services Limited was set up to develop housing for those who are aged, infirm or disabled and in need of housing and associated amenities. As a registered charity, it was able to access Special Needs Capital Grant funding which was not available to Housing Associations.

Ark Commercial Investment Limited was set up as a vehicle to provide student accommodation in a former care home. As a commercial entity it leased the building from ARK and established a management contract to ensure high levels of occupancy throughout the academic year and a high level of take-up during holiday periods.

ARK has in place a management service contract with Ark Services Ltd and Ark Commercial Investment Limited to provide management and professional services to these organisations.

The financial statements of Ark Services Limited and Ark Commercial Investment Limited are consolidated in the ARK Group financial statements.

REPORT OF BOARD OF MANAGEMENT  
31 MARCH 2017

**Financial Review**

Group turnover for the year was £20.2m (2016: £19.7m), an increase of 2.3% on the previous year. The Care and Support business reported slightly below budget performance as it continues to settle in to its new structure following a restructure of management roles and a reduction in the number of management posts during the year. The introduction of the Scottish Living Wage was also a challenge for Care and Support but, through negotiations with Local Authorities, increases in most rates were achieved. In contrast, the Housing business exceeded the budgeted surplus for the year, due, in the main, to savings in depreciation and employee costs.

The group surplus for the financial year was £7.6m, compared to £0.9m in 2016. The surplus in the year includes £7.0m in relation to the amendment to the pension recovery plan.

Ark Services continues to receive rental income for four sites in Aberdeen City and generated a surplus of £293k in the financial year (2016: £296k).

Ark Commercial Investment Ltd showed a break-even position at the year end compared to a loss of £3.9k in 2016.

The ARK Group presents an increased balance sheet position of £8.6m (2016: £1m) predominately as a result of the re-measurement of the pension scheme deficit. The closing cash balance was £3.8m, an increase of £0.9m in the year.

**Reserves**

Total reserves increased by £7.6m on 2016 reserves. £7.0m of this relates to movement in the pension valuation.

General funds are unrestricted funds that are available for use at the discretion of the directors in furtherance of the general objectives of the association and which have not been designated for any other purposes.

At the year end there are two restricted reserves that were transferred from Rymouth Housing Society and also a third restricted fund that relates to monies raised on behalf of the West Adam Street project. Details of these are set out in note 8.

**Treasury Management**

The Board reviews ARK's treasury management arrangements bi-annually. ARK holds surplus working cash reserves in an investment portfolio with Brewin Dolphin with the remaining cash funds being held in instant access and 7 day notice deposit accounts.

Readily liquefiable assets are held at a balance of at least an amount equivalent to two months salary costs (approximately £3.1m), which is considered sufficient to cover operational working capital requirements.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 37% of Group funds are secured on a fixed borrowing rate and 63% on a variable rate.

**Fixed assets**

Changes in fixed assets in the year are set out in notes 9 to 12 of the financial statements.

### **Pension contributions**

ARK is a member of the Scottish Housing Associations' Pension Scheme (SHAPS), administered by The Pensions Trust. It is a multi-employer scheme where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

The 2015 valuation exercise has now had its results published and shows a marked decrease in the scheme deficit to some £198 million (from £304 million) as a result of increased contributions, improved asset performance and amendment of key factors such as covenant strength, mortality rates and average salary increases to reflect the nature of Scottish housing association employers and employees.

As a result of the reduced level of deficit, the SHAPS Committee had the choice to reduce contributions and maintain the recovery plan period or to maintain contributions and reduce the recovery plan period. The latter was chosen and, as a result, has reduced the end of the recovery plan period for ARK to some 7 years from now.

### **Annual Review**

Over the past year ARK has been focusing on supporting its new staffing structures in care and support, steadily working through the Energy Efficiency Standard for Social Housing (ESSH) requirements and improving our engagement with all our tenants, people who use our services and staff. This year ARK had to meet the requirement to pay the Scottish Living Wage (SLW), which meant that ARK had to accelerate its plans to increase wages by some 3 years. ARK was delighted to be able to implement the SLW of £8.25 per hour from 1<sup>st</sup> October 2016 and was able to pay the increased level of £8.45 from 1<sup>st</sup> May 2017. The work done in this year has created a solid and sustainable financial platform upon which to build ARK's future strategy. ARK continues to face the challenges of a diminishing national budget for care and support and a scarce workforce. However, ARK is hopeful that its achievements this year will support an improvement in recruitment and retention going forward.

Despite the many challenges it faced, ARK achieved its main aim for the year, which was to create a greater stability in staffing and budgets. This will enable ARK to continue to strive for better outcomes, better lives and better homes for people it serves. ARK's strategy of developing high quality housing and care and support services through increased investment and personal budgets will benefit hugely from the forensic analyses completed this year. To support the work, ARK is leading through the Good Life Group, which was successful in a joint bid with the City of Edinburgh Council to the ihub Improvement Fund. The funds awarded will support the development of a national strategy to ensure that people with complex needs do not spend excessive time in hospital and have a home that meets their requirements.

### **Business Review**

#### ***Scope of Review***

This review refers to ARK Housing Association only. Equivalent material for its subsidiaries, Ark Services Ltd and Ark Commercial Investment Ltd, is included in their separate Annual Reports and Financial Statements.

### *Asset Management and Housing Services*

#### *Asset Management*

Following on from the Scottish Housing Regulator's (SHR) previous Scottish Housing Quality Standards compliance date of March 2015, ARK has continued to upgrade the quality of its housing stock through improving the built environment for service users, mainstream tenants and staff. ARK seeks, as a minimum, to maintain compliance with the quality standards through regular stock condition survey updates and the development, and implementation, of a 30-year repairs and maintenance plan.

ARK's next quality challenge from the SHR is the EESSH standards. The SHR monitors and reports on Registered Social Landlords' (RSL) progress towards compliance with EESSH on an annual basis and aims to encourage RSLs to improve the energy efficiency of social housing in Scotland.

The EESSH regulations set a single minimum energy efficiency rating for landlords to achieve, which can vary as a result of the property type and the fuel used to heat it. RSLs must ensure that they achieve the relevant minimum energy efficiency rating by the first milestone of 31<sup>st</sup> December 2020.

The range of energy efficiency measures which ARK will consider includes the following:

- Loft insulation / top up floor insulation;
- Double / secondary glazing;
- External wall insulation;
- Heating controls;
- Replacement storage heating;
- Energy-saving lighting; and
- Boiler replacement with modern, efficient condensing boilers.

The SHR will undertake an initial review of ARK's EESSH implementation plans in 2017 with a view to assessing if the full implementation by the 2020 deadline will be achieved. However, with these reports being submitted annually, ARK will be aware of its compliance levels, and will have taken appropriate actions, significantly before the deadline.

ARK's performance on meeting performance standards in repairs and maintenance in 2016-17 has been as follows:

- |  |          |
|--|----------|
| • Average number of reactive repairs completed per property            | 3.6      |
| • Average time to complete emergency repairs (standard of 12 hours)    | 3.1 Hrs  |
| • Average time to complete non-emergency repairs (standard of 10 days) | 5.1 days |
| • Percentage of reactive repairs completed right first time            | 97%      |
| • Percentage of tenants satisfied with repairs and maintenance service | 95%      |

ARK has progressed with its major repairs programme through the upgrading of items such as kitchens, bathrooms and boilers at a number of locations across the country.

#### *Housing Services*

ARK continued to support tenants during a time of ongoing Welfare Reform and drew on the services of Welfare Advice staff, funded by Scottish Legal Aid Board, to support tenants to maximise their income

and sustain their tenancies. ARK was successful in getting extended funding for these three posts up to March 2017.

Only one of ARK's tenants is on Universal Credit and there has been full roll-out in two of the Local Authority areas in which ARK operates. Some 96% of the tenants affected by under-occupancy charge continue to get Discretionary Housing Payments to mitigate the effects. Support was given to tenants on a number of issues including maximising Disability Living Allowance, Employment Support Allowance, Personal Independence Payments and Attendance Allowance.

This year ARK applied a 2% increase to rents at 1/4/2016 and collected 101% of the rental income due for the year. Rent arrears fell to 2.7%, (2016 3.3%) of gross rental income; technical arrears (where Housing Benefit is paid in arrears by the local authority) accounted for 1.9%, (2016 2.5%) with non-technical (amount due by tenants) accounted for 0.8%.

