

**Blochairn Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2014**

**Registered Housing Association No.HAC223**

**FCA Reference No. 2341R(S)**

**Scottish Charity No. SC040816**

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

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**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2014**

**MANAGEMENT COMMITTEE**

Joan Reuston	Chairperson
William Kerr	(Resigned 28/05/2013)
Anne Gregory	
Mary Kelly	
Lynsey Morgan	
John Murray	
Marion Reilly	Vice Chairperson (Appointed 20/08/2014)
Selina Kelly	Secretary
John McBryde	(Resigned 22/04/2013)
Jean Taylor	
Kathleen McGrath	Vice Chairperson (Resigned 18/06/2013)
Rosemary Cairns	(Appointed 25/06/2013)
Frances Tierney	(Appointed 25/06/2013)
Amy Doherty	(Co-opted 20/08/2014)
Fraser Rigley	(Co-opted 20/08/2014)

**EXECUTIVE OFFICERS**

Michael Carberry	Director
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**REGISTERED OFFICE**

1 Blochairn Road  
Royston  
Glasgow  
G21 2ED

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

RBS UK Corporate Banking  
Kirkstane House  
139 St Vincent Street  
Glasgow  
G2 5JF

**SOLICITORS**

Naftalin, Duncan & Co Solicitors  
534 Sauchiehall Street  
Glasgow  
G2 3LX

**FINANCE AGENTS**

Reidvale Housing Association  
13 Whitevale Street  
Glasgow  
G31 1QW

## BLOCHAIRN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

#### Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2341R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC040816.

#### Principal Activities

The principal activity of the Association is the provision of housing for let at rents affordable to the client groups for whom it intends to provide.

#### Review of Business and Future Developments

During the financial year to 31 March 2014 the Association's business was conducted in accordance with agreed policies and procedures which are freely available to the general public. Openness and accountability is an important element in the Association's success.

The Association's ethos is one of continuous improvement, exemplified by the motto "Kaizen", a philosophy developed by Japanese companies post WWII. After more than 20 years, the Association's improvements tend to be small and incremental but they are important nonetheless.

A Tenant Satisfaction Survey was carried out in 2013 by an independent company, Research Resource Ltd, in the format required by the Scottish Housing Regulator.

The survey revealed overall satisfaction with the Association's service at 96%, up from 92% in 2004. Other highlights were satisfaction with the repairs service at 98.8%, with 79.3% "Very Satisfied", and 96.9% of respondents satisfied with the Association's management of the neighbourhood.

The introduction of the UK government's Welfare Reforms, with the "Bedroom Tax" in April 2013, led to a cautious approach to expenditure on Major Repairs. The start of the programme was delayed until the 4<sup>th</sup> quarter of the year.

However, the impact of Welfare Reform was limited, in terms of, numbers of people and amounts of money. Almost all tenants have paid their rent, albeit some with the aid of Discretionary Housing Payment. The Association's staff managed the situation well and the Association's financial position was protected. However, the stress caused by the government's policy was immense. Staff regularly had to deal with tenants who were in a distressed state.

The major repairs programme resumed in the 4<sup>th</sup> quarter with new kitchens, gas central heating boilers and bathrooms being installed.

In 2001 Blochairn became the first housing organisation in Glasgow to introduce a Tenant Bonus Scheme. The Association maintains optimum staffing levels, aware that this is a significant cost, and engages with residents to ensure that everyone, young and old, plays their part to make our area a place where people are happy to live and proud to say they come from. Tenants are encouraged to keep to the Tenancy Agreement; be a good neighbour and to show respect and consideration for others. This collaborative approach has made a real and lasting difference. A cash Christmas Bonus was paid to 87% of tenants in 2013.

The Association is aware that there are issues outwith the immediate Blochairn area that need to be tackled to complete the regeneration of the wider Royston area. During the year a Royston Strategy Group was established to take a strategic view. This is supported by MSP's and by local authority Councillors. A consultant will now be engaged by the Group to develop a master plan for adoption by Glasgow City Council.

The Association ends the year in a strong financial position with a positive outlook for the future.

## BLOCHAIRN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

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

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

#### Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

## BLOCHAIRN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Statement on Internal Financial Control

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

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

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

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

#### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee

SELINA KELLY  
Secretary  
27 May 2014



**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
BLOCHAIRN HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

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In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

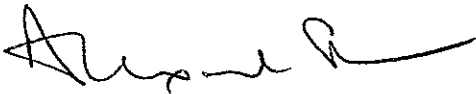
**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
17 June 2014

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLOCHAIRN HOUSING ASSOCIATION LIMITED**

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We have audited the financial statements of Blochairn Housing Association Limited for the year ended 31st March 2014 which comprise an income and expenditure account, balance sheet, cash flow statement and 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).

