



# REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2013

**The Glasgow Housing Association Limited**

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

## CHAIR'S REPORT

As Scotland's largest social landlord with 43,000 affordable homes to let in Glasgow, we are firmly rooted in our local communities. We have a network of local offices and a skilled, committed workforce of 1600 staff who deliver sector-leading frontline services.

Our tenants are at the heart of everything we do and continue to be involved in local decision-making through a range of ways, including our Area Committees, our local committees, our Tenant Scrutiny Panels and Customer Review Teams to name but a few.

Our ambition is to create 'Better Homes, Better Lives, a Better Glasgow'. By working with tenants locally we provide homes and communities residents can be proud to live in. GHA has now all but completed its £1.2billion project to modernise Glasgow's social housing stock. Delivered on time and within budget, the 10-year programme has ensured promises made to tenants at the time of stock transfer have been kept. Almost 70,000 houses have been made warmer, drier and better through overcladding and rewiring and new roofs, doors, windows, kitchens and bathrooms.

Our mission to create "better lives" for tenants is also well under way as we work increasingly closely and more effectively with city and national partners to make communities across the city safer and better places to live.

Importantly, a range of services, including education bursaries and our Community Janitors' scheme, is helping the people we serve access jobs, training, education and other opportunities.

GHA's customer ethos and commitment to continuous improvement was recognised this year when the organisation was accredited with Investors in People (IiP) Gold and, for the fifth year in a row, the UK Government's Customer Service Excellence (CSE).

As we continue our journey to excellence as part of the Wheatley Group, our ambition to be an exemplary landlord will be firmly based on engaging with and listening and responding to the needs and aspirations of tenants.

I look forward to working with more tenants from our diverse communities over the next year as we work together with our partners to make our ambition to create 'Better Homes, Better Lives, a Better Glasgow' a reality for more people.



**Gordon Sloan**

**Chair of Glasgow Housing Association Board**

## **OPERATING REVIEW**

The directors present their annual report and the audited financial statements for the year to 31 March 2013.

### **Principal activities**

The Glasgow Housing Association Limited (“GHA”) is a wholly owned subsidiary of The Wheatley Housing Group (“WHG”). The Association is registered under the Industrial and Provident Societies Act 1965 No.2572RS and is a registered Scottish charity No.SC034054. The principal activities are the provision and management of affordable rented accommodation.

### **Business review**

The Association is Scotland’s largest social landlord with 43,000 affordable homes to let in Glasgow, firmly rooted in its local communities. It has a network of local offices and a skilled, committed workforce of 1600 staff, who deliver sector-leading frontline services.

Its ambition is to create ‘Better Homes, Better Lives, a Better Glasgow’ by working with tenants locally to provide homes and communities residents can be proud to live in and by helping the people it serves access jobs, training, education and other opportunities.

### **Independent auditors**

The directors appointed PricewaterhouseCoopers LLP to act as auditors of the financial statements for the year ended 31 March 2013. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors is to be proposed at the forthcoming Annual General Meeting of The Glasgow Housing Association Limited.

## **FINANCIAL REVIEW**

### **Income**

The Association's turnover for 2012-13 (excluding profit/(loss) on sale of fixed assets and interest received) was £168.7m (£184.9m, 2011-12). The main source of income was net rental income of £149.2m (£150.6m, 2011-12). The remainder of income came primarily from homeowners' payments for improvements made to their homes, £5.2m (£7.3m, 2011-12), factoring services and rental income from commercial properties. In addition, GHA received Scottish Government and other grants totalling £43.7m (£29.8m, 2011-12). Sales under Right-to-Buy legislation totalled £3.5m (£3.2m, 2011-12).

### **Expenditure**

Total Revenue Expenditure was £174.8m (£172.3m, 2011-12) comprising the following main items:

- Letting activity management and maintenance administration costs were £59.8m (£57.5m, 2011-12)
- Included in operating costs are employee costs, excluding capitalised employee costs of £6.7m (2011/12: £6.8m), totalling £47.3m (£49.2m, 2011-12).
- Repairs to GHA properties totalled £29.6m (£24.9m, 2011-12) and planned maintenance to improve housing totalled £22.8m (£22.1m, 2011-12).

At the end of the year, GHA had rent arrears of £10.7m (£11.0m, 2011-12) and bad debt provisions of £4.0m (£5.5m, 2011-12) mainly from total tenant arrears balances.