ARK served six Notice of Proceedings for recovery of possession and four were taken to court. Three of these cases had eviction decrees granted and their tenancies were ended. Former tenant arrears at 31<sup>st</sup> March 2017 amounted to £13,719 because of these cases but only £1,146 of this debt was written off. ARK will continue to pursue the former tenants for payment throughout 2017-18. There were no abandonments in the year.

Although ARK is part of the Common Housing Register (Edindex) within Edinburgh it holds a housing list for the other areas where ARK has housing. This year ARK assessed and added 120 applications to the housing list and cancelled 12 for a variety of legitimate reasons. At the end of the year ARK had a total of 262 people requesting to be rehoused by ARK.

ARK's stock turnover rate in the year was 11% as it allocated 44 properties, with 14 going to general needs tenants and 30 to supported tenants. The average number of days to re-let reduced from 69 to 40 days and some 80% of these tenants were very satisfied or satisfied with the condition of the property when moving in.

At the end of the year there were 5 self-contained voids waiting to be re-let and the total rental loss to voids was £69,807 or 2.6% of the rental income.

### *Care and Support Service Quality*

ARK was able to maintain the high quality services provided in previous years with its average Care Inspectorate grade being 4 (good) across all of its services.

Out of a total of 42 Care Inspectorate grades received during this period, 4 grades were 6 (excellent), 9 grades were 5 (very good), and 17 grades were 4 (good). Whilst there was a slight drop in the number of 'very good' and 'excellent' grades received as a proportion of the whole this year, it was positive to note that the number of 'good' grades had increased from last year.

During this period ARK received one or more grades of 3 (adequate) in each of its Borders and Moray services, and one or more grades of 2 (weak) in each of its Edinburgh services. These awards were made against a backdrop of significant organisational change within the Care and Support management structure. In each of these services new management structures and teams are now in place with a strong focus on delivering the actions required to improve these grades. ARK's management team has implemented a robust quality assurance framework across Care and Support and is confident that the measures that have been put in place will address the issues raised by these inspections.

ARK's service user questionnaire confirmed an upward trend in relation to one of the key indicators of service user satisfaction with 100% of services users confirming that they are supported to do the things that they want to make their lives better, 95% of service users who responded advised that ARK staff

listen to them and respect their choices and 93% agreed that their support staff support them to do different activities in the community.

ARK's stakeholder surveys, which capture feedback from third parties such as family members, carers and professionals, showed that 90% of family members and carers were satisfied that the person they know is supported to do the things that they want to make their lives better and that 94% of professional stakeholders were happy with the service provided by ARK to the person they know.

### ***Participation***

ARK was able to continue to offer its service users and tenants a variety of ways to participate, at many levels within the organisation, and to offer feedback on our service.

ARK's service user Voices Group met 4 times in Edinburgh and offered a number of service users from different geographical locations a chance to participate in a forum which discusses issues that are relevant to ARK's work and that are relevant to the wider community. For example, the group participated in the launch of a complaints information DVD which had been created by ARK service users and tenants. It also worked with external facilitators to consider issues in relation to the Scottish Election and held a workshop about Human Rights. The group is regularly attended by members of ARK's Executive Team and Board and offers an excellent opportunity for service users to engage with ARK's leadership and staff.

Also, since 2014, service users and tenants have been involved in the Working Group. Members of the Working Group look at how ARK does its business, review ARK policies and work on reports such as the annual report on the Scottish Social Housing Charter. The Working Group has also been particularly involved in the review of ARK's Recruitment Policy and involving service users in interviewing new staff. One of ARK's Area Managers attends this group in order to create a link with senior management.

ARK has built on the good work undertaken in previous years in relation to developing service user Speak Out groups. As part of this, certain support workers act as Speak Out Workers and take responsibility for planning, running and following up on service user speak out meetings. These groups provide ARK with direct information about what is working or not in the services and the real needs of service users. ARK has established 13 speak out groups and, to date, more than 150 service users have been involved in Speak Out activities. ARK's Tenant and Service User Participation Officer continues to engage with local staff teams to create speak out groups in areas where there is interest.

During 2016-17, ARK's tenant and service user scrutiny group (the Hub Group) continued to meet regularly to review how ARK operates. The Hub Group is independently facilitated and, therefore, operates independently from ARK. The group enjoys autonomy to decide which areas of ARK's business and operations it wishes to review. The group worked to establish links with other ARK service user and tenant groups, reviewed Care Inspectorate reports, considered aspects of certain ARK policies and liaised with members of ARK's Senior Leadership Team as necessary in relation to its work.

ARK service users continue to make connections with local communities and external groups and agencies. ARK tenants and service users are actively engaged in the National Involvement Network and with Learning Disability Alliance Scotland, which are organisations that help people who use services to have more control over their lives. ARK service users also attend meetings of the Scottish Parliament Cross-Party Group for Disability.

### *Investment in staff training*

ARK is committed to investing in all staff to provide the best support possible to the people who use our services. It is in year one of a new three-year Organisational Development Strategy and is currently focusing on the following:

- to complete the design and development of our internal management development programme accredited by Napier University at SCQF level 9 and registered with the SSSC as a management award;
- to implement service registration plans required by the SSSC;
- to implement a new SVQ e-portfolio system;
- to further develop ARK's E-Learning system for all staff;
- to develop training and work based training that meets service user outcomes;
- to measure the impact of L&D interventions;
- to increase leadership and management capability across ARK;
- To develop Resource Link, which is ARK's HR, Learning & Development and Payroll system.

The majority of ARK's staff is within the scope of the SSSC registration. ARK is working towards registration timescales and currently has 43% of its staff qualified. This investment in staff qualifications has been greatly aided by the continued support from the Voluntary Sector Development Fund.

ARK is continuing to work with West Lothian College to support Managers to complete their SVQ Level 4 qualifications in Health and Social Care and Management.

### *Employee Involvement and Consultation*

ARK continues to recognise Unite the Union and has a Recognition Agreement in place. Consultation with staff representatives and a full-time Union Official takes place on a regular basis and this year Unite is working, with ARK's support, to improve its membership/staff representative committee. ARK and Unite continue to work together and have achieved great success in relation to employee reward through the full implementation of the Scottish Living Wage. Going forward, Unite will continue to work on recruitment of new members and both organisations will work together to further improve employee engagement.

### *Investors in People*

ARK's retention of the IIP Gold award was a great success during a time where the business faced significant change and this was a testament to all of the staff involved. ARK uses the IIP Framework to continually improve and will soon be working with the new release of the Gold framework and a new colleague from IIP Scotland.

### *Healthy Working Lives*

During this year ARK continued its participation in the Healthy Working Lives Award Programme. This involved an employee-led working group rolling out a programme of activities and information campaigns on issues which could affect employees' health and wellbeing. The efforts of the Group, and those ARK employees who participated in campaigns, were recognised by the independent body which

oversees the awards programme, the Scottish Centre for Healthy Working Lives, which confirmed that ARK had successfully maintained the Healthy Working Lives Bronze Award.

#### ***Employee involvement and health and safety***

ARK continued to encourage employee involvement at all levels in relation to meeting our Health and Safety responsibilities. As part of that commitment, ARK's full-time Health and Safety Adviser continued to support our local staff teams in all geographical locations with regular Health and Safety visits and advice.

A quarterly Health and Safety newsletter was circulated to all staff, containing information on current documents for consultation, new policies and general updates on health and safety issues. Regular Managers' briefing sheets and alerts were issued, to respond to issues and queries raised by individual Managers but which also had a wider learning impact.

Health and Safety statistics, updates and incidents to note were reported quarterly to the Senior Leadership Team, Executive Team, and to the Audit Sub-Committee, in order to maintain a focus on this important area.

#### **Funds held as Custodian Trustee on Behalf of Others**

During the year ARK held 126 bank accounts in trust on behalf of service users. These accounts are kept separate from funds held by the Association and controls monitored by the Care Inspectorate are in place to ensure the safe custody of said funds.

