



# BOARD REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2012

**The Glasgow Housing Association Limited**

(Industrial & Provident Society No. 2572RS)  
(Scottish Housing Regulator Registration No. 317)  
(Scottish Charity No. SC034054)

**CHAIR'S REPORT**

**Final leg of GHA tenants' amazing journey**

In 2003, over 85,000 tenants of Scotland's largest local authority transferred their tenancies to a new organisation - Glasgow Housing Association.

They did so knowing GHA was inheriting a set of legally-binding promises to improve their homes, communities and lives over the next 10 and a half years.

As we enter the final leg of that amazing journey – and with the 10<sup>th</sup> anniversary of those historic tenancy transfers around the corner - GHA tenants can be assured those promises are being fulfilled, to the letter.

The main one was to modernise every house with a long-term life by installing affordable central heating, as well as new windows and doors and modern fitted kitchens and bathrooms. Well, over £1.1 BILLION has been invested so far in what is Europe's largest modernisation programme, and another £100 million will be spent over the next year to finish the job.

The incredible thing is that this massive capital programme is being completed on time and within budget. When was the last time that happened anywhere involving a project of this scale and duration? Even more impressive is that tenants continue to be at the heart of making sure the work – and the rest of promises – are completed.

GHA is proud to be a tenant-led organisation. The main Board has six tenant members, including me as Chair. The four Area Committees, which each year spend a £1 million improving their local areas by doing everything from upgrading paths, fences and play areas to tackling eyesore sites and landscaping projects, also comprise tenants and other community representatives. Then there are GHA's 28 Local Housing Committees, made up of tenants and homeowners, who work closely with their local management and staff teams to ensure their communities receive excellent services that offer great value for money.

Over the past year, the Board has overseen excellent progress on many fronts. This has included the creation of a new subsidiary, Lowther Homes - to sit beside our other commercial company, YourPlace Property Management -and also a partnership in April with Cube Housing Association.

We are delighted to welcome Cube's tenants and factored homeowners across the West of Scotland to the GHA family. The scene is now set for us to put in place later new governance arrangements that will ensure we have the correct group structure and the proper controls and checks to deliver excellent services and products to an expanding range of tenants and homeowners in Glasgow, and beyond.

As we do this, one thing will remain constant – Glasgow Housing Association will remain the beating heart of our Group, as will our determination to create "Better homes, better lives" for all of our customers.

## CHAIR'S REPORT

The GHA Group worked hard through 2011-12 to improve the lives and communities we serve. In touching around one in three people in Glasgow, we have a huge responsibility to use our size and scale to the best possible effect. We do this by working closely with Glasgow City Council and the Scottish Government, as well as local health, social work, police and fire services.

Over the past year, we have built 332 homes, helped nearly 600 people into work, training or apprenticeships and launched a ground-breaking partnership with Strathclyde Police to tackle anti-social behaviour and crime in our neighbourhoods. We also expanded Glasgow Gold, our tenant benefits scheme that offers everything from education, Community Chest and business start-up grants to I.T. training courses in the GHA Academy in the city centre.

As we look to the future, the biggest challenge facing many tenants is Welfare Benefit reform. The harsh reality is that the benefits of thousands of people across Glasgow will be cut next year. At GHA and Cube, we are examining not only how this will affect our customers, but what we can do to help them. It is one of our biggest priorities for the next 12 months.

As always, much has been achieved - and much remains to be done. One thing is sure: the Board, committees and staff of the GHA Group will not be found wanting in doing all we can to create "Better homes, better lives" for the people we serve.

**Gordon Sloan**  
GHA Chair

# The Glasgow Housing Association Limited

## CHIEF EXECUTIVE'S REPORT

This was the year the GHA Group began a new lease of life, as we welcomed Cube Housing Association into the family and established a new commercial subsidiary, Lowther Homes.

Glasgow Housing Association, the focal point and powerhouse of the Group, turned in another strong year in performance terms during 2011-12. Customer satisfaction increased to 85% as GHA, Scotland's largest social landlord, continued to receive widespread external recognition. This ranged from gaining entry - at the first attempt - to the Sunday Times top 100 not-for-profit organisations to work for to retaining UK Cabinet Office "Customer Service Excellence" accreditation for the fourth consecutive year.

This was also the year YourPlace Property Management consolidated its position as one of Scotland's foremost factoring organisations. YourPlace not only delivered a strong financial return to the Group, but played a prominent role in supporting and shaping new legislation – based on a Private Member's Bill by Glasgow MSP Patricia Ferguson - to drive up standards in its sector.

The Group continues to play a major role through GHA and Cube in providing and managing social housing across the West of Scotland. It is also, through its Lowther Homes subsidiary, playing its part in broadening the diversity and availability of housing and rental tenures, as well as offering commercial services ranging from private letting to legal.

A total commitment to providing excellent homes and services within sustainable, better communities, is what unifies and defines all parts of the Group, underpinning an ambition to create "Better homes, better lives" for the full range of our customers.

As we look to the future, these solid foundations will enable us to face challenges, such as Welfare Benefit reform, which poses massive personal challenges to many GHA and Cube customers, as well as financial and operational challenges to housing organisations throughout the country.

Over the next year, GHA's £1.2 billion Investment Programme will be completed, on time and within budget – completing the promises made to tenants at the time of stock transfer in 2003. The GHA group's journey to excellence, however, will go on. This requires us to build a progressive, frontline-led organisation that is totally customer focused, with a workforce capable of using the latest technology to the best effect, in tandem with a "Think Yes" mentality and approach that aims to delight customers at every point of contact.

Our dedication to continuous improvement is what drives us on. Our scale, size and commitment to partnership working are what enable us to play an increasingly important role in creating a better Glasgow and a better Scotland.

**Martin Armstrong**  
Chief Executive

## OPERATING REVIEW

The Board presents their report together with the audited consolidated financial statements of the association for the year ended 31 March 2012.

### The GHA family – growing and developing

The GHA Group continued to grow and develop through 2011-12 and now comprises.

- Glasgow Housing Association, with 41,400 affordable homes to let;
- Cube Housing Association, with 3300 affordable homes for rent across the West of Scotland, as well as 1200 factored homeowners;
- Lowther Homes, with an expanding portfolio of 324 mid and full-market apartments, principally in Glasgow and a small number in Edinburgh;
- Your Place Property Management, with 24,000 customers across Glasgow;

All parts of the GHA family stand united in their commitment to work with the Scottish Government, local authorities and health, fire and police services to create “Better homes, better lives” for the people we serve.

### Better together

#### Glasgow Housing Association

GHA was named Scotland’s top-performing organisation – across both private and public sectors – when it was awarded the coveted 5 Star “Recognised for Excellence” rating by Quality Scotland.

Customer Service Excellence accreditation, the national standard for customer excellence for public-sector organisations overseen by the UK Cabinet Office, was retained for the **fourth year in a row**. GHA also, at the first time of trying, made it into the Sunday Times Top 100 not-for-profit organisations to work

Operational performance continued to improve across all fronts in 2011-12, placing GHA amongst the best-performing Registered Social Landlords (RSLs) in the country. Tenant satisfaction increased to 85% as GHA helped tenants to reduce rent arrears, improved letting turnaround times and supported people to sustain their tenancies longer. It takes an average of under 16 days to let a GHA home, one of the shortest rates in the country.

#### Cube Housing Association

Cube Housing Association joined the GHA family in April, retaining its name and identity and continuing to have responsibility for its homes and operations.

The partnership enables both organisations to share services and expertise and reduce costs and provide better value for money to their customers. The process of integrating Cube’s housing and property-management services into the GHA Group is ongoing, with tenants already making full use of the Group’s 24-7 Customer Service Centre and the Handyperson, fuel and benefits advisory services, as well as Silver Deal exercise classes for the elderly.

A major Cube landmark was the launch of a £27M scheme - in partnership with Scottish Gas and Scottish and Southern Energy - to provide low-cost, energy-efficient heating and hot water to up to 1900 residents on the Wyndford Estate in Maryhill over the next year. The scheme, one of the biggest of its kind in the UK, includes installing a new district heating system and overcladding 11 multi-storey blocks to make them more energy efficient.

## OPERATING REVIEW

### Lowther Homes

This wholly-owned subsidiary was set up to diversify traditional revenue streams - countering the impact of recession and forthcoming Welfare Benefit reforms – and expand the asset base and increase the Group’s long-term financial strength and viability.

The portfolio of 324 flats is targeted under the Corporate Plan to grow over the next two years to 1500, complementing GHA and Cube’s combined social-housing stock of 47,300 houses. Operating within the mid and full rental markets, Lowther is supporting the Scottish Government national policy objective to increase the number and diversity of homes for rent in Scotland against a continuing backdrop of stagnant house sales.

As well as purchasing developments and portfolios on the open market and at auction, Lowther secured Innovation Fund grants from Scottish Government totalling £1.47 million to buy 24 new homes at Strachur Wharf in Lambhill and refurbish 97 GHA flats at Ibroxholme Oval.

- Tenant Colette Nash, her partner Ian and six-year-old daughter Taylor moved into their Lowther home at Strachur Wharf earlier this year. “The flat is great,” said Colette. “As a young couple starting out, it’s great to have a brand new flat and one that saves us a lot of money because it comes with white goods, such as a fridge, cooker and washing machine.”

### Your Place property Management

Operating profit for the year was 64% ahead of budget, despite recession and a reduction in the customer base as a result of the Second Stage Transfer process. This generated Gift Aid of £827,000, which was ploughed back into GHA, helping the Group keep social rents as low as possible and continue funding quality services to homeowners and tenants.

The main reasons for the 17.5% year-on-year increase in operating profit were improved debt collection leading to savings of £110,000, administrative efficiencies and £91,000 of new income.

The range and quality of services and products provided to YourPlace’s 24,000 factored homeowners continued to expand. These included an internal repairs and a low-cost boiler insurance product.

Your Place reputation and standing as Scotland’s leading public-sector property manager has been enhanced over the past year by the prominent role it has played in supporting the new Property Factors (Scotland) Act that becomes law later this year, and helping the sector nationally to prepare to manage the impact of the new legislation..

## OPERATING REVIEW

### Better Homes

#### Home from home

Another 332 new homes were completed by GHA in various sites across the city, bringing the total since transfer to 782. New-build developments were completed in Yoker, Pollok, New Shaws, Govan, Carntyne, Mount Florida, Springboig and Knightswood. Work is underway on hundreds more, including at the Gallowgate.

Pensioners and long-time friends Emma Robertson and Ellen Aitkinson moved at the same time from a tenement in Shawbridge to their new GHA homes in nearby Riverford Road earlier this year. “Emma and I have been friends for 30 years and it means a lot, that after living so long next door, we are still close together,” said Ellen. “We are very happy in our new homes.”

#### On schedule and within budget

GHA has invested over £1.1 BILLION in refurbishing and improving over 70,000 homes across the city, making them warmer, safer and drier. The modernisation programme has involved overcladding and re-roofing and installing new central heating, kitchens, bathrooms, doors, windows and wiring. The largest project of its kind in Europe, it is on schedule and within budget to be completed in 2013.

Multi-stories at Kingsway in Scotstoun were among the homes refurbished in the past year. The high-rise flats were overclad and re-wired and got new kitchens and bathrooms.

#### Tenants’ story hits the road

GHA’s multi-award winning Big Red Truck – an interactive, mobile exhibition which tells the story of Glasgow’s housing over the past 10 years – proved to be a huge hit with people of all ages across the city. The truck toured festivals, fun days and other community events, as well as visiting schools and Glasgow’s new Riverside Transport Museum. It tells the unique story of how tenants played a major role in transforming damp and dire former council houses into some of the best social properties in the country.

GHA Chair Gordon Sloan said: “The Big Red Truck tells the story of housing in Glasgow through the eyes of the people who know it best – the tenants. And because it’s so interactive, it’s fun and educational too.”

## OPERATING REVIEW

### Better Lives

#### Cutting costs, saving tenants money

GHA fuel advisors saved 2137 tenants almost £250,000 by helping them get the best deal on their fuel bills. Other initiatives included fitting solar panels on 500 homes across the city, saving tenants around £100 a year on their bills and giving them free electricity during daylight hours.

Susan Lafferty (43) has lived in her home in Baillieston for the past 11 years with husband Daniel (50) and 17-year-old son Daryl. “I looked at all the benefits of the solar panels and realised I had nothing to lose,” she said, “so I signed up. I was keen to try anything that would cut our fuel bills.”

#### Winter Ready

More than 1600 older tenants across Glasgow signed up for a home check as part of GHA’s WinterReady campaign to help vulnerable customers beat the winter woes. The tenants were visited by a plumber, who checked their boiler, pipes and taps and bled their radiators. They were also shown things like how to set the most efficient heating settings, turn off water in an emergency and where to find their stop cock.

Susan Fellerman (66), from Knightswood said: “I wanted to be ready for the winter and I was concerned that if the weather got any worse my pipes or radiators wouldn’t work properly. The plumber who visited my house gave me peace of mind and made sure I had nothing to worry about now.”