### **Investment in customers' homes**

Our investment during the year in tenants' homes totalled £78.0m (£109.1m, 2012). The value of housing stock is £729.8m (£623.2m, 2012).

### **Liquidity**

The Association's short-term liquidity has improved in the year to show net current liabilities of £7.4m (£21.9m, 2012). Creditors falling due after more than one year, has increased to £582.0m from £500.0m in 2011-12 – 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**

The Association's activities are funded on the basis of a Business Plan which is updated annually. The main elements of our 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. The debt is progressively paid off following completion of the capital investment programme and is projected to be fully repaid by 2038/39.



## FINANCIAL REVIEW

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 achievement of performance targets, £289.1m 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 GHA Group Treasury Management Policy sets down the framework for investing and managing 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 sets out our long term financial forecasts. This document, which is examined by the Board and by external auditors, demonstrates our longer-term viability and the resources available to achieve our strategic objectives.

The strategy for GHA is part of our overall Group Strategy and is made up of the following five key strategic statements:

1. Customer excellence
2. Stronger communities
3. Asset and partnership growth
4. Funding
5. People

Each of these statements set out a number of aims and objectives to be delivered by GHA. Both the strategic statements and Business Plan are made operational through detailed Delivery Plan and budgets with outcomes cascaded throughout the organisation.

## GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2013 GHA's Rules allowed 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 could also co-opt up to three persons.

At 31 March 2013 there were 13 members (2012, 14 members) of the GHA Board: five tenant members, six independents and two council Board members. The Board had one co-optee at 31 March 2013.

Each member of the Board holds one fully paid £1 share that is cancelled on cessation of membership. During 2012-13 two shares were issued and three memberships were cancelled.

The members of the Board during the year are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Alastair Dempster	3 May 2002	23 September 2010	22 April 2013	Wheatley Housing Group, Group Remuneration, Appointments, Appraisals and Governance Committee, Group Strategic Development Committee, GHA Enterprises & GHA (Funding) Limited
Sandra Forsythe	17 December 2004	23 September 2010	11 March 2013	-
Wilma Masterton	6 September 2006	30 September 2011	-	Your Place & South Area Committee
John Grant	17 September 2008	23 September 2010	-	Wheatley Housing Group, Lowther Homes Limited & Group Strategic Development Committee
Ian Wall	27 October 2008	30 September 2011	5 September 2012	Lowther Homes Limited
Gordon Sloan	23 March 2009	5 September 2012	-	Wheatley Housing Group, Group Remuneration, Appointments, Appraisals and Governance Committee, Group Audit Committee, GHA Enterprises & GHA (Funding) Limited
Kate Willis	9 September 2009	30 September 2011	-	Your Place & North West Area Committee
Robert McCormick	27 April 2009	5 September 2012	-	GHA Enterprises & North East Area Committee

## GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Elizabeth Walford	17 August 2009	24 April 2013	-	Wheatley Housing Group, Your Place, Group Audit Committee & Group Strategic Development Committee
Councillor James Dornan	3 September 2009		27 June 2012	-
Councillor Philip Braat	3 September 2009		27 June 2012	-
Mike Blyth	23 September 2010	24 April 2013	-	-
Ronnie Jacobs	23 September 2010		22 April 2013	Wheatley Housing Group & Lowther Homes Limited.
Sheila Gunn	25 November 2011	5 September 2012	-	Wheatley Housing Group, Your Place & GHA Enterprises
Councillor James Coleman	27 June 2012	-	-	-
Baillie Martin Docherty	27 June 2012	-	-	-

### 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 these statements 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.



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

### **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.
- safeguard of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records.

#### **2. Overview of main features of the system of internal control**

The Board of Glasgow Housing Association 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, and Sub Committees, which have a schedule of matters which are specifically reserved for approval and which are the subject of regular standard reports as required;
- Arrangements under terms of reference for the Audit Committee of the Group Board to meet regularly and receive reports from management and internal and external auditors on the system of internal control in operation across GHA, and to provide reasonable assurance that control procedures are in place and are being followed.
- Written policies and procedures including Standing Orders setting out delegated authorities across GHA.
- 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.

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

- 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 directed using a risk based approach to assess the robustness of the implementation of GHA's key system of internal control.

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. Management across GHA are responsible for the implementation of improvements identified through the audit process.

In line with good practice, Internal Audit provides the Audit Committee with an Annual Internal Audit Report and Statement, which summarises all the work completed during 2012/13. 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 identifies 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.