#### **Risk Management**

The services provided by ARK, in particular to those with learning difficulties, are inherently risky. However, ARK has in place policies, procedures, and guidelines to manage these risks. Risk assessments are carried out for each service user and are regularly reviewed. Also, within Care and Support, a regular system of reviews is in place, which is carried out at various management levels to ensure that risks to service users and ARK employees are properly managed and to support best practice. ARK also benefits from the expertise of its internal and external auditors. The internal audit programme is agreed with the Audit Sub-Committee on behalf of the Board, and deals with areas of risk across the organisation, including within Care and Support.

A system of exception reporting to the Executive Officers and the Board, that includes remedial risk assessment and action reports, ensures that learning and improvement from Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and serious incidents is identified and acted upon. As part of in-year objective management ARK implements a review of business critical activities and issues that triggers immediate review of operational and strategic risks. ARK implements a Strategic Risk Register to ensure that once they are identified, risks are monitored, managed and reported.

The key risks to the organisation and the appropriate mitigations against these risks are as follows:

- Risk – that ARK does not operate within the standards required and guidelines defined by its regulators and legislation, leading to resultant harm or abuse of tenants or service users, staff or members of the public and/or punitive consequences for the organisation and /or staff.

To mitigate against this risk ARK is engaged as follows:

- reviews the strategic and operational returns checklist monthly and has included in the audit function reporting on Care Inspectorate requirements;
- ARK's Audit Sub-Committee regularly reviews the risk process, the action plans on Care Inspectorate requirements and the action plans in relation to identified exceptions;

- ARK's SLT reviews risks and exceptions on a monthly basis and short-term business critical risks are identified and addressed.
  - ARK's SLT reviews progress on review of policy and procedure on a monthly basis and Care Inspectorate actions on a quarterly basis.
  - ARK regularly audits personal risk assessments in support plans and implements best practice guidelines from the Scottish Housing Regulator (SHR) and the Care Inspectorate;
  - ARK has developed a highly visible audit trail of complaints and exceptions that is reviewed by the Board, Service User and Tenant Hub Group and senior leadership;
  - ARK operates a whistle blowing policy and actively promotes a culture of learning from complaints and trends.
- Risks – that ARK fails to remain a going concern and that ARK expenditure exceeds income as a result of Care and Support services not operating within financially sustainable models.

To mitigate against this risk ARK is engaged as follows:

- negotiating with each Local Authority to secure sufficient funding to cover the impact of the introduction of the Scottish Living Wage and National Living Wage;
  - ARK is actively supporting Coalition of Care and Support Providers in Scotland negotiations with the Scottish Government on the Scottish Living Wage issue;
  - ARK is also reviewing all costs within Care & Support with a focus on agency, participation, training costs and central overhead costs.
- Risks – that ARK delivers poor quality care and support to its service users and that ARK does not deliver agreed outcomes in Care & Support Good Life plans.

To mitigate against this risk ARK is engaged as follows:

- undertaken a full review of the recruitment process and review of exit interviews, resulting in change of approach;
- local people plans are in place to ensure that the Care & Support staff has the required SVQ qualification by the required date, that inductions are fully implemented within planned timescales and are reviewed regularly;
- ARK's Management Development Plan is in place;
- the Scottish Living Wage has been implemented;
- the outcomes framework is being implemented for all service users;
- the updated Care and Support staffing structure was fully implemented by March 2017;
- regular surveys of service users are undertaken;
- policy and procedures for complaint handling are in place and reviewed regularly;
- an annual training plan is in place, which is monitored and updated for service level changes; and
- a Scottish Social Services Council policy and procedure is in development.

REPORT OF BOARD OF MANAGEMENT  
31 MARCH 2017

ARK also operates an organisational regulatory checklist that is reviewed each month by officers and regularly by the Audit Sub-Committee on behalf of the Board. In respect of Health and Safety, the checklist is supported by ARK's Health and Safety checks and audit system.

The Audit Sub-Committee advises the Board on issues of risk, control and governance and has a remit from the Board to monitor and review in the five key areas of internal and external audit functions, compliance with relevant statutory regulations, compliance with ARK's policies and procedures and health and safety management.

### Plans for the Future

ARK continues to focus on delivering good quality homes for all and care and support services for people with complex needs. High quality and person focused housing, care and support will be delivered through achieving sustainable business practices in staff and management development, competitive remuneration and investment in housing. ARK will ensure that it can meet these demands by being as nimble and flexible as possible in how it operates.

ARK will focus on keeping rents at an affordable level and investing in our property portfolio to ensure that all regulatory standards of energy efficiency and quality are met.

In the care and support service, ARK will negotiate sustainable financial contracts with local authorities with a view to developing cost effective solutions for people with complex needs. Through influence and collaborative work with colleagues in the sector and Local Authorities, ARK will promote and inform the future planning structures in Scotland that will deliver good lives for future generations of people with complex and enduring needs.

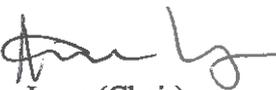
### Going Concern

The Board of Management has reviewed the results for this year and has also reviewed the projections for the next five years. The Board, therefore, has a reasonable expectation that ARK 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.

### Auditors

A resolution to re-appoint Chiene + Tait LLP as auditors for the ensuing year will be proposed at the annual general meeting.

By order of the Board of Management  
The Prioxy  
Canaan Lane  
Edinburgh  
EH10 4SG

  
Ann Lyon (Chair)

Date: 21st September 2017

**STATEMENT OF BOARD RESPONSIBILITIES  
31 MARCH 2017**

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the balance sheet date, and of its income and expenditure for the year ended on that date.

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association 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 Determination of Accounting Requirements – December 2014. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Information for the Auditors**

The Board members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members has confirmed that they have taken all the steps they ought to take as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board of Management

Ann Lyon (Chair)



Date: 21st September 2017

**ARK HOUSING ASSOCIATION LIMITED**  
**STATEMENT ON INTERNAL FINANCIAL CONTROLS**  
**31 MARCH 2017**

The Board of Management acknowledges its ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:-

- The reliability of financial information used within the Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. The key elements of the Group's systems of internal financial control are set out below:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives as well as the progress towards the financial plans set for the year and the medium term.
- Management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Board reviews reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. The Group has a rolling programme of internal audit reviews which cover the key activities of the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports. These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.
- Significant risks are identified, evaluated and managed as previously outlined on pages 13 to 14 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2017 and up to the approval date of the financial statements. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board of Management



Ann Lyon (Chair)

Date: 21st September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK HOUSING  
ASSOCIATION LIMITED

31 MARCH 2017

We have audited the consolidated financial statements of ARK Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit 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.

**Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 16, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and the Group's affairs as at 31 March 2017 and of the Association's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly 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 – December 2014.

**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 necessary for the purposes of our audit.

*Chiene & Tait*

CHIENE + TAIT LLP  
Chartered Accountants and Statutory Auditors  
61 Dublin Street  
Edinburgh

EH3 6NL  
27/9/2017

## ARK HOUSING ASSOCIATION LIMITED

### REPORT BY THE AUDITORS TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Group Financial Statements, we have reviewed your statement on page 17 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

#### Basis of Opinion

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

#### Opinion

In our opinion the Statement on Internal Financial Control on page 17 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Group Financial Statements.

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



CHIENE + TAIT LLP

Chartered Accountants and Statutory Auditors

61 Dublin Street

Edinburgh

EH3 6NL

27 / 9 / 2017

**ARK HOUSING ASSOCIATION LIMITED**

**GROUP STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017**

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<i>2</i>	20,177	19,735
Less: Operating costs	<i>2</i>	<u>(19,216)</u>	<u>(19,065)</u>
<b>Operating surplus</b>		961	670
Gain on disposal of fixed assets	<i>19</i>	-	11
Haddington incident		-	(101)
Restructuring costs		(392)	(59)
Interest receivable and similar income		37	35
Interest payable and similar charges	<i>6</i>	<u>(716)</u>	<u>(323)</u>
<b>(Deficit)/surplus for the financial year</b>		(110)	233
Unrealised gain/(loss) on investments	<i>13</i>	77	(17)
Actuarial gain on investments	<i>26</i>	706	687
Amendment to pension recovery plan	<i>26</i>	6,950	-
<b>Total comprehensive income for the financial year</b>		<u><u>7,623</u></u>	<u><u>903</u></u>

All amounts relate to continuing operations.