#### Safe as houses

The GHA Group joined forces with Strathclyde Police to tackle anti-social behaviour and make communities safer. The Community Improvement Partnership (CIP), which is also supported by Strathclyde Fire and Rescue, is the biggest and most ambitious initiative of its kind in the UK. It involves the secondment of 15 police officers – 12 constables, two sergeants and an inspector – and a senior Strathclyde Fire officer to GHA for three years to work with housing and other staff to make neighbourhoods safer and better places to live.

The CIP was piloted, with remarkable results, in the East End, Drumchapel and Milton before being rolled out across the city. A survey in these areas showed tenant satisfaction with the local neighbourhood increased from 63% to 84%, while the percentage of residents who didn’t feel safe at night fell from 32% to 10%. Strathclyde Fire and Rescue have also carried out, as part of the partnership, over 1500 fire-safety visits.

Tenant Marion Dunn (50), from Kirkton Avenue in Knightswood, said: “I like having the extra officers about. It’s good for the older people who live here and stops the kids hanging about.”

#### Cleaner, greener, safer

An army of GHA workers took to the streets daily throughout the year to keep closes and backcourts clean and tidy. New-look Neighbourhood Environmental Teams (NETs) also, for the first time, included arborists charged with tackling overgrown and dangerous trees.

A total of **531 tons** of green waste, such as grass cuttings, hedge and branch clippings, were recycled during the year. Tenants also did their bit to keep their neighbourhoods through lots of community clean-ups.

May Dalziel (88), who has lived in Kinnell Square for 30 years, said: “The work that has been done here is lovely. It’s made such a difference. I really hope the community keep it looking this good.”



## OPERATING REVIEW

### **Playing our part**

Working in partnership with local people to improve their communities is a big part of GHA's "Better lives" campaign. A good example was the creation, in partnership with Glasgow City Council, of 200 allotment plots at seven sites and 67 play parks

Margaret Reidford, Chair of Sandyhills High Flats Tenants' Association, said: "Many residents here are on low incomes and the allotments help them get access to cheap, healthy food. We have a lot of different cultures living here and the allotments also help people mix."

### **Academy makes its mark**

Every member of the GHA Group's 1600-strong workforce – frontline, support and head office staff - attended the in-house training and development centre in the Trongate at some point in the year. In another major development, The Academy was also opened up to tenants, with courses being run in basic IT skills, as well as a housing qualification. Another new professional qualification for environmental staff - CIH Level 2 in Neighbourhood Maintenance - was introduced.

Tenant Honora Culliton (75), from Sighthill, attended an IT course in The Academy. "I didn't like computers," she said. "In fact, I was frightened of them. The course helped me overcome this fear. It has really opened up my mind and I realise there's a big world out there."

### **Education's a marvellous thing**

Ten GHA tenants or their children received a Better Futures bursary of up to £1500 to help them study at college or university. This year, the number of bursaries available is 200. They are open to anyone over 17, who lives in a GHA home and is studying at a university or college, or is about to go to there. The money can be used to help with everything from travel expenses and textbooks to childcare or other costs associated with studying.

### **Going for Gold**

The tenant benefit scheme Glasgow Gold was improved and expanded. Start-up grants were introduced for tenants wanting to set up their own businesses for the first time. Over 100 Glasgow Gold members secured grants to help community groups they're involved in and 38 students received an education grant to help with travel and book costs. Any tenant who keeps up with their rent can join and access the great benefits.

Tenant Michelle Stevenson set up "Belle Vie" beauty salon in Drumchapel, with assistance from Glasgow Gold. She said: "Without that help, I could never have afforded the new signage and seating for the salon. It's a very important scheme for people like me."

## FINANCIAL REVIEW

In these challenging economic times, GHA continues to meet its financial targets and reports a strong financial performance again this year. The SST programme has now been concluded and during the year the organisation has continued to enhance services provided to tenants at the frontline and in addition has expanded the range of its activities into new commercial revenue streams.

### INCOME

GHA's group turnover for 2011-12 (excluding loss on sale of fixed assets and interest received) was £194.7m (£230.8m, 2010-11). The main source of income was net rental income of £151.0m (£188.7m, 2010-11). The remainder of income came primarily from homeowners' payments for improvements made to their homes, £7.3m (£15.2m, 2010-11), factoring services and rental income from commercial properties. In addition, GHA received Scottish Government grants totalling £29.8m (£35.8m, 2010-11). Sales under Right-to-Buy legislation totalled £3.2m (£6.8m, 2010-11).

### EXPENDITURE

Total Revenue Expenditure was £181.8m (£208.1m, 2010-11) comprising the following main items:

- Letting activity management and maintenance administration costs were £59.3m (£68.1m, 2010-11)
- Included in operating costs are employee costs (excluding capitalised employee costs) totalling £49.2m (£59.0m, 2010-11).
- Repairs to GHA properties totalled £24.9m (£34.2m, 2010-11) and planned maintenance to improve housing totalled £22.1m (£22.7m, 2010-11).

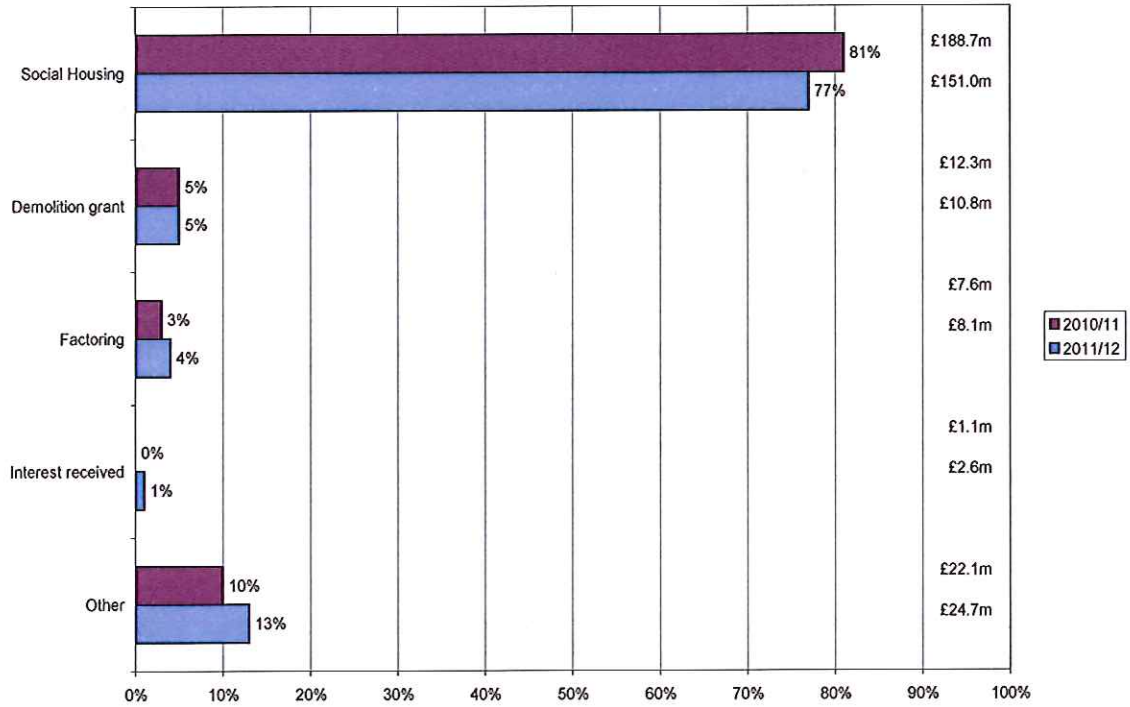
At the end of the year, GHA had rent arrears of £11.0m (£10.5m, 2010-11) and bad debt provisions of £5.5m (£6.5m, 2010-11) mainly from total tenant arrears balances.

GHA disposed of 6,540 properties (9,356 2010-11) through Second Stage Transfer to community based housing associations during 2011/12. This resulted in a combined loss on disposal of £20.5m (£49.2m 2010-11). The loss is attributable to the different valuation methodologies used to value our properties for accounting purposes and SST.

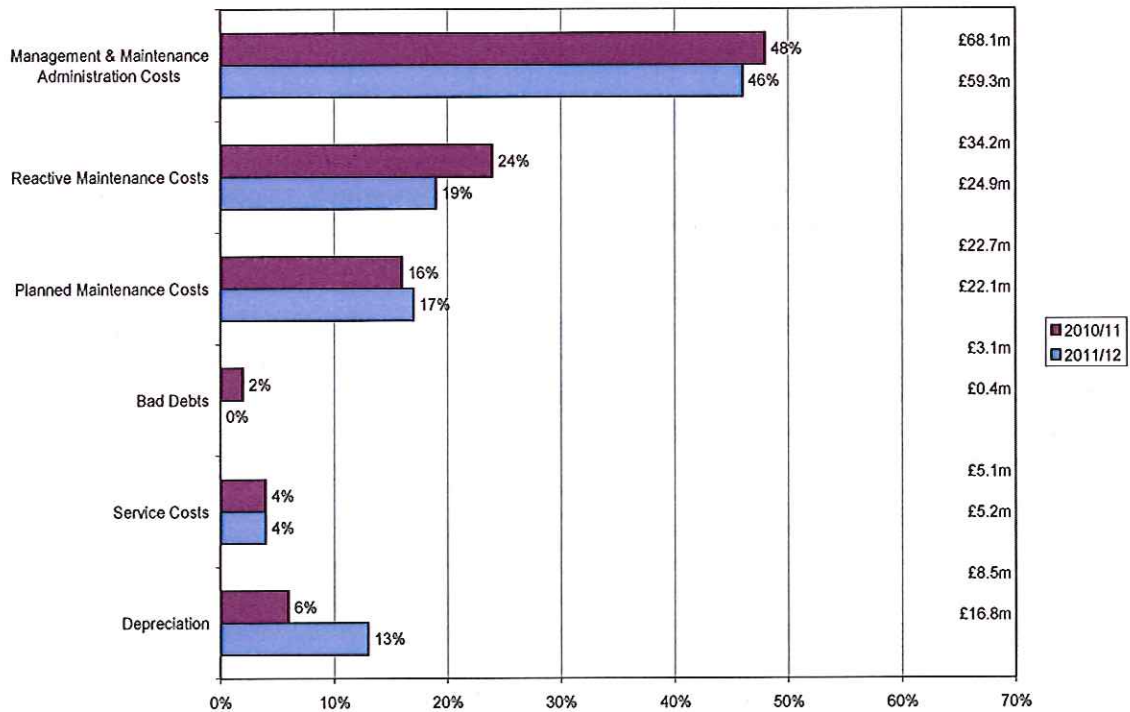
# The Glasgow Housing Association Limited

## FINANCIAL REVIEW

### INCOME



### EXPENDITURE



## FINANCIAL REVIEW

### BALANCE SHEET

Our investment during the year in tenants' homes totalled £111.4m (£100.2m, 2011). The value of housing stock is £651.4m (£522.9m, 2011).

GHA participates in the Strathclyde Pension Fund with its share of deficit at year end being £20.8m (£5.8m deficit, 2011). This movement reflects the results from the FRS 17 actuarial valuation which incorporate the change in future inflation assumptions. At the year end, GHA group had a net asset position of £151.9m (£163.9m, 2011).

### CASH FLOWS

GHA's group cash flows are shown on page 30. Net cash inflow from operating activities was £34.2m (£26.0m, 2011). The reduction in net cash of £3.4m (£20.2m reduction, 2011) was after grants of £18.7m (£25.4m, 2011) and loan receipts of £122.3m (£108.8m, 2011). The principal cash outflows were operating costs and investment in assets, particularly housing stock of £148.3m (£137.9m, 2011).

### LIQUIDITY

GHA's short-term liquidity has reduced in the year to show net current liabilities of £21.8m (£19.9m, 2011). Creditors falling due after more than one year, has increased to £500.0m from £377.8m in 2010-11 – main movement being additional bank loans to fund investments in tenants homes.

### GOING CONCERN

There are no material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern.

### CAPITAL STRUCTURE AND TREASURY POLICY

GHA's activities are funded on the basis of a Business Plan which is updated annually. The main elements of GHA's long-term funding are a 30-year loan facility with a syndicate of banks and capital grants and loan provided by the Scottish Government.

The syndicated loan facility allows GHA to borrow up to £700m and is to be fully repaid by 2040. In broad terms, our current Business Plan assumes that we will increase our borrowings each year until we complete the remaining significant capital investment programme in the early years of the Plan. The debt is progressively paid off in subsequent years and is projected to be fully repaid by 2038/39.

The Business Plan assumes total capital grants and loan from the Scottish Government of £470m from the date of transfer. These grants and loans were originally assumed to be repayable in 2040. However, if GHA is successful in achieving certain targets in respect of its performance and second stage transfers then the grant repayments are significantly reduced. To date, following the delivery of the SST programme and the achievement of the 2011 performance target, £276.5m of the repayment has been written off. The Business Plan also includes Scottish Government funding for specific elements of our investment programme in respect of demolition and new build works.