The financial statements of the Association for the year ended 31 March 2013 were audited by another Auditor whose report expressed an unqualified opinion on those financial statements.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' 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 Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that 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 on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2014 and of its profit 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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

### **Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BLOCHAIRN HOUSING ASSOCIATION LIMITED**

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**Matters on which we are required to report by exception (contd.)**

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
17 June 2014

## BLOCHAIRN HOUSING ASSOCIATION LIMITED

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### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
TURNOVER	2.		981,527		1,433,945
Operating Costs	2.		<u>(645,033)</u>		<u>(1,301,222)</u>
OPERATING SURPLUS	9.		336,494		132,723
Gain On Sale Of Housing Stock	7.	4,470		16,125	
Interest Receivable and Other Income		1,644		2,110	
Interest Payable and Similar Charges	8.	<u>(108,093)</u>		<u>(116,677)</u>	
			<u>(101,979)</u>		<u>(98,442)</u>
SURPLUS FOR THE YEAR			<u>234,515</u>		<u>34,281</u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2014 £	2013 £
Surplus for the financial year		234,515	34,281
Prior year adjustment	23	<u>(78,711)</u>	<u>-</u>
Total gains recognised since last annual report		<u>155,804</u>	<u>34,281</u>

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2014**

	Notes	2014	Restated
		£	2013
		£	£
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	21,345,496	21,547,424
Less: Social Housing Grant	11.(a)	(16,730,950)	(16,924,897)
		<u>4,614,546</u>	<u>4,622,527</u>
Other fixed assets	11.(b)	304,248	310,721
		<u>4,918,794</u>	<u>4,933,248</u>
<b>FIXED ASSET INVESTMENTS</b>			
Shared Equity Cost	21.	1,837,511	1,837,511
Shared Equity Grant	21.	(1,837,511)	(1,837,511)
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	13.	17,073	46,230
Cash at bank and in hand		791,415	828,069
		<u>808,488</u>	<u>874,299</u>
<b>CREDITORS: Amounts falling due within one year</b>	14.	(468,611)	(648,438)
<b>NET CURRENT ASSETS</b>		<u>339,877</u>	<u>225,861</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,258,671</u>	<u>5,159,109</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15.	(4,212,195)	(4,347,154)
<b>NET ASSETS</b>		<u>1,046,476</u>	<u>811,955</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	17.	202	196
Pension Reserves	18.(a)	127,753	127,753
Revenue Reserves	18.(b)	918,521	684,006
		<u>1,046,476</u>	<u>811,955</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 27 May 2014.

*J. Reuston*  
Chairperson

*M. [Signature]*  
Vice-Chairperson

*S. Kelly*  
Secretary

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2014**

	Notes	2014 £	2013 £
Net Cash Inflow from Operating Activities	16.	299,526	667,453
Returns on Investment and Servicing of Finance			
Interest Received	1,644	2,110	
Interest Paid	(108,093)	(116,677)	
Net Cash Outflow from Investment and Servicing of Finance		(106,449)	(114,567)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(133,620)	(200,193)	
Purchase of Other Fixed Assets	-	(59,406)	
Social Housing Grant Received	-	119,719	
Proceeds on Disposal of Properties	35,054	22,521	
Net Cash Outflow from Capital Expenditure and Financial Investment		(98,566)	(117,359)
Net Cash Inflow before use of Liquid Resources and Financing		94,511	435,527
Financing			
Loan Principal Repayments	(131,176)	(266,720)	
Share Capital Issued	11	14	
Net Cash Outflow from Financing		(131,165)	(266,706)
(Decrease) / Increase in Cash	16.	(36,654)	168,821

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	Over 50 years
Kitchens	Over 15 years
Bathrooms	Over 15 years
Central Heating	Over 12 years
Windows	Over 25 years

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### Depreciation And Impairment Of Other Fixed Assets

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

Office Property	- 2%
Furniture and Fittings	- 20%
Office Improvements	- 5%
Office Equipment	- 25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### Sales Of Housing Properties

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

### Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

### Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Pension Reserve has been designated to meet the future pension obligations of the Association.

### Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	965,267	641,160	324,107	929,980	808,924	121,056
Other Activities	4.	16,260	3,873	12,387	503,965	492,298	11,667
<b>Total</b>		<b>981,527</b>	<b>645,033</b>	<b>336,494</b>	<b>1,433,945</b>	<b>1,301,222</b>	<b>132,723</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	2014		2013	
		Total £	Total £	Total £	Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	942,989	942,989	927,575		
Service Charges Receivable	-	-	-		
<b>Gross Rents Receivable</b>	942,989	942,989	927,575		
Less: Rent losses from voids	872	872	639		
<b>Net Rents Receivable</b>	942,117	942,117	926,936		
Revenue Grants from Scottish Ministers	23,150	23,150	-		
Revenue Grants From Local Authorities and Other Agencies	-	-	3,044		
<b>Total Income From Social Letting</b>	965,267	965,267	929,980		
<b>Expenditure on Social Letting Activities</b>					
Management and maintenance administration costs	328,675	328,675	326,634		
Reactive Maintenance	167,772	167,772	153,726		
Bad Debts - Rents and Service Charges	1,079	1,079	5,094		
Planned and Cyclical Maintenance, including Major Repairs	17,869	17,869	180,382		
Depreciation of Social Housing	125,765	125,765	143,088		
<b>Operating Costs of Social Letting</b>	641,160	641,160	808,924		
<b>Operating Surplus on Social Letting Activities</b>	324,107	324,107	121,056		
<b>2013</b>			121,056		



**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES</b>											
	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2014	Operating Surplus / (Deficit) 2013	<i>Restated</i>	
										£	£
Factoring	-	-	-	16,260	16,260	-	3,873	12,387	11,667		
<b>Total From Other Activities</b>	-	-	-	16,260	16,260	-	3,873	12,387	11,667		
<b>2013</b>	-	-	-	503,965	503,965	-	492,298	11,667	11,667		

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee,

	2014 £	2013 £
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>60,401</u>	<u>59,588</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,538</u>	<u>5,377</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>60,401</u>	<u>59,588</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1

#### 6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>4</u>	<u>4</u>
Staff Costs were:	£	£
Wages and Salaries	144,763	145,609
Social Security Costs	12,806	12,501
Other Pension Costs	24,973	11,104
Temporary, Agency and Seconded Staff	8,475	6,525
	<u>191,017</u>	<u>175,739</u>

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	35,054	22,521
Cost of Sales	<u>30,584</u>	<u>6,396</u>
Gain On Sale Of Housing Stock	<u>4,470</u>	<u>16,125</u>

#### 8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	<u>108,093</u>	<u>116,677</u>

#### 9. SURPLUS FOR THE YEAR

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	125,765	150,750
Auditors' Remuneration - Audit Services	5,005	7,800
- Other Services	-	900
Operating Lease Rentals - Land & Buildings	548	548
Gain on sale of fixed assets	<u>-</u>	<u>16,125</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2013	22,241,789	22,241,789
Additions	133,620	133,620
Disposals	(230,440)	(230,440)
As at 31st March 2014	<u>22,144,969</u>	<u>22,144,969</u>
<b>DEPRECIATION</b>		
As at 1st April 2013	694,365	694,365
Charge for Year	119,292	119,292
Disposals	(14,184)	(14,184)
As at 31st March 2014	<u>799,473</u>	<u>799,473</u>
<b>SOCIAL HOUSING GRANT</b>		
As at 1st April 2013	16,924,897	16,924,897
Disposals	(193,947)	(193,947)
As at 31st March 2014	<u>16,730,950</u>	<u>16,730,950</u>
<b>NET BOOK VALUE</b>		
As at 31st March 2014	<u>4,614,546</u>	<u>4,614,546</u>
As at 31st March 2013	<u>4,622,527</u>	<u>4,622,527</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £133,620 (2013 £96,548)

All land and housing properties are freehold.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

	Office Premises £	Total £
<b>COST</b>		
As at 1st April 2013	323,668	323,668
As at 31st March 2014	323,668	323,668
<b>AGGREGATE DEPRECIATION</b>		
As at 1st April 2013	12,947	12,947
Charge for year	6,473	6,473
As at 31st March 2014	19,420	19,420
<b>NET BOOK VALUE</b>		
As at 31st March 2014	304,248	304,248
As at 31st March 2013	310,721	310,721

#### 12. COMMITMENTS UNDER OPERATING LEASES

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring within one year	548	548