**ARK HOUSING ASSOCIATION LIMITED**

**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017**

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<i>2</i>	19,528	19,162
Less: Operating costs	<i>2</i>	(18,931)	(18,857)
<b>Operating surplus</b>		<u>597</u>	<u>305</u>
Gain on disposal of fixed assets	<i>19</i>	-	11
Haddington incident		-	(101)
Restructuring costs		(392)	(59)
Interest receivable and similar income		36	34
Interest payable and similar charges	<i>6</i>	(644)	(247)
<b>Deficit for financial year</b>		<u>(403)</u>	<u>(57)</u>
Unrealised gain/(loss) on investments	<i>13</i>	77	(17)
Actuarial gain on investments	<i>26</i>	706	687
Amendment to pension contribution scheme	<i>26</i>	6,950	-
<b>Total comprehensive income for the financial year</b>		<u><u>7,330</u></u>	<u><u>613</u></u>

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Group		Association				Total 2017 £'000	
	Income & expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total 2017 £'000	Income & expenditure reserve £'000	Revaluation reserve £'000		Restricted reserve £'000
<b>Balance at 1 April 2016</b>	974	35	39	1,048	(141)	35	39	(67)
Deficit from statement of comprehensive income	(34)	-	-	(34)	(327)	-	-	(327)
Transfer (to)/from revaluation reserve	(77)	77	1	1	(77)	77	1	1
Actuarial gain on investments	706	-	-	706	706	-	-	706
Amendment to pension recovery plan	6,950	-	-	6,950	6,950	-	-	6,950
<b>Balance at 31 March 2017</b>	<b>8,519</b>	<b>112</b>	<b>40</b>	<b>8,671</b>	<b>7,111</b>	<b>112</b>	<b>40</b>	<b>7,263</b>

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017

	<i>Notes</i>	2017 £'000	2016 £'000
<b>Tangible fixed assets</b>			
Housing properties, furniture and equipment	9	24,091	24,640
Other tangible fixed assets	11	2,636	2,549
Assets held for sale		88	-
Investment property	13	475	475
Investments	13	1,232	1,133
		<u>28,522</u>	<u>28,797</u>
<b>Current assets</b>			
Debtors	14	1,821	1,787
Cash at bank and in hand	21	3,773	2,900
		<u>5,594</u>	<u>4,687</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(3,210)</u>	<u>(2,776)</u>
<b>Net current assets</b>		<u>2,384</u>	<u>1,911</u>
<b>Total assets less current liabilities</b>		30,906	30,708
<b>Creditors: amounts falling due after more than one year</b>	16	(15,829)	(16,212)
<b>Provisions for liabilities</b>			
Pension liability	26	(6,406)	(13,448)
<b>Total net assets</b>		<u>8,671</u>	<u>1,048</u>
<b>Capital and reserves</b>			
Share capital	20	-	-
Restricted reserves	8	40	39
Revaluation reserve		112	35
Revenue reserve		8,519	974
<b>Total Reserves</b>		<u>8,671</u>	<u>1,048</u>

These financial statements were approved by the Board of Management and authorised for issue on 21 September 2017 and signed on its behalf by:

Ann Lyon (Chair)



Jane Gray (Company Secretary)



**ARK HOUSING ASSOCIATION LIMITED**

**HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017**

	<i>Notes</i>	2017	2016
		£'000	£'000
<b>Tangible fixed assets</b>			
Housing properties, furniture and equipment	10	20,351	20,884
Other tangible fixed assets	12	2,585	2,498
Assets Held for Sale		88	-
Investment property	13	475	475
Investments	13	1,232	1,133
		24,731	24,990
 <b>Current assets</b>			
Debtors	14	1,817	1,780
Cash at bank and in hand	22	2,742	2,109
		4,559	3,889
<b>Creditors: amounts falling due within one year</b>	15	(2,864)	(2,447)
<b>Net current assets</b>		1,695	1,442
 <b>Total assets less current liabilities</b>		26,426	26,432
 <b>Creditors: amounts falling due after more than one year</b>	16	(12,757)	(13,051)
 <b>Provisions for liabilities</b>			
Pension liability	26	(6,406)	(13,448)
<b>Total net assets/(liabilities)</b>		7,263	(67)
 <b>Capital and reserves</b>			
Share capital	20	-	-
Restricted reserves	8	40	39
Revaluation reserve		112	35
Revenue reserve		7,111	(141)
<b>Total Reserves</b>		7,263	(67)

These financial statements were approved by the Board of Management and authorised for issue 21 September 2017 and signed on its behalf by:

Ann Lyon (Chair)



Jane Gray (Company Secretary)



**ARK HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS - GROUP  
FOR THE YEAR ENDED 31 MARCH 2017**

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>	<i>21</i>	<u>2,044</u>	<u>1,231</u>
<b>Cash flow from investing activities</b>			
Housing association grants received	<i>15</i>	15	15
Interest received		32	34
Sale of housing property		-	89
Purchase of housing property	<i>9</i>	(390)	(377)
Purchase of other tangible fixed assets	<i>11</i>	(186)	(230)
Purchase of investments	<i>13</i>	(30)	(59)
<b>Cash flow from financing activities</b>			
Interest paid	<i>6</i>	(102)	(108)
Disposal of investments	<i>13</i>	15	47
Reinvested dividends	<i>13</i>	15	13
Exceptional payments Restructuring costs / Haddington		(392)	(161)
Repayment of housing loans		<u>(132)</u>	<u>(124)</u>
<b>Net Change in cash &amp; cash equivalents</b>		874	370
<b>Cash &amp; cash equivalents at 1 April</b>		2,900	2,530
<b>Cash &amp; cash equivalents at 31 March</b>		3,774	2,900

**ARK HOUSING ASSOCIATION LIMITED**

**HOUSING ASSOCIATION STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2017**

	<i>Notes</i>	2017	2016
		£'000	£'000
<b>Net cash generated from operating activities</b>	22	<u>1,580</u>	<u>776</u>
<b>Cash flow from investing activities</b>			
Housing association grant received	15	-	15
Interest received		31	32
Sale of housing properties		-	89
Purchase of housing properties	10	(299)	(305)
Purchase of other tangible fixed assets	12	(186)	(230)
Purchase of investments	13	(30)	(59)
<b>Cash flow from financing activities</b>			
Interest paid	6	(30)	(32)
Disposal of investments	13	15	47
Reinvested dividends	13	15	13
Exceptional payments Restructuring costs /Haddington		(392)	(161)
Repayment of housing loans		<u>(71)</u>	<u>(70)</u>
<b>Net change in cash &amp; cash equivalents</b>		633	115
<b>Cash &amp; cash equivalents at 1 April</b>		2,109	1,994
<b>Cash &amp; cash equivalents at 31 March</b>		2,742	2,109

# ARK HOUSING ASSOCIATION LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2017

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, is registered by The Financial Conduct Authority and is a registered housing provider. The Association is a Public Benefit Entity.

### 1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (u) below.

#### (a) Basis of Consolidation

Ark Services Limited is incorporated as a company limited by guarantee. It is a registered charity and per its articles it is to be treated as a subsidiary of the Housing Association. Ark Commercial Investment Limited is incorporated as a company limited by share capital and is also a subsidiary of the Housing Association. Consolidation has been carried out using the equity method.

#### (b) Basis of Accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (“SORP 2014”), Financial Reporting Standard 102 (FRS 102) and the Scottish Housing Regulator’s Determination of Accounting Requirements (2014).

#### (c) Going Concern

The financial statements have been prepared on a going concern basis. The Board, in preparing these financial statements, is mindful of ongoing pricing pressures, the short term nature of contract income and increasing pension costs. The ongoing process of care contract renewal, margin monitoring and securing future funding is actively managed ensuring the needs of all stakeholders are taken into account. The Board has assessed the Association’s and Group’s ability to continue as a going concern and have prepared financial forecasts based on assumptions considered reasonable and prudent by the Board of Management. Based on these projections the Board has a reasonable expectation that the Association and Group has adequate resources for the foreseeable future and thus continue to prepare the financial statements on a going concern basis.

#### (d) Housing Association Grants

Housing Association Grant (HAG) is paid directly to the Association as required and contributes to the costs of housing properties. The grants are made by the Housing and Investment Division of the Scottish Government and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net rental income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Housing and Investment Division of the Scottish Government.