GHA manages its interest rate risk by entering into hedging arrangements, which have the effect of fixing the interest rate on a proportion of the projected debt levels each year. The interest rate on the remainder of the debt will vary in accordance with market interest rates. We regularly review our arrangements with respect to the hedge on our loans to ensure that we achieve adequate protection for our projected debt profile as it evolves. The Board receives updates each

## FINANCIAL REVIEW

quarter which detail the debt, cash and interest received and paid. Changes to banking arrangements and bank signatories are approved by the Board.

The GHA Group Treasury Management Policy sets down the framework for investing and managing of cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Group's loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure. In turn, it ensures that Group officers have the authority to take the necessary action as and when required in response to changes in the financial markets. The overriding objective of this Policy is to be risk averse, whilst at the same time maximising return on funds invested within laid down agreed parameters.

## LONGER-TERM BUSINESS PLANNING

Each year GHA produces a 30-year Business Plan which details and costs long-term plans. This document, which is examined by the Board and by external auditors, demonstrates our longer-term viability and regeneration plans. A copy of the 2012/14 Corporate Strategy is on the GHA website.

The GHA 3 Year Corporate Strategy 2012/14 highlights the following five big aims for the organisation:

1. Deliver excellent services
2. Provide and maintain quality homes for the future
3. Empower communities to extend wellbeing and opportunity
4. Ensure value for money through innovation and joint working
5. Empower people to create a make-it-happen culture

The 3 Year Corporate Strategy and Business Plan are made operational through a detailed Delivery Plan with outcomes cascaded throughout the organisation.

## KEY OUTPUTS

The key outputs for 2011-12 were:

- Capital expenditure on our tenant investment programme totalled £111.4m (£100.2m, 2010-11)
- A further £7.6m (£9.4m, 2010-11) of works was carried out on behalf of owners
- A total of 1,033 units (1,021 units, 2010-11) were demolished during the year
- Phase 2 of the new build programme in the year under review, has delivered 217 units (110 units, 2010-11), bringing a total of 327. In addition the balance of 30 units (12 units, 2010-11), out of a total of 42, were delivered in Myreside Street. A further 85 units were delivered in Tambowie Street (24), Springboig Avenue (38) and Cumming Drive (23).
- A total of 137,830 (164,300 2010-11) repairs were completed. The investment programme and an increased focus on cyclic / planned maintenance have also had a direct impact on responsive repairs and the volumes in this area have reduced.
- Lettable void rates are below our 1.40% target at 0.90% of total stock, a significant improvement on 1.14% from 2010-11
- Sitting Tenant Arrears at the year end were 2.84% inclusive of technical arrears, (3.13% in 2010-11) and better than our operational target of 2.85% (3.15%, 2010-11)
- Our Neighbour Relations Team assisted a total of 1,399 people (1,237 people, 2010-11) who were subject to anti-social behaviour and responded to all referrals within agreed target times.

## The Glasgow Housing Association Limited

### GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

GHA's Rules currently allow for the appointment of up to 14 Board members as follows:

- Up to six tenant Board members
- Up to six independent Board members
- Up to two council Board members

The Board can also co-opt up to three persons, including the Chief Executive.

At 31 March 2012 there were 14 members (2011, 14 members) of the GHA Board: six tenant members, six independents and two council Board members. The Board had no co-optees at 31 March 2012.

Each member of the Board holds one fully paid £1 share (2011, £1) that is cancelled on cessation of membership. During 2011-12 one share was issued and one membership was cancelled. The members of the Board during the year are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Subsidiary
Alastair Dempster	3 May 2002	23 September 2010		Remuneration, Appointments, Appraisals and Governance (RAAG), Audit, Finance, GFL, GHAE
Sandra Forsythe	17 December 2004	23 September 2010		South, North, Performance
Wilma Masterton	6 September 2006	30 September 2011		South, Performance, Business Transformation & Regeneration (BT&R), Your Place
John Grant	17 September 2008	23 September 2010		West, North, Performance, Lowther Homes Limited
Ian Wall	27 October 2008	30 September 2011		Audit, BT&R, Finance
Gordon Sloan	23 March 2009	9 September 2009		RAAG, Performance, BT&R, Finance, GHAE, GFL
Kate Willis	9 September 2009	30 September 2011		Audit, Finance, East
Robert McCormick	27 April 2009	9 September 2009		Performance, East, West,, BT&R
Alastair MacNish	17 August 2009		23 September 2011	
Elizabeth Walford	17 August 2009	23 September 2010		Performance, Your Place, GFL
Councillor James Dornan	3 September 2009			Audit, BT&R, Finance
Councillor Philip Braat	3 September 2009			Performance, BT&R, GFL
Mike Blyth	23 September 2010			Audit, RAAG, Finance, Your Place, GFL
Ronnie Jacobs	23 September 2010			Audit, BT&R, Finance, Lowther Homes Limited
Sheila Gunn	25 November 2011			GHAE, Lowther Homes Limited

# **The Glasgow Housing Association Limited**

## **GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

### **GHA BOARD**

The Board is responsible for the overall strategic direction and objectives of GHA.

Key responsibilities are:

- approval of the Business Plan, budget, and any variations and amendments to them, together with other matters which fall within the strategic role of the Board;
- establishing strategic plans and policies to achieve these objectives;
- approval of the creation or dissolution of a subsidiary;
- defining and ensuring compliance with our values and objectives as a registered social landlord;
- approving each year's financial statements;
- establishing an appropriate framework of delegation and systems of internal control; and taking key decisions on matters that will, or might, create significant risk including approving any significant contractual arrangements.

During the financial year GHA concluded the delivery of the Second Stage Transfer programme, with nearly 19,000 homes now transferred to local community ownership.

The Board has also overseen growth into new areas. The creation of a new subsidiary, Lowther Homes Limited, has seen the group enter into private and mid market rental, working collaboratively with the Scottish Government in delivering mid-market rent under the Scottish Government's Investment and Innovation Fund.

The Board also agreed entering a constitutional partnership, with Cube Housing Association becoming a subsidiary of GHA. The partnership allows will help provide:

- better value for money through developing joint services and more cost-effective procurement;
- more investment for more homes and neighbourhoods;
- better services for more tenants;
- increased financial strength for both organisations; and
- a reduction in overall management costs.

The Board also delegates authority to its Committees as follows:

### **Remuneration, Appointments, Appraisals and Governance Committee**

Responsible for:

- the process for recruitment, selection and appraisal of Board members;
- ensuring Board members have necessary skills and experience to fulfil their roles;
- ensuring the Board has the appropriate blend of skills and experience
- evaluation and review of GHA's governance framework;
- the appointment and remuneration of the Chief Executive;

# **The Glasgow Housing Association Limited**

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## **GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

### **Audit Committee**

Responsible for:

- reviewing GHA's system of internal control, compliance assurance and risk management system;
- providing an overview of the internal and external audit functions;
- scrutinising the financial statements;
- monitoring the implementation of internal audit recommendations and external audit reports and management letters;
- reviewing the internal audit plan and scope of work; and
- reviewing the effectiveness of the overall risk strategy.

### **Finance Committee**

Responsible for:

- overseeing the long term strategic planning of the Association's finances;
- monitoring and reviewing the Association's current and projected performance against budget;
- ensuring that the Association has an effective framework for financial management;
- overseeing treasury management, procurement and financial risk;
- approval of the Scheme of Financial Delegation; and
- overseeing the financial performance of GHA's trading subsidiaries.

### **Business Transformation and Regeneration Committee**

Responsible for:

- strategic oversight of the GHA's approach to community regeneration
- monitoring the development of the transformational regeneration areas
- conclusion of the Second Stage Transfer process
- approval of stock classification decisions
- the new build programme
- overseeing citywide programmes for capital investment, repairs and asset management.

### **Performance Committee**

Responsible for:

- monitoring housing management and corporate performance in line with the GHA Board approved performance framework;
- approval and monitoring implementation of GHA's strategic housing policies;
- monitor and scrutinise Area Committee activity;
- identifying and promoting best practice, innovation and ensuring continuous improvement;
- overseeing citywide community engagement and empowerment;
- overseeing our approach to learning and development and deployment of our Academy



**GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

**Area Committees**

Responsible for:

- providing key local oversight in relation to key GHA strategic activities;
- assessing service delivery in their Area and making recommendations on potential service improvements;
- making recommendations to the GHA Board on its annual investment programme;
- development of Area Plans;
- approval of allocations from the Area Fund; and
- monitoring performance in their Area including investment, repairs and new build.

**EMPLOYEE POLICIES**

**Equal Opportunity**

GHA remains committed to the principle of equal opportunity and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, race, age, colour, nationality, religion, HIV status, disability or sexuality.

GHA has a policy to support any member of staff who becomes disabled whilst employed by GHA through modification of duties or retraining and support.

**Employee Relations**

GHA recognises two trade unions: Unison and GMB, and engages in collective bargaining and consultation with them. GHA continues to work closely with our trade union partners in ensuring our policies remain relevant, fit for purpose and compliant with all relevant legislation. The Human Resources team develops training programmes to ensure consistent implementation of these policies throughout the organisation and to empower our staff to use our policies to make informed decisions.

**The Academy**

Our people are at the heart of delivering everything we do across all the services we offer through the family of companies within our group – be it our social landlords, factoring or market rental businesses. We will ensure that staff access all the development and support they need to be able to deliver to our customers. We have developed a new induction process where everyone new to the GHA group will attend our corporate induction which takes place over two and a half days. It concentrates on our vision, our values and our customers' experience. We want new people to our organisation, regardless of where they work, to get the sense of pride in delivering our mission of "Better Homes, Better Lives" and the bond between our organisation, our staff and our customers.

**Apprenticeship Programme**

We provide a tailored two year work placement supported by a programme of development for 30 modern apprentices where they achieve Chartered Institute of Housing Level 2 in housing practice and SVQ level 2 in Business Administration.

**Graduate Trainees**

We have four graduate trainees undertaking a two year work placement and are deployed across the GHA group to develop their skills and knowledge in housing management to introduce future talent.

**Tenants and their families**

We support our Better Lives Strategy by creating learning and development opportunities for our tenants and their families to build their educational attainment and their employability. We have provided CIH level 2 in Housing practice and IT training to 60 tenants.

**GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

**Strategic partnerships**

To support professional development we have entered strategic partnerships with Caledonian University.

**Bursaries**

We have 25 members of staff undertaking external further education courses with funding support from GHA.

**Accredited Development**

We now offer three different accredited CIH qualifications and two accredited leadership development programmes in-house at the Academy.

**TENANT PARTICIPATION**

GHA is a tenant led organisation in which our objectives, strategies and services are shaped by what our tenants tell us is important to them, their families and communities.

We listen to our tenants and engage with them on a day to day basis, across the range of our engagement activities and through our satisfaction surveys and focus groups. We value and learn from the comments and complaints that we receive and use this to inform our learning and to develop services that meet their requirements.

We regularly consult with our tenants on a range of formal and informal issues, including allocations, rent setting, investment priorities and service development. We also consult with tenant representatives including local housing committees and registered tenant groups.

Our engagement structures are diverse and provide opportunities for tenants to participate with us in ways that are meaningful to them. We encourage and enable participation through capacity and skill building programmes that include accredited learning qualifications with the associated benefits of transferrable skills for the workplace or volunteering.

**HEALTH AND SAFETY**

**Reporting and Prevention of Accidents**

GHA is committed to providing a safe secure and pleasant environment for our tenants and colleagues. The GHA Board as part of its governance role is provided with quarterly reports in respect of reportable accidents / incidents that occur at work (Reporting of Injuries Diseases and Dangerous Occurrences Regulations – RIDDOR – 1995 updated 2012). The Health and Safety team has an extensive remit in respect of their GHA colleagues' health and safety and is primarily concerned with the design, implementation and audit of a bespoke safety management system for our sites. Training including Health & Safety and Fire Awareness packages are an integral part of the team's remit and are designed and delivered by the team.

In addition the team investigates accident / incident causation and provides competent guidance and advice as required..

**Employee Support**

GHA has a customised Occupational Health Contract in place for GHA colleagues including our Employee Assistance Programme (EAP) procured through the GHA tender process.

**GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

**Awards**

The Health and Safety team has obtained a bronze accreditation in respect of Healthy Working Lives (HWL) which is the initial stage of a three year programme and is currently working towards the silver award with the gold award as the final stage.

The Health & Safety team achieved the silver award in June 2012 following our first ever submission in the Occupational Health and Safety category of the ROSPA awards (Royal Society for the Prevention of Accidents).

The Health and Safety team has now achieved four 5 Star audits from 2008-2012 carried out by the British Safety Council, including the award of a Sword of Honour in 2010. This prestigious award scheme recognises the 'best of the best in health and safety management' as its accolade.

**SUSTAINABILITY**

During 2011/12 we installed solar pv panels to 500 homes. In addition, and in line with the objectives of our sustainability policy, we have supported the development of 7 allotment sites resulting in a 14% increase in provision across the City, contributed to Community led improvement of a significant number of stalled spaces and continue to implement new initiatives on recycling, energy efficiency and reclamation of materials from demolished properties.

**POLITICAL AND CHARITABLE DONATIONS**

There were no political or charitable donations made by GHA within the year.