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 13. DEBTORS

	2014	Restated 2013
	£	£
Arrears of Rent & Service Charges	16,081	15,140
Less: Provision for Doubtful Debts	(6,262)	(5,885)
	9,819	9,255
Other Debtors	7,254	36,975
	<u>17,073</u>	<u>46,230</u>

## 14. CREDITORS: Amounts falling due within one year

	2014	Restated 2013
	£	£
Housing Loans	137,747	133,964
Trade Creditors	11,561	11,469
Rent in Advance	34,002	19,394
Social Housing Grant in Advance	262,286	262,286
Other Creditors	8,275	-
Accruals and Deferred Income	14,740	221,325
	<u>468,611</u>	<u>648,438</u>

At the balance sheet date there were pension contributions outstanding of £nil (2013 £nil)

## 15. CREDITORS: Amounts falling due after more than one year

	2014	2013
	£	£
Housing Loans	<u>4,212,195</u>	<u>4,347,154</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	137,747	133,964
Between two and five years	625,419	567,814
In five years or more	3,586,776	3,779,340
	<u>4,349,942</u>	<u>4,481,118</u>
Less: Amount shown in Current Liabilities	137,747	133,964
	<u>4,212,195</u>	<u>4,347,154</u>

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	336,494	148,848
Depreciation	125,765	150,750
Change in Debtors	29,157	(10,116)
Change in Creditors	(191,885)	4,466
Gain on sale of fixed assets	-	(16,125)
Share Capital Written Off	(5)	(5)
Increase in stock	-	389,635
Net Cash Inflow from Operating Activities	<u>299,526</u>	<u>667,453</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
(Decrease) / Increase in Cash	(36,654)		168,821	
Cash flow from change in debt	<u>131,176</u>		<u>266,720</u>	
Movement in net debt during year		94,522		435,541
Net debt at 1st April 2013		<u>(3,653,049)</u>		<u>(4,088,590)</u>
Net debt at 31st March 2014		<u>(3,558,527)</u>		<u>(3,653,049)</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	828,069	(36,654)		791,415
Debt: Due within one year	(133,964)	131,176	(134,959)	(137,747)
Due after more than one year	<u>(4,347,154)</u>	-	<u>134,959</u>	<u>(4,212,195)</u>
Net Debt	<u>(3,653,049)</u>	<u>94,522</u>	-	<u>(3,558,527)</u>

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	196
Issued in year	11
Cancelled in year	<u>(5)</u>
At 31st March 2014	<u>202</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.

## 18. RESERVES

(a) Designated Reserves	Pension Reserve £	Total £
At 1st April 2013	127,753	127,753
Transfer (to) / from Revenue Reserves	-	-
At 31st March 2014	<u>127,753</u>	<u>127,753</u>
(b) Revenue Reserves		Total £
At 1st April 2013		684,006
Surplus for the year		<u>234,515</u>
At 31st March 2014		<u>918,521</u>

## 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs - New Build	<u>287</u>	<u>288</u>
	<u>287</u>	<u>288</u>



# BLOCHAIRN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

11 members are tenants of the Association  
1 member is a factored owner

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

## 21. FIXED ASSET INVESTMENT

	2014 £	2013 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,837,511	1,837,511
Less: Grants Receivable	1,837,511	1,837,511
	<u>-</u>	<u>-</u>

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 22. DEVELOPMENT COST OF HOUSING PROPERTY

	2014	2013
	£	£
Shared Equity Properties		
In the course of construction	-	580,440
Less: Grants Received from Scottish Ministers	-	(580,440)
	<u>-</u>	<u>-</u>

## 23. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been incorporated within the Financial Statements in order to correct the rent debit cut-off at 31 March each year. This ensures that the figures reported in respect of rental income, arrears of rent, and rent in advance, are each fairly stated at the year end date.

The impact of the prior year adjustment is a reduction in the reported surplus for the year ended 31 March 2013 of £nil and a reduction in reserves as at 31 March 2013 of £78,711.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

Blochairn Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined Contribution Option

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Blochairn Housing Association Limited has elected to operate the Defined Contribution Scheme for all staff from 1st April 2014.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Blochairn Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 3 active members of the Scheme employed by Blochairn Housing Association Limited. The annual pensionable payroll in respect of these members was £119,132. Blochairn Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement 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. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary was prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and increased a decrease in th shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

### Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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 Trustees have recently supplied Blochairn Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Blochairn Housing Association Limited will be required to pay £30,633 per annum as a contribution to the past service deficit. This will represent an increase of 223% in Blochairn Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (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 Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme'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 Scheme liabilities, Scheme 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.