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at cost, the grant is recognised in turnover over the expected useful life of the housing property structure. Grants received specifically for components of a housing property are included in turnover over the expected useful life of the component under the accruals model.

# ARK HOUSING ASSOCIATION LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2017 (Continued)

Other grants from non-government sources are recognised using the performance model in accordance with the SORP.

The grants are repayable under certain circumstances, but will normally be restricted to a maximum of net proceeds of sale.

### (e) Turnover

Turnover represents rents, service charges, revenue grants from the Housing and Investment Division of the Scottish Government and funding from Local Authorities less amounts carried forward as deferred income. Turnover is recognised when amounts fall due and when income has been earned.

### (f) Fixed Assets – Housing Land and Buildings

Social Housing properties are stated at cost. The development cost of housing properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure
- (iii) Interest charged on the mortgage loans raised to finance the scheme to date of completion.

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

### (g) Fixed Assets – Investment Properties

Investment properties are held at fair value with revaluation movements recorded in the income statement for the period.

### (h) 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, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

### (i) Development costs and allowances and accrued income

Development allowances are intended to finance certain administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme and are treated as deferred allowances while actual development costs are added to housing properties.

# ARK HOUSING ASSOCIATION LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2017 (Continued)

### (j) Fixed assets and Depreciation

#### (i) Housing land and buildings

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to capitalisation and depreciation of its completed housing stock.

Housing properties are stated at cost less accumulated depreciation. Works to existing properties will, generally, be capitalised under the following circumstances:

- 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
- 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 Income and Expenditure account.

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:

- Floors	- 30 Years
- Boilers	- 15 Years
- Heating systems	- 20 Years
- Kitchens	- 12 Years
- Bathrooms	- 15 Years
- Windows	- 30 Years
- Doors	- 30 Years
- Driveway & Paths	- 30 Years
- Gutters & Downpipes	- 30 Years
- Roof	- 80 Years
- Walls	- 30 Years
- Ceiling	- 30 Years
- Electrics	- 30 Years
- Woodwork	- 30 Years
- Lifts	- 30 Years
- Building	- 80 Years
- Assistive Technology	- 5 Years
- Sprinkler Systems	- 15 Years

No depreciation is charged on land.

# ARK HOUSING ASSOCIATION LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2017 (Continued)

### (ii) Other fixed assets

Expenditure incurred on the Association's office buildings has been split into components and depreciated at the rates detailed in (j) and (i).

Office furniture and equipment is written off straight line over 5 years.

Computer equipment is written off straight line over 3 years.

Motor vehicles are written off straight line over 5 years.

Depreciation is charged on these assets on a monthly basis from the date of acquisition.

### (k) Fair value of assets transferred

The fair value of assets transferred at 1<sup>st</sup> October 2012 has been treated as acquisition accounting.

### (l) Impairment of fixed assets

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets is recognised in the Income and Expenditure account.

### (m) Deferred Income

Income and grants received in advance of the period to which the service is provided are recognised as deferred income.

### (n) Service Equipment Replacement Creditor

The service equipment replacement creditor represents the Association's liability to replace service equipment for mainstream properties in accordance with a planned programme of work.

### (o) Restricted Reserves

This reflects revenue grants received for restricted purposes/projects and related expenditure in these projects.

### (p) Pensions

The Association participates in a defined benefit pension scheme, the cost of which is met on an accruals basis. The assets of the Scheme are held separately from those of the Association in an independently administered fund.

As disclosed in note 26 the Association was informed in June 2013 of the amounts it is estimated to pay for past service deficit over the next 12 ½ years.

In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been separately identified and are included in the Association's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

# ARK HOUSING ASSOCIATION LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2017 (Continued)

During the year ARK has also been contributing to a Standard Life scheme for 4 staff that transferred from Rymonth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer. This is a defined contribution scheme. More information can be found in note 26.

**(q) Credit Payment Policy**

Purchases are paid within 30 days of invoice or in accordance with creditor payment terms.

**(r) Operating Leases**

Rentals paid in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

**(s) Taxation**

As a registered Social Landlord and a Registered Charity, the Association is exempt from payment of corporation tax on its social letting and other charitable activities.

**(t) Investments**

Investment income is brought into account when due and receivable. Investments are stated at market value. Unrealised gains or losses on valuation are reflected through the Statement of Comprehensive Income and disclosed in the Revaluation Reserve in the Balance Sheet. Realised gains or losses are recognised through the Statement of Comprehensive Income as they occur.

**(u) Financial instruments (financial assets and financial liabilities)**

The Association has only basic financial assets and liabilities comprising debtors, cash and cash equivalents and trade creditors and accruals. These assets and liabilities are initially recorded at cost and subsequently at the amounts expected to be received or paid.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**2. Particulars of turnover, operating costs and operating surplus for the financial year by class of business**

**Group:**

			2017	2016
	Notes	Turnover	Operating Costs	Operating Surplus
		£'000	£'000	£'000
Social Lettings	3	3,314	(2,433)	881
Other Activities	4	16,863	(16,783)	80
<b>2017 Total</b>		<b>20,177</b>	<b>(19,216)</b>	<b>961</b>
<b>2016 Total</b>		<b>19,735</b>	<b>(19,065)</b>	<b>670</b>

**Association:**

			2017	2016
	Notes	Turnover	Operating Costs	Operating Surplus
		£'000	£'000	£'000
Social Lettings	3	2,603	(2,149)	454
Other activities	4	16,925	(16,782)	143
<b>2017 Total</b>		<b>19,528</b>	<b>(18,931)</b>	<b>597</b>
<b>2016 Total</b>		<b>19,162</b>	<b>(18,857)</b>	<b>305</b>

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**3. Particulars of turnover, operating costs and operating surplus from social letting activities**

<b>Group:</b>	<b>General Needs £'000</b>	<b>Supported Housing</b>		<b>2017 Total £'000</b>	<b>2016 Total £'000</b>
		<b>Accommodation £'000</b>			
Rent receivable	2,939	70		3,009	2,847
Service charges	375	-		375	342
Gross income from rents and service charges	3,314	70		3,384	3,189
Less Voids	(70)	-		(70)	(70)
<b>Total turnover from social letting activities</b>	<b>3,244</b>	<b>70</b>		<b>3,314</b>	<b>3,119</b>
Management and maintenance administration costs	777	20		797	766
Service costs	391	-		391	320
Planned and cyclical maintenance including major repairs costs	409	10		419	276
Reactive maintenance costs	245	6		251	267
Bad debts – rent and service charges	(14)	-		(14)	(2)
Depreciation of social housing	575	14		589	584
<b>Operating costs for social letting activities</b>	<b>2,383</b>	<b>50</b>		<b>2,433</b>	<b>2,211</b>
<b>2017 Operating surplus for social letting activities</b>	<b>861</b>	<b>20</b>		<b>881</b>	<b>908</b>
2016 Operating surplus for social letting activities	884	24		908	

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**3. Particulars of turnover, operating costs and operating surplus from social letting activities**

Association:	General Needs £'000	Supported Housing Accommodation		2017 Total £'000	2016 Total £'000
Rent receivable	2,290	70		2,360	2,268
Service charges	313	-		313	281
<b>Gross income from rents and service charges</b>	<b>2,603</b>	<b>70</b>		<b>2,673</b>	<b>2,549</b>
Less Voids	(70)	-		(70)	(70)
<b>Total turnover from social letting activities</b>	<b>2,533</b>	<b>70</b>		<b>2,603</b>	<b>2,479</b>
Management and maintenance administration costs	739	20		759	753
Service costs	283	-		283	254
Planned and cyclical maintenance including major repairs costs	376	10		386	250
Reactive maintenance costs	222	6		228	239
Bad debts – rent and service charges	(13)	-		(13)	-
Depreciation of social housing	492	14		506	508
<b>Operating costs for social letting activities</b>	<b>2,099</b>	<b>50</b>		<b>2,149</b>	<b>2,004</b>
<b>2017 Operating surplus for social letting activities</b>	<b>434</b>	<b>20</b>		<b>454</b>	<b>475</b>
2016 Operating surplus for social letting activities	451	24		475	