**CREDITOR PAYMENT POLICY**

GHA agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

**DISCLOSURE OF INFORMATION TO AUDITORS**

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

**STATEMENT OF INTERNAL CONTROLS**

**1. Introduction – background and responsibility**

The system of internal controls is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:-

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

**2. Overview of main features of the system of Internal Control**

The Board of GHA is responsible for ensuring that an effective system of internal control is maintained within the organisation. This system of internal control can provide reasonable but not absolute assurance against material misstatement or loss.

The mechanisms by which the Board obtains assurance that the system of internal control is working effectively are the same as those that the Board uses to assure itself, although there are separate and additional responsibilities of the Chief Executive in respect of the organisational management and operational systems and procedures.

The key methods by which the Board establishes the framework for providing effective internal financial control are as follows:

- Corporate Governance arrangements as outlined in the Corporate Governance Statement.
- Regular meetings of the Board which has a schedule of matters which are specifically reserved for its approval and which are the subject of regular standard reports as required.
- Arrangements under terms of reference for the Audit Committee of the Board to meet regularly and receive reports from management and internal and external auditors on the system of internal control, and to provide reasonable assurance that control procedures are in place and are being followed.
- Arrangements under terms of reference for a Finance Committee of the Board to meet regularly and receive reports from Finance Management on the soundness of financial management and to provide reasonable assurance prudent practices are in place and being followed.
- Written policies and procedures including Standing Orders setting out delegated authorities.
- An organisational structure to support business processes and with clear lines of responsibility.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal personal development programme.
- An Internal Audit function with an annual Internal Audit plan and producing an annual Internal Audit Report.
- Adoption of a risk-based approach to internal control through evaluating the likelihood and significance of identified corporate risks, vesting responsibility for risk management and internal control with designated owners and with an ongoing process of monitoring and reporting progress against the company's key risks established through the corporate risk management function.
- A Business Plan and Budget supporting strategic and operational plans, financial targets, regularly revised forecasts, a comparison of actual with budget and with forecast on a quarterly basis, operating cash flow and variance statements, and key performance indicators, all of which are reviewed by the Board.

## The Glasgow Housing Association Limited

- Measurement of financial and other performance against the Delivery Plan objectives and key performance indicators and targets.

### 3. Role of Internal Audit and Management

The Internal Audit Function has a central role in the process of developing this Statement of Internal Controls. As part of Internal Audit work, reviews are carried out to assess the robustness of the implementation of the risk management and assurance framework.

Internal Audit provide information on the various strengths and weaknesses on the approach we have adopted, and advise where improvements are necessary and desirable for good governance.

In line with good practice, Internal Audit provides the Audit Committee with an Annual Internal Audit Statement, which summarises all the work completed during 2011/12. The overall Internal Audit opinion provided in this statement is detailed below:

*“Based on our programme of audit work undertaken during the year, assurance can be given that the Group’s systems of internal control are generally working soundly and operate reasonably consistently across all departments to ensure effective, economic and efficient management.”*

### 4. Risk and Control Framework

GHA recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator’s Regulatory Standards.

“The governing body bases its decisions on good quality information and advice and identified and mitigates risks to the organisation’s purpose.”

Risk Management is a key element of GHA’s overarching governance arrangements as it demonstrates that we have considered what might go wrong with our plans, that we have analysed the consequences of things going wrong, and that we have thought through the actions and controls we need to prevent or limit these consequences.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health & safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

#### Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, whether or not they have a formally defined role in the process.

To ensure the successful implementation of the Risk Management Policy and Strategy, clear roles and responsibilities for the Risk Management process have been established.

The Executive Team is the facilitator of the Risk Management Framework and processes. Their role is to ensure that Departmental Managers comply with the Risk Management Framework including monitoring of the risk registers on Covalent; which is the Group’s performance management system. This ensures that Departmental Managers keep their risk registers up to date, new and emerging risks are identified and risk scores are challenged.

Risk Management is an integral part of the culture and way we are run. Risk Management plans are incorporated and embedded into business plans of all applicable sections of the organisation (e.g. service improvement plans, project plans, team plans, individual plans). In this way, Risk

# **The Glasgow Housing Association Limited**

## **GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

Management is not the responsibility of senior management alone, but more appropriately the responsibility of all colleagues.

The significant risks facing the organisation are detailed below. Mitigating actions are in place to control the risk exposure to an acceptable level.

- Failure to transform services by the innovative use of Information and Communications Technology to keep pace with the changing demands of internal and external service users.
- The risk that GHA does not have adequate business continuity / disaster recovery plans in place for key business activities resulting in significant disruption to service.
- Failure to implement the new business operating and governance model at the necessary pace for the GHA Group structure that best meets the priorities of GHA determined by the needs of our customers and communities.
- Proposed Welfare Reforms reduce our guaranteed income stream from Housing Benefit, rental payments, lower lenders' confidence and increase poverty and affordability issues for our customers.

### **MANAGEMENT INFORMATION SYSTEMS**

Management Information Systems have been developed to provide information on the key areas outlined in the Business Plan and Delivery Plan. Business performance is reported monthly against key financial and non-financial targets. Management accounts comparing actual results against budget are presented to the Board monthly and to the Finance Committee quarterly. The organisation continues to broaden and develop the depth and detail of data required to assist management at all levels.


### **INVESTMENT APPRAISAL**

Capital expenditure is specified in the Business Plan and regulated by a budgetary process and Scheme of Financial Delegation. For expenditure beyond specified levels or out with budget and plans, approval is required by Committee or the Board as appropriate.

### **QUALITY AND INTEGRITY OF PERSONNEL**

The integrity and competence of personnel is ensured and maintained through formal recruitment processes and subsequent training and development initiatives. High quality personnel are an essential part of the control environment and the conduct and ethical standards expected are embodied within the organisation's stated aims and objectives.

On behalf of the Board

  
**GORDON SLOAN, CHAIR**  
5th September 2012

## **The Glasgow Housing Association Limited**

### **STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS AN INDUSTRIAL AND PROVIDENT SOCIETY**

The board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Friendly and Industrial and Provident Societies Act 1968 and registered 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 RSL and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

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

# **The Glasgow Housing Association Limited**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GLASGOW HOUSING ASSOCIATION LIMITED**

We have audited the financial statements (the "financial statements") of The Glasgow Housing Association Limited for the year ended 31 March 2012 which comprise the Group and Association Income and Expenditure Accounts, the Group and Association Balance Sheets, the Group Cash Flow Statement, the Group and Association Statements of Total Recognised Surpluses and Deficits, the Group and Association Notes of Historical Cost Income and Expenditure 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).

### **Respective responsibilities of the Board and auditors**

As explained more fully in the Statement of Board's Responsibilities, the Board is responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the association's members as a body in accordance with Schedule 7 paragraph 13 of the Housing (Scotland) Act 2001, Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of 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 group's and association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2012 and the group's and association's income and expenditure and group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).



## **The Glasgow Housing Association Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GLASGOW HOUSING ASSOCIATION LIMITED**

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

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Friendly and Industrial and Provident Societies Act 1968 require us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the association has not kept proper books of account in accordance with Section 1(1)(a) of the Friendly and Industrial and Provident Societies Act 1968; or
- a satisfactory system of control over transactions has not been maintained in accordance with Section 1(1)(b) of the Friendly and Industrial and Provident Societies Act 1968 ; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
5<sup>th</sup> September 2012

PricewaterhouseCoopers is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**GROUP INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	Total 2012 £ 000	Total 2011 £ 000
Turnover	3	194,651	230,791
Operating costs before past pension service gain	3	(181,805)	(208,100)
Past pension service gain	24	-	21,938
Total operating costs		(181,805)	(186,162)
Operating surplus		12,846	44,629
Loss on sale of fixed assets			
Interest receivable and other income	9	(18,210)	(46,100)
Interest payable and similar charges	10	2,561	1,096
	11	(16,600)	(10,823)
Deficit on ordinary activities before taxation			
Tax on deficit on ordinary activities		(19,403)	(11,198)
	12	(18)	19
Deficit for the year	22	(19,421)	(11,179)

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND  
DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2012**

		2012 £000	2011 £000
Deficit for the year	22	(19,421)	(11,179)
Unrealised gain / (loss) on revaluation of fixed assets	22	24,109	(16,221)
Actuarial (loss) / gain on pension assets and liabilities	24	(16,655)	25,565
Total recognised (deficits) / surpluses for the year		(11,967)	(1,835)

**NOTE OF HISTORICAL COST INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £000	2011 £000
Reported deficit for the year	(19,421)	(11,179)

All amounts relate to continuing operations.  
The notes on pages 31 to 61 form part of these financial statements.

**ASSOCIATION INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	Total 2012 £ 000	Total 2011 £ 000
Turnover	3	184,889	223,596
Operating costs before past pension service gain	3	(172,318)	(200,987)
Past pension service gain	24	-	21,938
Total operating costs		(172,318)	(179,049)
Operating surplus		12,571	44,547
Loss on sale of fixed assets			
	9	(18,210)	(46,100)
Interest receivable and other income	10	2,555	1,093
Interest payable and similar charges	11	(16,265)	(10,676)
Deficit on ordinary activities before taxation		(19,349)	(11,136)
Tax on deficit on ordinary activities	12	-	-
Deficit for the year	23	(19,349)	(11,136)

**ASSOCIATION STATEMENT OF TOTAL RECOGNISED SURPLUSES AND  
DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2012**

		2012 £ 000	2011 £ 000
Deficit for the year	23	(19,349)	(11,136)
Unrealised gain / (loss) on revaluation of fixed assets	23	17,162	(16,221)
Actuarial (loss) / gain on pension assets and liabilities	24	(16,655)	25,565
Total of recognised (deficits) / surpluses for the year		(18,842)	(1,792)

**NOTE OF HISTORICAL COST INCOME AND EXPENDITURE FOR THE  
YEAR ENDED  
31 MARCH 2012**

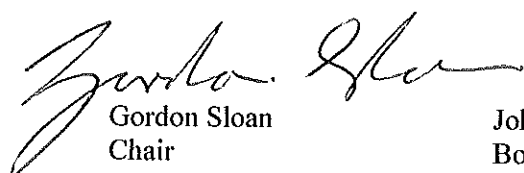
	2012 £000	2011 £000
Reported deficit for the year	(19,349)	(11,136)

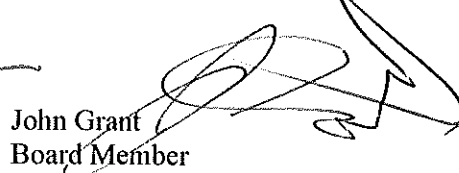
All amounts relate to continuing operations.  
The notes on pages 31 to 61 form part of these financial statements.

**GROUP BALANCE SHEET AT 31 MARCH  
2012**

	<i>Notes</i>	<b>2012 £000</b>	<b>2011 £000</b>
<b>Fixed assets</b>			
Housing properties	15	651,416	522,912
Other tangible fixed assets	16	<u>26,080</u>	<u>26,418</u>
		<u>677,496</u>	<u>549,330</u>
Debtors due after more than one year	17	270,310	393,277
<b>Current assets</b>			
Investment Property		-	2,250
Debtors due within one year	17	35,340	38,945
Cash at bank and in hand		<u>7,968</u>	<u>7,512</u>
		<u>43,308</u>	<u>48,707</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(65,089)</u>	<u>(68,612)</u>
<b>Net current liabilities</b>		<u>(21,781)</u>	<u>(19,905)</u>
<b>Total assets less current liabilities</b>		926,025	922,702
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(500,000)</u>	<u>(377,750)</u>
		<u>426,025</u>	<u>544,952</u>
<b>Provisions for liabilities and charges</b>	20	<u>(252,302)</u>	<u>(374,206)</u>
Government grant		<u>(1,032)</u>	<u>(1,056)</u>
<b>Net assets excluding pension liability</b>		172,691	169,690
Pension liability	24	<u>(20,768)</u>	<u>(5,800)</u>
<b>Net assets including pension liability</b>		<u>151,923</u>	<u>163,890</u>
<b>Capital and reserves</b>			
Share capital	21	-	-
Revenue reserve excluding pension reserve	22	105,193	126,302
Pension reserve	22	(20,768)	(5,800)
Revenue reserve including pension reserve	22	84,425	120,502
Revaluation reserves	22	<u>67,498</u>	<u>43,388</u>
<b>Consolidated funds</b>		<u>151,923</u>	<u>163,890</u>

These financial statements were approved by the Board on 5th September 2012 and were signed on its behalf by:

  
Gordon Sloan  
Chair

  
John Grant  
Board Member

  
Mark Logan  
Secretary

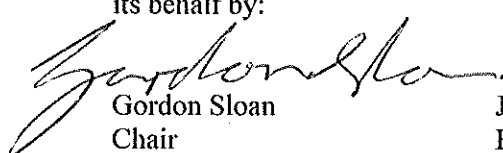
The notes on pages 31 to 61 form part of these financial statements.