**ARK HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2017 (Continued)**

**4. Particulars of turnover, operating costs and operating surplus or deficit from other activities**

<b>Group:</b>	<b>2017</b>	<b>2016</b>
Other revenue grants	Operating Surplus / (Deficit) £'000	Operating Surplus / (Deficit) £'000
Support activities	8,165	157
Care activities	-	(12)
Other activities	232	(65)
<b>Total from other activities – 2017</b>	<b>8,165</b>	<b>80</b>
Total from other activities – 2016	7,658	(238)
	<b>16,863</b>	<b>(16,783)</b>
	15,110	(14,953)
	1,521	(1,533)
	301	301
	678	678
	8,165	8,165
	£'000	£'000
	6,644	6,644
	1,376	1,376
	-	-
	232	232
	647	647
	16,616	16,616
	(16,783)	(16,783)
	(16,854)	(16,854)

<b>Association:</b>	<b>2017</b>	<b>2016</b>
Other revenue grants	Operating Surplus / (Deficit) £'000	Operating Surplus / (Deficit) £'000
Support activities	8,165	157
Care activities	-	(12)
Other activities	294	(7)
<b>Total from other activities – 2017</b>	<b>8,165</b>	<b>143</b>
Total from other activities – 2016	7,658	(170)
	<b>16,925</b>	<b>(16,782)</b>
	15,110	(14,953)
	1,521	(1,533)
	301	301
	740	740
	8,165	8,165
	£'000	£'000
	6,644	6,644
	1,376	1,376
	-	-
	294	294
	714	714
	16,683	16,683
	(16,853)	(16,853)

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**5. The number of units in management at 31 March 2017 was as follows:**

	<b>Owned</b>	<b>Not Owned</b>	<b>2017 Total</b>	<b>2016 Total</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
General Needs	198	1	199	200
Supported accommodation	354	51	405	399
	<b>552</b>	<b>52</b>	<b>604</b>	<b>599</b>

<b>Management of Association stock by other bodies</b>	<b>2017 No.</b>	<b>2016 No.</b>
<b>Properties leased to other organisations</b>		
Midlothian Council	9	9
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Aberdeen City Council	1	1
Leonard Cheshire Foundation	1	1
Real Life Options	1	1
Fife Council	6	6
Clackmannanshire Council	3	3
<b>Total properties</b>	<b>33</b>	<b>33</b>

<b>6. Interest payable</b>	<b>Group</b>		<b>Housing Association</b>	
	<b>2017 £'000</b>	<b>2016 £'000</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Loans	102	108	30	32
Net interest charges on pension liability	614	215	614	215
	<b>716</b>	<b>323</b>	<b>644</b>	<b>247</b>

**7. Taxation**

The Group has charitable status with HM Revenues & Customs (Charity Number SC015694) and is eligible for exemptions from corporation tax.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

<b>8. Restricted Reserves</b>	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Rotary Rymonth Hobbies Fund – Restricted</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2016	7	7	7	7
At 31 March 2017	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

The Rotary Rymonth Hobbies Fund was created out of a donation received by Rymonth Housing Society from St Andrews Rotary Club for the purpose of promoting the leisure activities of the residents of Rymonth, including the provision of equipment and materials for the said purpose. Interest shall be credited annually and any expenditure exceeding £250 shall be notified to the Rotary Club in advance.

<b>Rymonth Donations - Restricted</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2016	25	25	25	25
Transfer from revenue reserve	1	-	1	-
At 31 March 2017	<u>26</u>	<u>25</u>	<u>26</u>	<u>25</u>

The Rymonth Donations was created out of donations received by Rymonth Housing Society and by ARK for the residents of Rymonth.

<b>Southside / West Adam Street</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2016	7	7	7	7
At 31 March 2017	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

The Southside / West Adam Street restricted Fund relates to monies raised on behalf of the West Adam Street Project. These had been held by the Ark Housing Trust and were transferred over when it was closed. The intention is that the funds will be used on behalf of the project, for example, spending on supporting one-off purchases such as furniture, or one-off activities such as trips.

<b>Total Restricted Reserves</b>	<u>40</u>	<u>39</u>	<u>40</u>	<u>39</u>
----------------------------------	-----------	-----------	-----------	-----------

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017 (Continued)**

**9. Tangible Fixed Assets – Group**

**Heritable property for letting**

	<b>Assets completed £'000</b>	<b>Assets under construction £'000</b>	<b>Total Heritable property for letting £'000</b>
<b>Cost</b>			
As at 1 April 2016	34,776	-	34,776
Additions	390	-	390
Adjustment	(12)	-	(12)
Disposals	(188)	-	(188)
Transferred to held for sale	(93)	-	(93)
<b>As at 31 March 2017</b>	<b>34,873</b>	<b>-</b>	<b>34,873</b>
<b>Depreciation</b>			
As at 1 April 2016	10,136	-	10,136
Charge for Year	770	-	770
Disposals	(120)	-	(120)
Transferred to held for sale	(4)	-	(4)
<b>As at 31 March 2017</b>	<b>10,782</b>	<b>-</b>	<b>10,782</b>
<b>Net Book Value</b>			
<b>As at 31 March 2017</b>	<b>24,091</b>	<b>-</b>	<b>24,091</b>
As at 31 March 2016	24,640	-	24,640

All land and property is owned by the Group. None is held under a lease.

Major Repairs costs amounted to £609k (2016 £426k) of which £378k (2016 £357k) was capitalised in the year.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**10. Tangible Fixed Assets -  
Housing Association**

	Assets Completed	Assets Under Construction	Total Heritable Property for letting £'000
<b>Cost</b>			
As at 1 April 2016	30,018	-	30,018
Additions	299	-	299
Adjustment	(12)	-	(12)
Disposals	(123)	-	(123)
Transferred to investment	(93)	-	(93)
<b>As at 31 March 2017</b>	30,089	-	30,089
 <b>Depreciation</b>			
As at 1 April 2016	9,134	-	9,134
Charge for Year	672	-	672
Disposal	(64)	-	(64)
Transferred to investment	(4)	-	(4)
<b>As at 31 March 2017</b>	9,738	-	9,738
 <b>Net Book Value</b>			
<b>As at 31 March 2017</b>	20,351		20,351
As at 31 March 2016	20,884		20,884

All land and property is owned by the Association. None is held under a lease.

Major Repairs costs amounted to £508k (2016 £354k) of which £287k (2015 £290k) was capitalised in the year.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**11. Other Fixed Assets –  
Group**

	<b>Heritable Buildings £'000</b>	<b>Land £'000</b>	<b>Computer Equipment £'000</b>	<b>Office Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
As at 1 April 2016	1,457	1,300	628	146	3,531
Additions during year	121	-	65	-	186
Disposals during the year	(11)	-	(4)	-	(15)
At 31 March 2017	<u>1,567</u>	<u>1,300</u>	<u>689</u>	<u>146</u>	<u>3,702</u>
<b>Depreciation</b>					
As at 1 April 2016	326	-	581	75	982
Charges for the year	34	-	41	17	92
Disposals during year	(4)	-	(4)	-	(8)
At 31 March 2017	<u>356</u>	<u>-</u>	<u>618</u>	<u>92</u>	<u>1,066</u>
<b>Net Book Value</b>					
At 31 March 2017	<u>1,211</u>	<u>1,300</u>	<u>71</u>	<u>54</u>	<u>2,636</u>
As at 31 March 2016	<u>1,131</u>	<u>1,300</u>	<u>47</u>	<u>71</u>	<u>2,549</u>

The original cost of the office premises at The Priory was £1,043,000. These premises were valued in June 1994 at open market value on an equivalent use basis at £750,000 by Maurice Elliot FRICS, FSVA at Kean Kennedy and Partners, independent chartered surveyors, in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors. The reduction in value was fully written off in the year ended 31 March 1994.

As allowed under FRS transitional rules, as the valuation was carried out prior to the introduction of the FRS, the Association has chosen to retain that valuation as deemed cost in the financial statements.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**12. Other Fixed Assets –  
Association**

	<b>Heritable Buildings £'000</b>	<b>Land £'000</b>	<b>Computer Equipment £'000</b>	<b>Office Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
As at 1 April 2016	1,457	1,250	628	146	3,481
Additions during year	121	-	65	-	186
Disposals during the year	(11)	-	(4)	-	(15)
At 31 March 2017	<u>1,567</u>	<u>1,250</u>	<u>689</u>	<u>146</u>	<u>3,652</u>
<b>Depreciation</b>					
As at 1 April 2016	327	-	581	75	983
Charges for the year	34	-	41	17	92
Disposals	(4)	-	(4)	-	(8)
At 31 March 2017	<u>357</u>	<u>-</u>	<u>618</u>	<u>92</u>	<u>1,067</u>
<b>Net Book Value</b>					
At 31 March 2017	<u>1,210</u>	<u>1,250</u>	<u>71</u>	<u>54</u>	<u>2,585</u>
As at 31 March 2016	<u>1,130</u>	<u>1,250</u>	<u>47</u>	<u>71</u>	<u>2,498</u>

The original cost of the office premises at The Priory was £1,043,000. These premises were valued in June 1994 at open market value on an equivalent use basis at £750,000 by Maurice Elliot FRICS, FSVA at Kean Kennedy and Partners, independent chartered surveyors, in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors. The reduction in value was fully written off in the year ended 31 March 1994.

As allowed under FRS transitional rules, as the valuation was carried out prior to the introduction of the FRS, the Association has chosen to retain that valuation as deemed cost in the financial statements.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**13. Investments**

	Group		Housing Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Opening value	1,133	1,135	1,133	1,135
Additions	30	59	30	59
Disposals	(15)	(47)	(15)	(47)
Reinvested dividends	17	13	17	13
Investment management fees	(10)	(10)	(10)	(10)
Closing value before unrealised gain	1,155	1,150	1,155	1,150
Movement in unrealised gain / (loss)	77	(17)	77	(17)
Closing market value	<b>1,232</b>	<b>1,133</b>	<b>1,232</b>	<b>1,133</b>

Investment holdings over 5% of the portfolio total are as follows:

Standard Life Investments Global IDX LKD BD	6.28%
Invesco Fund Managers High Income	5.74%

**Investment Property – West Adam Street**

Opening Balance	475	233	475	233
Additions	-	242	-	242
Closing Balance	<b>475</b>	<b>475</b>	<b>475</b>	<b>475</b>

**14. Debtors: Amount falling due within one year**

	Group		Housing Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Rent Arrears	106	102	90	94
Less: Provision for bad debts	(12)	(7)	(12)	(7)
	94	95	78	87
Other Debtors	101	124	98	119
Ark Services Debtor	-	-	-	1
Kindred Debtor	53	28	53	28
TAG Debtor	-	1	-	1
Ark Commercial Investment Debtor	-	-	15	5
Less: Provision for bad debts	(59)	(59)	(59)	(59)
Local Authorities	1,311	1,190	1,311	1,190
Prepayments and accrued income	321	408	321	408
	<b>1,821</b>	<b>1,787</b>	<b>1,817</b>	<b>1,780</b>

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**15. Creditors: Amount falling due within one year**

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade Creditors	159	258	158	254
Contractors for specified work and retentions unpaid	36	48	36	48
Local Authorities	573	264	573	264
Other Creditors	434	260	429	257
Ark Services Creditor	-	-	1	-
The Action Group Creditor	2	3	2	3
Other taxes and social security	393	344	393	344
Accruals	552	576	519	536
Deferred Income	23	74	24	74
Service equipment replacement account	656	571	435	374
Release of HAG	205	205	205	205
Release of other Grants	43	43	18	18
Housing Loans (Note 16)	134	130	71	70
	<b>3,210</b>	<b>2,776</b>	<b>2,864</b>	<b>2,447</b>

*Analysis of deferred HAG/other grants- Group*

	<b>Housing Association Grants</b>	<b>Other Grants</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred income as at 31 March 2016	11,025	2,602	13,627
Additional income received	-	-	-
Released to Statement of comprehensive income	(205)	(43)	(248)
Deferred income as at 31 March 2017	<b>10,820</b>	<b>2,559</b>	<b>13,379</b>

**Grant to be released to the Statement of Comprehensive Income**

2016 – all due within one year	205	43	248
2017 – all due within one year	205	43	248

*Analysis of deferred HAG/other grants – Association*

	<b>Housing Association Grants</b>	<b>Other Grants</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred income as at 31 March 2016	11,025	1,038	12,063
Additional income received	-	-	-
Released to Statement of comprehensive income	(205)	(18)	(223)
Deferred income as at 31 March 2017	<b>10,820</b>	<b>1,020</b>	<b>11,840</b>

**Grant to be released to the Statement of comprehensive income**

2016 – all due within one year	205	18	223
2017 – all due within one year	205	18	223

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**16 Creditors due out with one year**

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
HAG	10,820	11,025	10,820	11,025
Other Grants	2,559	2,602	1,020	1,038
Housing Loans	2,450	2,585	917	988
	<b>15,829</b>	<b>16,212</b>	<b>12,757</b>	<b>13,051</b>

Loans are secured by specific charges on the Group's properties. Loans are repayable at current rates of interest ranging from 1.10 % to 7.02 % (2016: 1.10% to 7.02 %) in instalments due as follows:

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less (Note 15)	134	130	71	70
In one to two years	138	134	72	71
Between two to five years	441	428	225	221
In five years or more	1,871	2,023	620	696
	<b>2,584</b>	<b>2,715</b>	<b>988</b>	<b>1,058</b>

Housing loans will be fully repaid between 2025 and 2039.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**17. Employees**

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Staff Costs during year				
Wages & Salaries	13,466	13,295	13,466	13,295
Social Security Costs	946	912	946	912
Other Pension Costs	1,070	1,034	1,070	1,034
	<u>15,482</u>	<u>15,241</u>	<u>15,482</u>	<u>15,241</u>

In addition to the above staff costs the Association also incurred agency staff costs of £724k during the year (2016: £526k).

The average full time equivalent number of persons employed by the association during the year was as follows:

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
Housing Staff	9	10	9	10
Support Staff	41	42	41	42
Direct Services Staff	545	560	545	560
	<u>595</u>	<u>612</u>	<u>595</u>	<u>612</u>

Key management are defined as the Executive Officers which includes the Chief Executive and 3 Directors. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to key management follow:

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Aggregate Emoluments payable to Executive Officers (including pension contributions and benefits in kind)	<u>281</u>	<u>266</u>	<u>281</u>	<u>266</u>
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**17. Employees (continued)**

The Chief Executive is an ordinary member of the Association's pension scheme described in note 26. No enhanced or special terms apply to membership and there are no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the year amounted to £2,612 (2016: £2,321).

	<b>2017</b>	<b>2016</b>
Total expenses reimbursed insofar as not chargeable to UK Income Tax:	<b>£</b>	<b>£</b>
Chief Executive	36	300
Board of Management	-	54

The number of Executive Officers whose emoluments, excluding pension contributions and benefits in kind, were over £60,000 was as follows:

	<b>2017</b>	<b>2016</b>
	No.	No.
£60,000 to £70,000	3	1
£70,000 to £80,000	1	1

No payments were made during the year to any member of the Association other than members who were also Board of Management members, or an officer or employee.

There were no loans to the Board members, officers or employees during the year.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**18. Operating Surplus**

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
This is stated after charging the following:				
External Auditors remuneration	19	17	16	14
Remuneration to external auditors for other services	-	2	-	2
Internal Auditors remuneration	3	5	3	5
Depreciation	688	680	605	610
Other operating lease rentals				
- land & buildings	345	318	345	318
- plant & machinery	15	21	15	21

**19. Gain on disposal of fixed assets**

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Proceeds	-	89	-	89
Net book value disposed	-	(78)	-	(78)
	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>

**20. Share Capital -**

<b>Group &amp; Housing Association</b>	<b>2017</b>	<b>2016</b>
Shares of £1 fully paid and issued at beginning of year	47	47
Shares Issued during year	7	1
Shares Cancelled during year	(11)	(1)
	<u>43</u>	<u>47</u>

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

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**21. Net cash inflow from operating activities**

	<b>2017</b>	<b>2016</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Operating Surplus	961	670
Depreciation	688	680
(Increase)/Decrease in Debtors	(34)	87
Increase / (Decrease) in Creditors	429	(206)
<b>Net cash generated from operating activities</b>	<b>2,044</b>	<b>1,231</b>