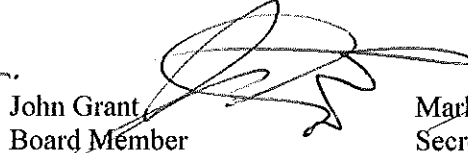
**ASSOCIATION BALANCE SHEET AT 31  
MARCH 2012**


	<i>Notes</i>	<b>2012 £000</b>	<b>2011 £000</b>
<b>Tangible fixed assets</b>			
Housing properties	15	623,217	522,912
Other tangible fixed assets	16	26,068	26,418
		<u>649,285</u>	<u>549,330</u>
Debtors due after more than one year	17	291,227	393,277
<b>Current assets</b>			
Investment Property		-	2,250
Debtors due within one year	17	33,012	37,651
Cash at bank and in hand		6,944	6,855
		<u>39,956</u>	<u>46,756</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(61,819)</u>	<u>(67,146)</u>
<b>Net current liabilities</b>		<u>(21,863)</u>	<u>(20,390)</u>
<b>Total assets less current liabilities</b>		918,649	922,217
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(500,000)</u>	<u>(377,768)</u>
		418,649	544,449
<b>Provisions for liabilities and charges</b>	20	<u>(252,302)</u>	<u>(374,206)</u>
Government grant		<u>(1,032)</u>	<u>(1,056)</u>
<b>Net assets excluding pension liability</b>		165,315	169,187
Pension liability	24	(20,768)	(5,800)
<b>Net assets including pension liability</b>		<u>144,547</u>	<u>163,387</u>
<b>Capital and reserves</b>			
Share capital	21	-	-
Revenue reserve excluding pension reserve	23	104,764	125,799
Pension reserve	23	(20,768)	(5,800)
Revenue reserve including pension reserve	23	83,996	119,999
Revaluation reserve	23	60,551	43,388
		<u>144,547</u>	<u>163,387</u>

**Association's funds**

These financial statements were approved by the Board on 5th September 2012 and were signed on its behalf by:

  
Gordon Sloan  
Chair

  
John Grant  
Board Member

  
Mark Logan  
Secretary

The notes on pages 31 to 61 form part of these financial statements.

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

	<i>Notes</i>	<b>2012</b> £000	<b>2011</b> £000
<b>Net cash inflow from operating activities</b>	27	34,195	25,972
<b>Returns on investment and servicing of finance</b>			
Right to buy and Second stage transfer proceeds	9	28,745	30,144
Payment to Glasgow City Council for their share of right to buy proceeds and payments to Second Stage transfer Organisations	9	(38,340)	(56,704)
Interest received	10	48	46
Interest paid	11	(16,600)	(10,823)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(26,147)</b>	<b>(37,337)</b>
<b>Capital expenditure and financial investment</b>			
Improvement of properties	15	(148,283)	(137,867)
Purchase of other fixed assets	16	(4,088)	(2,933)
Purchase of current assets		-	(2,250)
Grants received	25	18,695	25,431
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(133,676)</b>	<b>(117,619)</b>
<b>Financing</b>			
Loan drawn down	19	109,750	96,250
Scottish Government Loan received	19	12,500	12,500
<b>Net cash inflow from financing</b>		<b>122,250</b>	<b>108,750</b>
<b>(Reduction) / increase in net cash</b>	27	<b>(3,378)</b>	<b>(20,234)</b>

The notes on pages 31 to 61 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

### **1. Legal status**

The Glasgow Housing Association Limited (“GHA” or “the Association”) is registered under the Industrial and Provident Societies Act 1965 and is a housing association registered with Communities Scotland under the Housing (Scotland) Act 2001. The Association and its subsidiaries are referred to as “the Group”.

### **2. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of accounting**

The financial statements of the Group and the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice, Accounting by Registered Social Landlords Update 2010, issued by the National Housing Federation.

Whilst the Group and Association Balance Sheets show net current liabilities, the Group has in place a loan facility as explained in note 19 which allows the Group and Association to borrow sufficient funds to meet its current liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

On 7 March 2003 the Association acquired, as part of a large scale voluntary transfer, the housing stock and a number of other related assets of Glasgow City Council. The acquisition was structured such that the Association paid a notional consideration of £25 million for the assets (this consideration was not based on a valuation of the assets being acquired) and received grant funding from the Scottish Executive of £368 million, payable in instalments over the next 10 years. The net effect of the transfer was therefore the acquisition of the assets, at their current value, and a remaining £343 million of grant income.

The excess of the purchase price over the fair value of the net assets acquired was £7 million. Under the recommendations of the SORP for business combinations and the requirements of FRS 10 Goodwill and intangible assets, this amount would have been classified as a fixed asset on the balance sheet and amortised over its estimated useful economic life. The Board, however, did not believe that this treatment presented a true and fair view of the nature of the large scale voluntary transfer as a whole, since they believed that the amount paid to the Council should be considered in substance as an adjustment to the grant receivable of £368 million. Consequently, the assets were included in the financial statements at their fair value and the grant receivable from the Scottish Executive was reduced to £361 million.

#### **Basis of consolidation**

The Group financial statements consolidate those of the Association and its subsidiary undertakings drawn up to 31 March 2012. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 2 - Accounting for subsidiary undertakings.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

### **Turnover**

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. In respect of the group income and expenditure account, turnover also includes factoring income.

### **Grant income**

Grant income received is matched with the expenditure to which it relates. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is deducted from the cost of housing properties on the face of the balance sheet. Financial reporting standards require tangible fixed assets to be stated at purchase price, or valuation, less any provision for depreciation or diminution in value. However, this requirement conflicts with the generally accepted accounting principles for Registered Social Landlords (RSLs) set out in the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP 2008). The purpose of these capital grants is to subsidise the cost of social housing, and the income from properties is a function of net cost. Accordingly the Board considers it necessary to adopt the accounting treatment set out in the SORP to give a true and fair view.

### **Bad and doubtful debts**

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable.

### **Supported housing**

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

### **Deposits and liquid resources**

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

### **Pensions**

GHA participates in the Strathclyde Pension Fund ("the Fund"). The Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. All existing and new employees have the option of joining the Fund. The Fund is a defined benefit one, providing benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Fund are held separately from those of the Association.

The Association accounts for its participation in the Fund in accordance with 'FRS 17 Retirement benefits'. The 'FRS 17 Retirement benefits' requires disclosures presented for both the current and comparative period. The 'FRS 17 Retirement benefits' also requires that quoted securities are valued at their current bid-price rather than their mid-market value.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

### **Pensions accounting policy (continued)**

The Fund liabilities are 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 Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

### **Tangible fixed assets - housing properties**

The Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

### **Valuation of Social Housing Stock**

Housing properties are valued on an Existing Use Value for Social Housing (EUV-SH) basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Association's 30 year Business Plan which identifies the core stock which will be the subject of the Association's investment expenditure going forward and the stock which forms part of the demolition programme until 2016, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised repairs. Included in the cost of repairs are the direct costs of staff engaged in the investment programme.

### **Donated Assets**

All donated assets are separately disclosed. Properties donated from Glasgow City Council are valued at EUV-SH basis. The difference between the EUV-SH value and the transfer price is treated as a government grant. Government grants are written-off against the value of the asset over the estimated useful life of the asset being 50 years.

### **Housing for Market Rent**

Housing for Market Rent properties are valued on an open market basis, subject to tenancy, by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised repairs.

Depreciation is charged on all housing properties on a straight-line basis to write down the value of freehold properties, plus capital additions net of grants over their expected useful economic lives. The average life of Lowther Homes Limited housing stock is estimated to be 50 years.

### **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Group has taken account of views provided by both internal and external professional sources.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

Freehold land is not subject to depreciation. Depreciation is charged so as to write down the cost or valuation (net of Housing Association Grant, and other capital grants) of the freehold housing properties and major components on a straight line basis over their expected useful economic lives.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Economic Life
Land	n/a
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works & common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical & Plumbing	25 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

### **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- cost of acquiring land and buildings;
- development expenditure including direct development staff costs; and
- other directly attributable internal and external costs.

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

Freehold land is not depreciated.

### **Non-Housing properties**

The Association owns a number of non-housing properties. The Association applies the same capitalisation and component life approach as stated under Housing Properties unless otherwise stated below

### **Commercial properties**

Commercial properties are stated at existing use value and are subject to revaluation at least every five years.

### **Investment properties**

Investment properties are held at current market valuation and are not subject to depreciation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

### Housing Association Grant and other capital grants

Housing association Grant (HAG) is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG due or received in advance is included as a current asset or liability. HAG 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.

Properties are disposed of under the appropriate legislation and guidance. All HAG relating to the share of property sold are removed from the financial statements at the date of sale. Any HAG received that cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

### Other tangible fixed assets

For other tangible fixed assets, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, or valuation, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	Economic Life
Commercial properties	50 yrs
Furniture, fittings and office equipment	5 yrs
Computer equipment	3 yrs

### Improvements to housing properties

The Association capitalises repairs and improvement expenditure on housing properties that results in an enhancement of the economic benefits of the asset.

### Capitalisation of development overheads

Staff costs that are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

### Provisions

The Association only provides for contractual liabilities that exist at the balance sheet date.

### Taxation

As a charity, GHA is exempt from corporation tax on its charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979. A charge for taxation is made in GHA's subsidiary companies, based on their profit for the year. In accordance with FRS 19 Deferred Tax, full provision is made for all material timing differences.

### Value Added Tax

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**Development Agreement**

The Association has entered into agreements with Glasgow City Council whereby the undertaking of catch up repairs and improvement works remained with the City Council, with that obligation sub-contracted to GHA. This has been shown on the Association's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both amounts will be reduced by the appropriate amount.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**3. Particulars of turnover, operating costs and operating surplus**

**Group**

	Turnover	2012 Operating Costs	Operating surplus/ (deficit)	2011 Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	150,962	128,681	22,281	47,008
Other activities (note 5)	43,689	53,124	(9,435)	(24,317)
Past pension service gain	=	=	=	<u>21,938</u>
Total after past pension service gain	<u>194,651</u>	<u>181,805</u>	<u>12,846</u>	<u>44,629</u>

**Association**

	Turnover	2012 Operating Costs	Operating surplus/ (deficit)	2011 Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	150,559	126,738	23,821	47,046
Other activities (note 5)	34,330	45,580	(11,250)	(24,437)
Past pension service gain	=	=	=	<u>21,938</u>
Total after past pension service gain	<u>184,889</u>	<u>172,318</u>	<u>12,571</u>	<u>44,547</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

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

<b>Group</b>	<b>General Needs £ 000</b>	<b>Supported Housing £ 000</b>	<b>2012 Total £ 000</b>	<b>2011 Total £ 000</b>
Rent receivable net of service charges	145,891	2,563	148,454	186,581
Service charges	3,796	66	3,862	4,224
<b>Gross income from rents and service charges</b>	<b>149,687</b>	<b>2,629</b>	<b>152,316</b>	<b>190,805</b>
Less rent losses from voids	(1,331)	(23)	(1,354)	(2,134)
<b>Net income from rents and service charges</b>	<b>148,356</b>	<b>2,606</b>	<b>150,962</b>	<b>188,671</b>
<b>Total turnover from social letting activities</b>	<b>148,356</b>	<b>2,606</b>	<b>150,962</b>	<b>188,671</b>
Management and maintenance administration costs	58,321	1,025	59,346	68,103
Service costs	5,100	89	5,189	5,070
Planned and cyclical maintenance including major repairs costs	21,701	381	22,082	22,692
Reactive maintenance costs	24,488	430	24,918	34,201
Bad debts – rents and service charges	353	6	359	3,064
Depreciation of social housing	16,497	290	16,787	8,533
<b>Operating costs from social letting activities</b>	<b>126,459</b>	<b>2,222</b>	<b>128,681</b>	<b>141,663</b>
<b>Operating surplus from social lettings</b>	<b><u>21,897</u></b>	<b><u>384</u></b>	<b><u>22,281</u></b>	<b><u>47,008</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**Association**

	<b>General Needs £ 000</b>	<b>Supported Housing £ 000</b>	<b>2012 Total £ 000</b>	<b>2011 Total £ 000</b>
Rent receivable net of service charges	145,483	2,556	148,039	186,581
Service charges	3,795	67	3,862	4,224
<b>Gross income from rents and service charges</b>	<b>149,278</b>	<b>2,623</b>	<b>151,901</b>	<b>190,805</b>
Less rent losses from voids	(1,319)	(23)	(1,342)	(2,134)
<b>Net income from rents and service charges</b>	<b>147,959</b>	<b>2,600</b>	<b>150,559</b>	<b>188,671</b>
<b>Total turnover from social letting activities</b>	<b>147,959</b>	<b>2,600</b>	<b>150,559</b>	<b>188,671</b>
Management and maintenance administration costs	56,539	993	57,532	68,344
Service costs	5,100	89	5,189	5,070
Planned and cyclical maintenance including major repairs costs	21,695	382	22,077	22,692
Reactive maintenance costs	24,472	430	24,902	33,922
Bad debts – rents and service charges	352	6	358	3,063
Depreciation of social housing	16,392	288	16,680	8,534
<b>Operating costs from social letting activities</b>	<b>124,551</b>	<b>2,187</b>	<b>126,738</b>	<b>141,625</b>
<b>Operating surplus from social lettings</b>	<b><u>23,408</u></b>	<b><u>413</u></b>	<b><u>23,821</u></b>	<b><u>47,046</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**5. Particulars of turnover, operating costs and operating surplus from other activities**