**Reconciliation of net cash flow to movement in net funds/(debt)**

	<b>2017</b>	<b>2016</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Increase in cash in the period	873	370
Cash inflow from movement in debt	130	127
	1,003	497
Net funds at 1 April	185	(312)
<b>Net funds at 31 March</b>	<b>1,188</b>	<b>185</b>

**Analysis of changes in net funds**

	<b>At</b>	<b>Cash</b>	<b>At</b>
	<b>31-Mar-16</b>	<b>Flows</b>	<b>31-Mar-17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in bank and in hand	2,900	873	3,773
Debt due within 1 year	(130)	(1)	(131)
Debt due after 1 year	(2,585)	131	(2,454)
<b>Net funds</b>	<b>185</b>	<b>1,003</b>	<b>1,188</b>

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**22. Net cash inflow from operating activities**

	<b>2017</b>	<b>2016</b>
<b>Housing Association</b>	<b>£'000</b>	<b>£'000</b>
Operating Surplus	597	305
Depreciation	605	610
(Increase)/Decrease in Debtors	(38)	82
Increase/(Decrease) in Creditors	416	(221)
<b>Net cash generated from operating activities</b>	<b><u>1,580</u></b>	<b><u>776</u></b>

**Reconciliation of net cash flow to movement in net funds/(debt)**

	<b>2017</b>	<b>2016</b>
<b>Housing Association</b>	<b>£'000</b>	<b>£'000</b>
Increase in cash in the period	633	115
Cash inflow from movement in debt	70	68
	<u>703</u>	<u>183</u>
Net funds at 1 April	1,051	868
<b>Net funds at 31 March</b>	<b><u>1,754</u></b>	<b><u>1,051</u></b>

**Analysis of changes in net funds**

	<b>At</b>	<b>Cash</b>	<b>At</b>
	<b>31-Mar-16</b>	<b>Flows</b>	<b>31-Mar-17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in bank and in hand	2,109	633	2,742
Debt due within 1 year	(70)	(1)	(71)
Debt due after 1 year	(988)	71	(917)
<b>Net funds</b>	<b><u>1,051</u></b>	<b><u>703</u></b>	<b><u>1,754</u></b>

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**23. Commitments**

**Group and Housing Association**

At the end of the financial year the Association had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group</b>		<b>Housing Association</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'00</b>	<b>£'00</b>	<b>£'000</b>	<b>£'000</b>
<b>Equipment</b>	<b>0</b>	<b>0</b>		
Operating leases which expire:				
Less than one year	16	15	16	15
In two to five years inclusive	23	28	23	28
	<b>39</b>	<b>43</b>	<b>39</b>	<b>43</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'00</b>	<b>£'00</b>	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings</b>	<b>0</b>	<b>0</b>		
Operating leases which expire less than one year	76	77	76	77
Over one year	14	69	14	69
	<b>90</b>	<b>146</b>	<b>90</b>	<b>146</b>

**24. Capital Commitments**

There were no capital commitments at the year end.

**25. Related Party Transactions**

Ark Services Limited & Ark Commercial Investment Limited are wholly owned subsidiaries of ARK Housing Association.

During the year ARK charged Ark Services £62,550 for professional and administrative support (2016: £62,550) and £14,199 (2016: £14,634) for insurance. At 31 March 2017 there was a total balance of £nil (2016: £700) owed to ARK and a balance of £1,017 (2016: £276) due from ARK in respect of rental and other income received on behalf of Ark Services Limited.

In addition ARK charged Ark Commercial Investment Limited £30,000 (2016: £4,166) during the year for rental of the property at West Adam Street. At 31 March 2017 there was a total of £15,491 (2016: £5,163) owed to ARK by Ark Commercial Investment Limited for utility bills paid on its behalf.

During the year ARK held 126 bank accounts (2016: 112) in trust on behalf of service users. These accounts are kept separate from funds held by the Association and controls monitored by the Care Commission are in place to ensure the safe custody of said funds. The total amount held in these accounts as at 31 March 2017 was £731,500 (2016 £649,376).

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**26. Pension Commitments**

**General**

ARK Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

The scheme is a defined benefit scheme in the UK. It is not possible for the Association 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 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.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. 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 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly, increasing by 3% each 1st April)
---	--

---

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

**Deficit contributions**

---

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

---

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

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**26. Pension Commitments (continued)**

ARK Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for ARK Housing Association was £38,500,977.

ARK Housing Association has elected to operate the final salary with a 1/60th accrual rate, career average revalued earnings with a 1/60th accrual rate, career average revalued earnings with a 1/120th accrual rate, contracted in, (from 1 April 2011) and DC option benefit option for active members as at 31 March 2015 and the DC option benefit option for new entrants from the 1 April 2014.

During the accounting period ARK Housing Association paid contributions at the rate of 3.45% of pensionable salaries. Member contributions were 3%. As at the balance sheet date there were 574 active members of the Scheme employed by ARK Housing Association. The annual pensionable payroll in respect of these members was £9,038,838.

ARK Housing Association continues to offer defined contribution membership of the Scheme to its employees.

The Association has been notified by The Pensions Trust that the amount to be paid in 2016/17 is £719,965. Subject to certain conditions, this amount is payable annually and is anticipated to increase by 3% per annum. A further review of the recovery plan took place after the triennial valuation undertaken in September 2015.

Using the discount rate based on an AA corporate bond for the same period a liability with a net present value of £6,406,000 is recognised within the provisions for this contractual obligation.

**Movements in present value of defined benefit obligation**

	<b>Group</b>	<b>Association</b>
	<b>2017</b>	<b>2017</b>
<b>Housing Association</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2016	13,448	13,448
Deficit contribution paid	(706)	(706)
Re-measurements	314	314
Re-measurement to contribution scheme	(6,950)	(6,950)
Interest cost	300	300
<b>Closing defined benefit obligation</b>	<b>6,406</b>	<b>6,406</b>

**Expense recognised in the statement of comprehensive income**

	<b>Group</b>	<b>Association</b>
	<b>2017</b>	<b>2017</b>
<b>Housing Association</b>	<b>£'000</b>	<b>£'000</b>
Net interest on defined benefit obligation	300	300
Re-measurements	(6,636)	(6,636)
<b>Amount charged to other finance costs</b>	<b>(6,336)</b>	<b>(6,336)</b>

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)

26. Pension Commitments (continued)

The key financial assumptions underlying the valuation as at 30 September 2015 were as follows:

	% pa
- Rate of return pre retirement	5.7
- Rate of return post retirement	3.1
- Inflation: Retail Price Index (RPI)	3.1
- Inflation: Consumer Price Index (CPI)	2.2
- Rate of increase on earnings	3.7

In determining the discount rate assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement discount rate assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The next valuation will be undertaken as at 30 September 2018.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). The existing recovery plan for the Scheme now runs until February 2022.

ARK's Concession Agreement with The Pensions Trust means that its recovery plan period extends to July 2025.

**Growth Plan**

ARK Housing Association participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses and investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

**ARK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017  
(Continued)**

**26. Pension Commitments (continued)**

The Trustee commissions an actuarial valuation of the Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

ARK Housing Association offers the Plan as an AVC investment option for members of the SHA Pension Scheme. The members pay contributions at a rate of their choice. ARK Housing Association does not pay any contributions to the Growth Plan.

As at the balance sheet date there was 1 active member of the Plan and ARK has closed its plan to new entrants.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS 102 represents the employer contribution payable.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Plan so that a liability arises to employers from membership of any Series except Series 4. (Our recent correspondence to all employers refers.) The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

# ARK HOUSING ASSOCIATION LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2017 (Continued)

### 26. Pension Commitments (continued)

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

The Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Plan.

ARK has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt, including Series 3 liabilities for ARK was £38,034.

In relation to the Plan, The Association has also been notified by The Pensions Trust of the amount to be paid for the past service deficit commencing 1 April 2016 for 10 years is £2,221.

#### Other Pension Schemes

During the year ARK has been contributing to a defined contribution Standard Life scheme for 4 staff that transferred from Rymonth Housing Society Limited. The contribution rates are 2.4% of pensionable salary for employees and 6% for the employer.

### 27. Contingent Liability

#### Pensions

ARK Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for ARK Housing Association was £38,500,977. ARK has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt for ARK was £38,034 (2016: £33,308) including Series 3 liabilities in the calculation.