Group	Grants From		Supporting		Total Operating Costs £ 000	2012	2011
	Scottish Ministers £ 000	Other Revenue £ 000	People Income £ 000	Total Turnover £ 000		Operating Surplus /(Deficit) £ 000	Operating Surplus /(Deficit) £ 000
Wider role activities to support the community	-	-	-	-	5,163	(5,163)	(3,216)
Factoring	-	8,112	-	8,112	7,506	606	587
Commercial Property	-	2,491	-	2,491	422	2,069	2,601
Support activities	-	-	1,315	1,315	1,607	(292)	(310)
Owners' improvement activities	-	7,262	-	7,262	7,619	(357)	3,616
Demolition activities	10,788	-	-	10,788	8,353	2,435	(2,145)
Other income	-	13,721	-	13,721	7,775	5,946	2,199
Depreciation – Non Social Housing Organisation	-	-	-	-	4,256	(4,256)	(3,813)
Restructuring	-	-	-	-	5,604	(5,604)	(16,648)
Development & Construction of Property Activities	-	-	-	-	3,933	(3,933)	(4,166)
Community Ownership Programme	-	-	-	-	886	(886)	(3,022)
<b>Total from other activities</b>	<b>10,788</b>	<b>31,586</b>	<b>1,315</b>	<b>43,689</b>	<b>53,124</b>	<b>(9,435)</b>	<b>(24,317)</b>



**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

Association					Total	2012	2011
	Grants From Scottish Ministers £000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Operating Costs £ 000	Operating Surplus /(Deficit) £ 000	Operating Surplus /(Deficit) £ 000
Wider role activities to support the community	-	-	-	-	5,163	(5,163)	(3,216)
Other income - Gift Aid	-	720	-	720	1	719	803
Commercial Property	-	2,491	-	2,491	422	2,069	2,601
Support activities	-	-	1,315	1,315	1,607	(292)	(310)
Owners' improvement activities	-	7,262	-	7,262	7,619	(357)	3,616
Demolition activities	10,788	-	-	10,788	8,353	2,435	(2,145)
Other income	-	11,754	-	11,754	7,775	3,979	1,863
Depreciation – Non Social Housing Organisation	-	-	-	-	4,256	(4,256)	(3,813)
Restructuring	-	-	-	-	5,604	(5,604)	(16,648)
Development & Construction of Property Activities	-	-	-	-	3,894	(3,894)	(4,166)
Community Ownership Programme	-	-	-	-	886	(886)	(3,022)
<b>Total from other activities</b>	<b>10,788</b>	<b>22,227</b>	<b>1,315</b>	<b>34,330</b>	<b>45,580</b>	<b>(11,250)</b>	<b>(24,437)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**6. Board members' emoluments**

Board members received £2,733 (2011: £2,458) by way of reimbursement of expenses.

**7. Executive directors' emoluments**

	2012	2011
	£ 000	£ 000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	1,161	1,399
Emoluments payable to the highest paid director (excluding pension contributions)	191	189

During the periods the directors' emoluments (excluding pension contributions) fell within the following band distributions:

More than £70,000 but not more than £80,000	1	-
More than £80,000 but not more than £90,000	1	1
More than £110,000 but not more than £120,000	1	3
More than £120,000 but not more than £130,000	2	-
More than £130,000 but not more than £140,000	1	3
More than £140,000 but not more than £150,000	1	-
More than £170,000 but not more than £180,000	-	1
More than £180,000 but not more than £190,000	-	1
More than £190,000 but not more than £200,000	1	-

The directors are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

The directors are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff.

## 8. Employees

In the year to 31 March 2012, the full time equivalent number of employees of the Association, including executive directors, was 1,627 (2011: 1,981). All staff are employed by the Association with their costs being recharged to the subsidiary companies where appropriate.

	2012 £ 000	2011 £ 000
Staff costs (for the above persons)		
Wages and salaries	45,486	53,169
Social security costs	3,709	4,215
Employer's pension costs	<u>6,819</u>	<u>6,445</u>
	56,014	63,829
Staff costs capitalised	<u>(6,784)</u>	<u>(4,802)</u>
	<u>49,230</u>	<u>59,027</u>

## 9. (Deficit)/Surplus on sale of fixed assets – housing properties

This represents net income from the sale of properties under tenants' Right-to-Buy (RTB) entitlement and the second stage transfers (SST) to other Registered Social Landlords. There were 9 SST transfers in 2011/12 reflected in the proceeds / disposal values below.

Group and Association	2012 £ 000	2011 £ 000
Right-to-Buy		
Proceeds from disposal of properties	3,229	6,765
Value of properties disposed	(1,103)	(1,634)
Due from / (to) Glasgow City Council	<u>140</u>	<u>(2,036)</u>
	2,266	3,095
Second stage transfers		
Proceeds from disposal of properties	25,516	23,379
Value of properties disposed	(9,688)	(18,392)
Payments made to SST organisations	(36,304)	(53,855)
Payments made to SST organisations re prior year transfers	=	<u>(327)</u>
	(20,476)	(49,195)
Deficit on sale of fixed assets	<u>(18,210)</u>	<u>(46,100)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**10. Interest receivable and similar income**

	2012 £000 Group	2011 £000 Group	2012 £000 Association	2011 £000 Association
Bank interest receivable on deposits in the year	48	46	42	43
Net return on pension asset	<u>2,513</u>	<u>1,050</u>	<u>2,513</u>	<u>1,050</u>
Total	<u>2,561</u>	<u>1,096</u>	<u>2,555</u>	<u>1,093</u>

**11. Interest payable and similar charges**

	2012 £000 Group	2011 £000 Group	2012 £000 Association	2011 £000 Association
Bank interest payable	16,600	10,823	16,265	10,676
Net cost of pension liability	=	=	=	=
Total	16,600	10,823	16,265	10,676

**12. Tax on deficit on ordinary activities**

	2012 £000 Group	2011 £000 Group
Corporation tax		
UK Corporation Tax on income for the year	220	201
Adjustments in respect of prior years	<u>(202)</u>	<u>(220)</u>
	<u>18</u>	<u>(19)</u>

The Association's charitable status means that no corporation tax is payable on its activities. Tax is payable on the profits from the activities of the subsidiary companies.

Factors affecting the tax charge for the current year

The current tax charge for small companies is the same as the standard rate of corporation tax in the UK of 26% (2011: 28%) as explained below.

**Factors affecting the tax charge for the current period**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
	<b>Group</b>	<b>Group</b>
Current tax reconciliation		
Profit / (Loss) on ordinary activities of subsidiary undertakings	(40)	(70)
Current Tax at 26% (2011: 28%)	33	(19)
Effects of:		
Charitable donation against prior period liabilities	187	220
(Over) / under provision in prior year	(202)	(220)
Other items	-	-
Total current tax charge (above)	<u>18</u>	<u>(19)</u>

**13. Auditors' remuneration**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
The remuneration of the auditors (excluding VAT) is as follows:		
Audit of these financial statements	69	60
Audit of financial statements of subsidiaries pursuant to legislation	12	10
Other services	66	41

**14. Financial commitments**

**Capital commitments**

All capital commitments of the Group relate to the Association and were as follows:

<b>Group and Association</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Expenditure contracted for, but not provided in the financial statements	52,931	38,698
Expenditure authorised by the Board but not contracted	35,328	107,850
	<u>88,259</u>	<u>146,548</u>

**Operating leases**

At 31 March 2012 the Group and Association had annual commitments under non-cancellable operating leases as follows:

<b>Group and Association</b>	<b>2012 £000 Land and Buildings</b>	<b>2012 £000 Other</b>	<b>2011 £000 Land and Buildings</b>	<b>2011 £000 Other</b>
Operating leases that expire:				
Within one year	253	-	481	62
In the second to fifth years inclusive	167	167	142	3
Over five years	1,692	-	1,588	-
	<u>2,112</u>	<u>167</u>	<u>2,211</u>	<u>65</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**15. Tangible fixed assets - Housing Properties  
Group**

	<b>Core Stock £ 000</b>	<b>Donated assets £ 000</b>	<b>Housing under Construction £ 000</b>	<b>Housing For Market Rent £ 000</b>	<b>Total £ 000</b>
<b>Cost or Valuation</b>					
At 1 April 2011	574,081	1,317	33,727	-	609,125
Additions	111,375	-	17,799	21,719	150,893
Disposals	(10,791)	-	-	-	(10,791)
Transfers	44,153	-	(44,153)	-	-
Revaluation	611	8	-	6,840	7,459
At 31 March 2012	<u>719,429</u>	<u>1,325</u>	<u>7,373</u>	<u>28,559</u>	<u>756,686</u>
<b>Grants</b>					
At 1 April 2011	69,831	-	16,383	-	86,214
Received / receivable for year	8,797	-	9,539	360	18,696
Transfers	20,334	-	(19,974)	-	360
At 31 March 2012	<u>98,962</u>	<u>-</u>	<u>5,948</u>	<u>360</u>	<u>105,270</u>
<b>Depreciation</b>					
At 1 April 2011	-	-	-	-	-
Charge for year	(16,680)	(24)	-	(107)	(16,811)
Revaluation	16,680	24	-	107	16,811
At 31 March 2012	-	-	-	-	-
<b>Net Book Value</b>					
At 31 March 2012	<u>620,467</u>	<u>1,325</u>	<u>1,425</u>	<u>28,199</u>	<u>651,416</u>
Net Book Value At 1 April 2011	<u>504,251</u>	<u>1,317</u>	<u>17,344</u>	=	<u>522,912</u>

## Association

	Core Stock £ 000	Donated assets £ 000	Housing under Construction £ 000	Total £ 000
<b>Cost or Valuation</b>				
At 1 April 2011	574,082	1,317	33,727	609,126
Additions	109,107	-	20,066	129,173
Disposals	(10,791)	-	0	(10,791)
Transfers	44,153	-	(44,153)	-
Revaluation	611	8	-	619
At 31 March 2012	<u>717,162</u>	<u>1,325</u>	<u>9,640</u>	<u>728,127</u>
<b>Grants</b>				
At 1 April 2011	69,831	-	16,383	86,214
Received / receivable for year	9,156	-	9,539	18,695
Transfers	19,974	-	(19,974)	-
At 31 March 2012	<u>98,961</u>	<u>-</u>	<u>5,949</u>	<u>104,910</u>
<b>Depreciation</b>				
At 1 April 2011	-	-	-	-
Charge for year	(17,610)	(24)	-	(16,704)
Revaluation	17,610	24	-	16,704
At 31 March 2012	-	-	-	-
<b>Net Book Value</b>				
At 31 March 2012	<u>618,201</u>	<u>1,325</u>	<u>3,691</u>	<u>623,217</u>
Net Book Value At 1 April 2011	<u>504,251</u>	<u>1,317</u>	<u>17,344</u>	<u>522,912</u>

The valuation of housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Association's demolition programme, as detailed in the Association's 30-year Business Plan for 2012-13. The demolition programme identifies 4,879 properties for demolition over the next few years, with no long term investment expenditure associated with these properties. Demolition programme stock has a negative valuation for accounting purposes, and so is held at £nil on the balance sheet as under FRS 12 there is no constructive obligation at the balance sheet date to provide for these costs.

Retained stock for letting has been valued at £618.2million.



Housing properties have been valued by DTZ Peda, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors (RICS) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2012 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of 6.25% (2011: 6.25%) was used for retained stock and a rate of 8.0% (2011: 8.0%) for demolition stock. The valuation assumes an increase of RPI + 1% for retained stock in line with the Association's 30 year Business Plan (2012-13). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2007-08 GHA received 30 properties from GCC at nil cost. These properties were valued by DTZ Peda at £1.325m as at 31 March 2012 (2011: £1.317m) on a EUV-SH basis. In line with our policy on donated assets the value of these properties has been treated as a government grant and written-off against the value of the asset across the economic life of the asset. The balance on the government grant account at 31 March 2012 was £1.032m (2011: £1.056m).

During 2011-12 GHA disposed of 100 properties to tenants under RTB entitlements. These properties were valued at £1.103m during the year (2011: £1.634m).

The number of units of accommodation owned and managed (excluding unlettable voids) by the Association at 31 March 2012 is shown below:

	2012	2011
<b>Social Housing</b>		
General	40,698	47,718
Supported Housing	715	843
<b>Total Social Housing</b>	41,413	48,561

The housing valuation has been based on the number of houses held for letting, approved for demolition and planned for demolition as per the approved business plan as follows:

	2012	2011
<b>Housing Properties</b>		
Housing held for long-term letting	39,403	45,713
Housing approved / planned for demolition	4,879	5,506
<b>Total Units</b>	44,282	51,219

The difference between total units and Total Social Housing is made up of unlettable voids mostly within the approved for demolition and planned for demolition categories.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**16. Tangible fixed assets - other tangible fixed assets**

**Group**

	Commercial Properties £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost or valuation				
At 1 April 2011	19,642	10,064	17,989	47,695
Additions	98	182	3,808	4,088
Disposals	-	-	-	-
Revaluation	(160)	-	-	(160)
At 31 March 2012	19,580	10,246	21,797	51,623
Depreciation				
At 1 April 2011	(1,410)	(7,161)	(12,706)	(21,277)
Charge for year	(443)	(997)	(2,826)	(4,266)
At 31 March 2012	(1,853)	(8,158)	(15,532)	(25,543)
Net Book Value				
At 31 March 2012	17,727	2,088	6,265	26,080
At 31 March 2011	18,232	2,903	5,283	26,418

**Association**

	Commercial Properties £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost or valuation				
At 1 April 2011	19,642	10,064	17,989	47,695
Additions	98	179	3,795	4,072
Disposals	-	-	-	-
Revaluation	(160)	-	-	(160)
At 31 March 2012	19,580	10,243	21,784	51,607
Depreciation				
At 1 April 2011	(1,410)	(7,161)	(12,706)	(21,277)
Charge for year	(443)	(997)	(2,822)	(4,262)
At 31 March 2012	(1,853)	(8,158)	(15,528)	(25,539)
Net Book Value				
At 31 March 2012	17,727	2,085	6,256	26,068
At 31 March 2011	18,232	2,903	5,283	26,418

Commercial Properties were valued by an independent professional adviser, Ryden Property Consultants, on 31 March 2012 in accordance with the appraisal and valuation manual of the RICS. This process resulted in an elimination of £0.2m from the revaluation reserve.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**17. Debtors**

**Due after more than one year:**

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
Development agreement (note 2)	250,456	372,427	250,456	372,427
Due from subsidiary (GFL)	-	-	19,705	20,552
Inter-company Debtor (Lowther)	-	-	20,917	-
Arrangement fees	19,705	20,552	-	-
Deferred Expenditure	149	298	149	298
<b>Total</b>	<b>270,310</b>	<b>393,277</b>	<b>291,227</b>	<b>393,277</b>

In accordance with the development agreement accounting policy, included in debtors is a balance of £250.5m (2011: £372.4m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the properties. The Council has sub-contracted the Association to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilised when the work is actually undertaken.

**Due within one year:**

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
Arrears of rent and service charges	11,024	10,514	11,022	10,514
Less: provision for bad and doubtful debts	(5,462)	(6,516)	(5,462)	(6,516)
	<b>5,562</b>	<b>3,998</b>	<b>5,560</b>	<b>3,998</b>
Other debtors	29,778	34,947	27,076	33,092
Due from subsidiary undertakings	-	-	376	561
<b>Total</b>	<b>35,340</b>	<b>38,945</b>	<b>33,012</b>	<b>37,651</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**18. Creditors: amounts falling due within one year**

	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
	Group	Group	Association	Association
<b>Amounts falling due within one year:</b>				
Trade creditors and accruals	49,615	53,657	46,945	52,559
Deferred Income	-	-	-	-
Rent and service charges received in advance	3,506	3,833	3,485	3,833
Salaries, wages, other taxation and social security	1,043	1,938	1,043	1,938
Corporation tax	236	203	-	-
Bank overdraft	4,265	431	4,265	431
Bank loans (note 19)	-	-	-	-
Right -to- Buy receipts due to Glasgow City Council (note 9)	-	2,036	-	2,036
Other creditors	6,424	6,514	5,871	6,121
Due to subsidiary undertakings	-	-	210	228
<b>Total</b>	<b><u>65,089</u></b>	<b><u>68,612</u></b>	<b><u>61,819</u></b>	<b><u>67,146</u></b>

**19. Creditors: amounts falling due after more than one year**

	2012	2011	2012	2011
	£ '000	£ '000	£ '000	£ '000
	Group	Group	Association	Association
Scottish Government Loan	100,000	87,500	100,000	87,500
Bank loans	400,000	290,250	-	-
Amount due to group company	-	-	400,000	290,268
<b>Total</b>	<b><u>500,000</u></b>	<b><u>377,750</u></b>	<b><u>500,000</u></b>	<b><u>377,768</u></b>

The Scottish Executive has made available £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2011: £87.5m) has been received and is shown as an interest free loan. The amount is repayable in 2033-34.

**Bank lending facility**

A committed facility of £700.0m (2011: £700.0m), secured on the Association's housing stock is available from a syndicate of banks. During the year an additional £109.75m was drawn down (2011: £96.3m) at an interest rate of 4.8% (2011: 5.2%). All debts shown are on a non-instalment basis.

The bank loans are secured over the whole of the housing stock, including new build properties completed since stock transfer in March 2003 and certain other properties of the parent company, The Glasgow Housing Association Limited.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**Creditors: amounts falling due after more than one year (continued)**

Borrowings are repayable as follows	<b>2012</b>	<b>2011</b>
	<b>£ '000</b>	<b>£ '000</b>
In less than one year	-	-
In more than five years	400,000	290,250
	<u>400,000</u>	<u>290,250</u>

**20. Provisions for liabilities and charges  
Group & Association**

	<b>Development Agreement £ '000</b>	<b>Insurance £ '000</b>	<b>Total £ '000</b>
At 1 April 2011	372,427	1,779	374,206
Created in year	-	76	76
Utilised	(121,972)	(8)	(121,980)
	<u>250,455</u>	<u>1,847</u>	<u>252,302</u>
At 31 March 2012	250,455	1,847	252,302

**Development Agreement**

The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the development agreement and as work progresses the provision will be utilised when the work is actually undertaken.

**Insurance**

A provision has been made in respect of the excess arising on all outstanding insurance claims.

**21. Share capital**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Shares of £1 each issued and fully paid		
At 1 April	13	13
Issued during year	2	2
Surrendered during year	(1)	(1)
At 31 March	14	14

Share capital is non equity and does not carry any voting rights or rights to dividend payments.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**22. Reserves**

Group	Revenue reserve	Revaluation reserve - core housing stock	Revaluation reserve - donated assets	Revaluation reserve - commercial properties	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Opening Balance at 1 April 2011	120,502	36,214	263	6,911	163,890
Deficit for the year	(19,421)	-	-	-	(19,421)
Revaluation during the year		24,237	32	(160)	24,109
Actuarial gain in respect of pension provision	(16,655)	-	-	-	(16,655)
Closing balance at 31 March 2012	84,426	60,451	295	6,751	151,923

**23. Reserves**

Association	Revenue reserve	Revaluation reserve - core housing stock	Revaluation reserve - donated assets	Revaluation reserve - commercial properties	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Opening balance at 1 April 2011	120,001	36,214	263	6,911	163,389
Deficit for the year	(19,349)	-	-	-	(19,349)
Revaluation during the year		17,290	32	(160)	17,162
Actuarial gain in respect of pension provision	(16,655)	-	-	-	(16,655)
Closing balance at 31 March 2012	83,997	53,504	295	6,751	144,547

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**24. Pensions**

In 2010/11 the actuarial valuation resulted in a gain of £21.938m in respect of changes to the increases in future pensions being linked to the consumer prices index (CPI) and not the retail prices index (RPI). No gain or loss is reported in the 2011/12 actuarial valuation.

The Association participates in the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association in investments under the overall supervision of the Fund Trustees. The latest full actuarial valuation was carried out at 31 March 2008 and was updated for FRS 17 purposes to 31 March 2012 by a qualified independent actuary. The next full actuarial valuation is due as at 31 March 2013.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	31 March 2012	31 March 2011
Discount rate	4.8%	5.5%
Expected rate of return on plan assets	5.8%	6.9%
Future salary increases	*4.8%	**5.1%
Inflation	2.5%	2.8%

\* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption thereafter.

\*\* Salary increases are assumed to be 1% p.a. until 31 March 2013 reverting to the long term assumption thereafter.

In valuing the liabilities of the pension fund at 31 March 2012, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- o Current pensioner aged 65: 21.0 years (male) (2011 20.6 years), 23.4 years (female) (2011 23.9 years).
- o Future retiree upon reaching 65: 23.3 years (male) (2011 22.6 years), 25.3 years (female) (2011 25.3 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which GHA has been allocated a share of cost under an agreed policy throughout the periods shown.

	Value at 31 March 2012 £ 000	Value at 31 March 2011 £ 000
Present value of funded defined benefit obligations	(227,202)	(208,219)
Fair value of plan assets	206,434	202,419
Net liability	(20,768)	(5,800)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

*Movements in present value of defined benefit obligation*

	2012 £000	2011 £000
Opening defined benefit obligation	208,219	235,144
Current service cost	6,356	7,910
Past service gain	-	(21,938)
Interest cost	11,556	12,479
Loss on curtailment	4,804	11,919
Actuarial losses/(gains)	1,860	(24,377)
Contributions by members	2,135	2,411
Liabilities extinguished on settlements	(3,157)	(12,323)
Liabilities assumed in a business combination	-	-
Estimated benefits paid	(4,571)	(3,006)
 Closing defined benefit obligation	 <b>227,202</b>	 <b>208,219</b>

*Movements in fair value of plan assets*

	2012 £000	2011 £000
Opening fair value of plan assets	202,419	179,185
Expected return on plan assets	14,069	13,529
Actuarial gains / (losses)	(14,795)	1,188
Contributions by the employer	10,249	18,787
Contributions by the members	2,135	2,411
Assets distributed on settlements	(3,072)	(9,675)
Assets acquired in a business combination	-	-
Estimated benefits paid	(4,571)	(3,006)
 Closing fair value of plan assets	 <b>206,434</b>	 <b>202,419</b>

*Expense recognised in the income and expenditure account*

	2012 £000	2011 £000
Current service cost	6,356	7,910
Losses on settlements or curtailments	4,719	9,271
Past service gain	-	(21,938)
Assets acquired on a business combination	-	-
Liabilities acquired on a business combination	-	-
Interest on defined benefit pension plan obligation	11,556	12,479
Expected return on defined benefit pension plan asset	(14,069)	(13,529)
	<hr/>	<hr/>
	8,562	(5,807)
	<hr/> <hr/>	<hr/> <hr/>

*The expense is recognised in the following line items in the profit and loss account*

	2012 £'000	2011 £'000
Operating costs	181,805	208,100
Past pension service gain	-	21,938
Interest receivable	2,561	1,096



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £16.655m loss (£25.565m gain, 2011).

Cumulative gains reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are losses of £27.070 million (£10.415 million loss in 2011).

*The fair value of the plan assets and the return on those assets were as follows*

	2012 £000	2011 £000
Equities	158,954	155,863
Corporate bonds	22,708	26,314
Property	14,450	12,145
Cash	<u>10,322</u>	<u>8,097</u>
	206,434	202,419
Actual return on plan assets	2,077	14,804

*History of experience gains and losses*

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Balance Sheet					
Present value of scheme liabilities	(227,202)	(208,219)	(235,144)	(120,070)	(128,771)
Fair value of scheme assets	206,434	202,419	179,185	116,559	139,653
Surplus / (deficit)	<u>(20,768)</u>	<u>(5,800)</u>	<u>(55,959)</u>	<u>(3,511)</u>	<u>10,882</u>
Experience Adjustments	2012 £000 / %	2011 £000 / %	2010 £000 / %	2009 £000 / %	2008 £000 / %
Experience adjustments on scheme liabilities £000	10,333	(72)	7	11,500	2
Experience adjustments on scheme liabilities %	4.5	0.0	0.0	9.6	0.0
Experience adjustments on scheme assets £000	(14,795)	1,188	39,081	(39,206)	(14,228)
Experience adjustments on scheme assets %	(7.2)	0.6	21.8	(33.6)	(10.2)

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**25. Scottish Government and other grants**

The Scottish Government has made available a secured repayable grant of £370m receivable over 13 years. The grant is subject to a number of specified conditions. These conditions were revised on 1 April 2009 to make the grant repayable under certain circumstances. If GHA delivers all commitments to tenants made at the time of transfer in March 2003, and meets the performance standards of the Regulator by 31 March 2015 then no grant will be repayable. In the opinion of the Board, it is improbable that this grant will be repaid, and accordingly no provision for repayment of the £309.9m received to date has been made in these financial statements.

Additionally, the Scottish Government has made available to the Association a further £100m of Contingent Efficiencies Grant receivable over an eight year period from 2004-05. £100m has been received up to the 31 March 2012 and is shown as a loan (note 19).

A list of Scottish Government Grants and loans receivable for the year is given in the table below:

Grants & Loans	2012	2011
	£000	£000
<b>Scottish Government Grants (Capital)</b>		
Secured Repayable grant	9,156	8,525
Reprovisioning grant	9,539	14,980
Investment and innovation funding	<u>360</u>	<u>-</u>
<b>Total Scottish Government Capital Grants</b>	19,055	23,505
<b>Other Capital Grants</b>		
Energy Efficiency	-	<u>1,926</u>
<b>Total Capital Grants</b>	19,055	25,431
<b>Scottish Government Revenue Grants</b>		
Demolition grant	10,788	12,330
<b>Scottish Government Loan</b>		
Contingent Efficiency	<u>12,500</u>	<u>12,500</u>
<b>Total</b>	<b><u>42,343</u></b>	<b><u>50,261</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**26. Related party transactions**

During the year the tenancies held by tenant Board members were held on normal commercial terms and they are not able to use their position to their advantage.

The Association retains a register of members' interests. The following interests in related parties require to be declared:

Sandra Forsythe	Tower Homes
Wilma Masterton	Clydeside Tenant Partnership
John Grant	Mosspark Housing Association
Gordon Sloan	Keystone Tenant Managed Homes
Robert McCormick	Compass LHO
Kate Willis	Castlemilk LHO

The Remodelled Management Agreements expired on 31 October 2010 and as such the tenant Board members did not have an interest thereafter.

Ian Wall, GHA Board member, is a trustee of Shelter, a member of the Court of the Heriot Watt University and a Director of the Scottish Urban Regeneration Forum.

During the financial year GHA made payments of £64k to Shelter Scotland (2011: £68k), and £7k to Scottish Urban Regeneration Forum (2011: £0)

During the year GHA held nomination rights to a directorship of Scotcash CIC. These rights allow GHA to nominate up to two directors to the board of Scotcash. John Grant was appointed as one of GHA's nominations during the year, following Mark Logan's appointment in November 2010.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**27. Cash Flow Analysis**

<b>Reconciliation of surplus to net cash inflow from operating activities</b>	<b>2012</b>	<b>2011</b>	
	<b>£000</b>	<b>£000</b>	
Surplus from operating activities	12,846	44,629	
Depreciation charges	21,924	13,216	
Decrease / (Increase) in debtors	3,896	(7,158)	
(Decrease) in creditors and provisions	(5,273)	(1,147)	
Past pension service (gain)/loss	-	(21,938)	
Release of government grant	(24)	(24)	
Pensions costs less contributions payable	826	(1,606)	
Net cash inflow from operating activities	<u>34,195</u>	<u>25,972</u>	
<b>Reconciliation of net cash flow to movement in net debt</b>	<b>2012</b>	<b>2011</b>	
	<b>£000</b>	<b>£000</b>	
Net debt at 1 April	(370,684)	(241,700)	
Increase / (Decrease) in cash in the year	456	(20,833)	
Decrease / (increase) in overdraft	(3,834)	599	
Cash outflow / (inflow) from debt due within one year	-	15,000	
Cash inflow from debt after more than one year	(122,250)	(123,750)	
Net debt at 31 March	<u>(496,312)</u>	<u>(370,684)</u>	
<b>Analysis of changes in net debt</b>	<b>At 1 April</b>	<b>Cashflow</b>	<b>At 31 March</b>
	<b>2011</b>		<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	7,497	456	7,953
Overdraft	(431)	(3,834)	(4,265)
Movement in cash	<u>7,066</u>	<u>(3,378)</u>	<u>3,688</u>
Debt due within one year	-	-	-
Debt due after more than one year	<u>(377,750)</u>	<u>(122,250)</u>	<u>(500,000)</u>
Net debt	<u>(370,684)</u>	<u>(125,628)</u>	<u>(496,312)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

**28. Subsidiary and associated undertakings**

The ultimate parent company is Glasgow Housing Association Limited. The Association has five subsidiaries – The Glasgow Housing Association (Funding) Limited (GFL), GHA (Management) Limited (GHAM), Your Place Property Management Limited, Lowther Homes Limited and GHA Enterprises Limited (GHAE), all private limited companies. The Association owns the whole issued share capital of all subsidiary undertakings. The objects of GFL include the provision of finance to registered social landlords, GHAM delivers factoring services to homeowners, Your Place Property Management is non-trading, Lowther Homes Limited is involved in property development and acquisition and offers its properties for private and mid-market rent and GHA Enterprises is a non-trading holding company overseeing commercial activity.

The results of Scotcash CIC have not been consolidated as an associate undertaking into these accounts as they are not material to GHA's operations. Scotcash provides accessible and affordable finance to individuals with limited access to banking services. GHA has provided start up funding to Scotcash and has no outstanding obligations.

**29. Contingent liability**

Under the terms of an agreement with Glasgow City Council, in the event of the Association's commercial property assets being sold, the proceeds are subject to a claw back agreement which provides for up to 80% of the consideration being due to Glasgow City Council.

## **SUPPLEMENTARY INFORMATION**

### **Secretary and Registered Office**

Mark Logan  
Glasgow Housing Association Limited  
Granite House  
177 Trongate  
Glasgow G1 5HF

### **Auditors**

PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow G2 7EQ

### **Bankers**

Royal Bank of Scotland  
Glasgow Corporate Office  
Kirkstane House  
139 St Vincent Street  
Glasgow G2 5JF

Lloyds Banking Group  
Henry Duncan House  
120 George Street  
Edinburgh EH2 4LH

### **Members of Loan Syndicate**

Royal Bank of Scotland  
Glasgow Corporate Office  
Kirkstane House  
139 St Vincent Street  
Glasgow G2 5JF

Lloyds Banking Group  
Henry Duncan House  
120 George Street  
Edinburgh EH2 4LH

Nationwide Building Society,  
Housing Finance,  
Kings Park Road,  
Moulton Park,  
Northampton,  
NN3 6NW.

European Investment Bank  
100 Boulevard Konrad  
Adenauer L-2950  
Luxembourg

## **BOARD MEMBERS AND EXECUTIVE TEAM INFORMATION**

### **Gordon Sloan, Chair (tenant member)**

Elected a Board member in March, 2009, Gordon was appointed Chair in September, 2010. He is a GHA tenant, living in the East of the city, and a member of the Finance and Performance committees. Gordon, who also sits on the Boards of GHA Enterprises Ltd and The Glasgow Housing Association (Funding) Limited, was previously for 30 years a Reporter to the Children's Panel.

### **Alastair Dempster CBE (independent member)**

A former Chief Executive of Lloyds TSB Scotland, Alastair has been an independent Board member since June, 2002. He has been Vice-Chair of GHA since September, 2009, chairs the GHA Finance Committee and is a member of the Audit Committee. He is also on the Boards of The Glasgow Housing Association (Funding) Ltd and GHA Enterprises Ltd. A Fellow of the Chartered Institute of Bankers in Scotland, Alastair is a former Chair of sportscotland, the Scottish Community Foundation and the St Andrews Links Trust.

### **Sandra Forsythe MBE (tenant member)**

Sandra has been involved in housing in Glasgow since 1991, having previously worked in Glasgow City Council's Housing Department. A GHA tenant who lives in the East of the city, she has served on the GHA Board since December, 2004, and was Chair from January, 2005, until September, 2010. She chairs the North Area Committee and sits on the Performance and South Area Committees. Sandra was awarded a MBE for services to social housing in June, 2009.

### **Liz Walford (independent member)**

Liz, who joined the GHA Board in August, 2009, has held several executive and non-executive Board positions in the not-for-profit sector. She joined Walsall Housing Group (WHG) as Group Chief Executive in 2004, having previously been Group Operations Director and Company Secretary at Bromford Housing Group. She is Chair of the GHA Performance Committee and has been Chair of YourPlace since December, 2009.

### **John Grant (tenant member)**

John, a GHA tenant living in the South of the city, was elected to the GHA Board in September, 2008. He has been actively involved in housing issues since 2005 and chairs the West Area Committee and sits on the Performance and West Area committees. John was appointed to the Board of Lowther Homes Ltd, the wholly-owned subsidiary of GHA, in September, 2011. He also serves as a director of Glasgow-based Scotcash, a Community Development Finance Institution (CDFI).

### **Mike Blyth (Independent member)**

Mike, a member of the GHA Board since September, 2010, is chair of the Audit Committee and sits on the Finance Committee and YourPlace Board. He was previously a partner at Baker Tilly, the independent firm of chartered accountants and business advisors and has wide experience of working across the not-for-profit sector throughout Scotland.

### **Wilma Masterton (tenant member)**

Elected to the Board in September, 2006, Wilma has been a tenant activist in Glasgow for more than 30 years. She is a GHA tenant, living in the West of the city, and chairs the South Area Committee. Wilma also sits on the Performance and Business Transformation and Regeneration committees. She has been a member of the Board of YourPlace Property Management since September, 2011, having previously been a member from 2006-10.

**Ian Wall (independent member)**

Ian joined the GHA Board in October, 2008, and chairs the Business Transformation and Regeneration Committee and is also a member of the Finance and Audit committees. The former Chief Executive of the EDI Group and of PARC, the Urban Regeneration Company for Craigmillar in Edinburgh, he is involved in several other organisations ranging from the Court of the Heriot Watt University, Shelter to the Edinburgh International Science Festival and Scottish Poetry Library.

**Kate Willis (tenant member)**

Kate was elected to the Board as a tenant member in September, 2009. She is a GHA tenant who lives in the South of the city. Kate works part-time for Castlemilk Timebank, which brings local people together by swapping tasks. She sits on the East Area Committee and is also a member of the Finance and Audit committees.

**Ronnie Jacobs (Independent member)**

Ronnie, appointed to the Board in September, 2010, worked in new-build housing for more than 30 years. He was previously Managing Director of both Persimmon Homes Scotland and Miller Homes Ltd. In 2003, he was appointed Scottish Regional Chairman of Miller Homes until retiring in October, 2010. Ronnie sits on the Finance, Audit and Business Transformation and Regeneration committees and is Chair of Lowther Homes Ltd.

**Robert McCormick (Tenant member)**

Robert has been a tenant Board member since April, 2009. A GHA tenant living in the North of the city, he Chairs the East Area Committee and sits on the Business Transformation and Regeneration Committee, as well as the Performance and West Area committees.

**Sheila Gunn**

Sheila, who joined the GHA Board in November, 2011, worked in legal private practice for 23 years and has provided counsel to the Boards of leading UK companies, such as Scottish Power, Cairn Energy plc and Ignis Asset Management. She has wide experience in the housing sector, having advised Ark Housing Association and Hanover Housing Association. Sheila sits on the Boards of GHA Enterprises Ltd and Lowther Homes Ltd.

**Councillor James Dornan**

A former leader of the Scottish National Party Group on Glasgow City Council, James is currently the MSP for Glasgow Cathcart. He joined the GHA Board in September, 2009, serving on the Finance, Audit and Business Transformation and Regeneration committees

**Councillor Philip Braat**

The Scottish Labour Party member for Anderston / City on Glasgow City Council, Bailie Braat joined the GHA Board in September, 2009, serving on the Business Transformation and Regeneration and Performance committees, as well as the Board of The Glasgow Housing Association (Funding) Ltd. A qualified lawyer, he is a member of the Law Societies of Scotland and England and Wales.



## **EXECUTIVE TEAM**

### **Martin Armstrong, Chief Executive**

Martin joined GHA in January, 2008, as Executive Director of Housing and Customer Services. He held a similar role previously at West Lothian Council where his teams won customer excellence awards at Scottish, UK and Europe level. In an 18-year career spanning housing across the UK, he has worked for local authorities from Surrey in southern England to Moray Council in the North of Scotland. Martin was appointed Acting Chief Executive of GHA in October, 2009, and was confirmed as Chief Executive in December, 2009.

### **Mark Logan, Executive Director of Finance and Business Services**

Mark, a Chartered Accountant, joined GHA in October, 2009, from West of Scotland Housing Association where he was initially Director of Corporate Services before becoming Deputy Chief Executive. He was previously Assistant Director of Housing and Regeneration at Ernst and Young from 2000-06 providing support to clients across the UK, including large local authorities and housing organisations. Mark, a graduate of Strathclyde University, has a wealth of experience in stock and second stage transfer.

### **Alex McGuire, Executive Director of Development and Regeneration**

Alex joined GHA in April, 2008, and was appointed Executive Director of Development and Regeneration in 2011, with responsibility for GHA's £1.2 billion Investment Programme – the largest of its kind in Europe - as well as repairs and maintenance. Alex, formerly a Housing Strategy Manager at West Lothian Council, set up and ran the West Lothian Housing Partnership. He is a director of Your Place of Property Management.

### **Fanchea Kelly, Executive Director of Housing and Support Services**

Fanchea joined GHA in 2009 and has over 20 years' experience of public-sector housing in Scotland, having led senior teams at City of Edinburgh and North Ayrshire councils, as well as the inspection team at Communities Scotland. Fanchea, who has Board experience with several organisations and companies, also had a spell at CoSLA, contributing to the Housing (Scotland) Act 2001. She specialises in strategy and policy development, improving service delivery, and performance management frameworks and has delivered successful stock transfers and community regeneration projects.

### **Graham Isdale, Executive Director of Corporate Affairs**

A former UK Board director of one of the world's largest communications companies, Graham joined GHA in June, 2009. He was previously instrumental in building two of the biggest independent PR consultancies in the UK and has handled major crisis, issues-management and communications assignments for multi-nationals all over the world, as well as FTSE 100 companies and Government departments and agencies. Graham, a former regional newspaper editor, is a director of Your Place Property Management.

### **Mags Lightbody, Director of Business Development and Growth**

Mags joined GHA in 2003 and specialises in business re-engineering and change management. She has successfully led transformation programmes across all core services (rent, letting, repairs and customer services), delivering impressive business returns and customer outcomes.

Mags, who set up the Furnished Lets service and was the first Managing Director of Your Place, is currently Director of Business Development and Growth, having had spells as Area Director for both the South and West of the city.