GHA manages the governance to ensure that there is an appropriate use of funds across the Group; that risks to the core business of the Group are managed and mitigated and that strong governance arrangements are upheld by all to protect the reputation of GHA.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and 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 GHA'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.

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

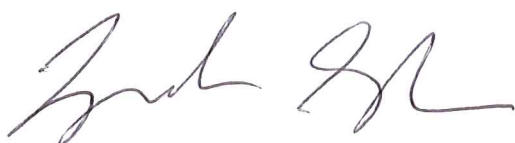
### **4. Risk and Control Framework (continued)**

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 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.

- Transforming services by the innovative use of Information and Communication Technology;
- Having adequate business continuity / disaster recovery plans in place for key business activities;
- Welfare Reform impact on resources and cashflow;
- Achievement of partnership integration;
- Access to funding for GHA;
- Wider economic downturn leads to increased deprivation and greater pressure of GHA resources due to increased demand for services;
- Right skills, experience and commercial expertise to achieve strategic objectives and operate in new markets;
- GHA's compliance with the Social Housing Charter; and
- Political landscape changes which impact GHA.

On behalf of the Board



**GORDON SLOAN, CHAIR**

28 August 2013

## **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, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

## **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 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement 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 the Housing (Scotland) Act 2010, Section 9(1) 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 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 Report of the Management Board 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 association's affairs as at 31 March 2013 and its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).



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

### **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 Report of the Management Board 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  
28 August 2013

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

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Total 2013 £ 000	Total 2012 £ 000
Turnover	3	168,650	184,889
Total operating costs	3	(174,782)	(172,318)
Operating (deficit)/surplus		<u>(6,132)</u>	<u>12,571</u>
Profit/(loss) on sale of fixed assets	9	2,144	(18,210)
Interest receivable and other income	10	1,159	2,555
Interest payable and similar charges	11	(20,049)	(16,265)
Deficit for the year	21	<u>(22,878)</u>	<u>(19,349)</u>

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2013

		2013 £ 000	2012 £ 000
Deficit for the year	21	(22,878)	(19,349)
Unrealised gain on revaluation of fixed assets	21	63,657	17,162
Actuarial loss on pension assets and liabilities	22	<u>(14,414)</u>	<u>(16,655)</u>
Total of recognised surpluses/(deficits) for the year		<u>26,365</u>	<u>(18,842)</u>

## NOTE OF HISTORICAL COST INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2013

	2013 £000	2012 £000
Reported deficit for the year	<u>(22,878)</u>	<u>(19,349)</u>

All amounts relate to continuing operations.  
The notes on pages 17 to 41 form part of these financial statements.

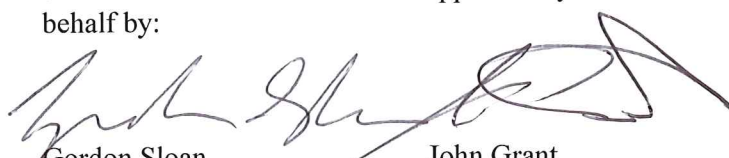


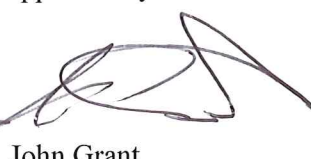
## BALANCE SHEET AT 31 MARCH 2013

	<i>Notes</i>	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Tangible fixed assets</b>			
Housing properties	14	729,763	623,217
Other tangible fixed assets	15	<u>25,345</u>	<u>26,068</u>
		<u>755,108</u>	<u>649,285</u>
Debtors due after more than one year	16	228,387	291,227
<b>Current assets</b>			
Investment Property		-	-
Debtors due within one year	16	27,596	33,012
Cash at bank and in hand		<u>11,486</u>	<u>6,944</u>
		39,082	39,956
<b>Creditors: amounts falling due within one year</b>	17	(46,450)	(61,819)
<b>Net current liabilities</b>		<u>(7,368)</u>	<u>(21,863)</u>
<b>Total assets less current liabilities</b>		976,127	918,649
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(582,333)</u>	<u>(500,000)</u>
		393,794	418,649
<b>Provisions for liabilities and charges</b>	19	(188,364)	(252,302)
Government grant		<u>(1,008)</u>	<u>(1,032)</u>
<b>Net assets excluding pension liability</b>		204,422	165,315
Pension liability	22	(33,510)	(20,768)
<b>Net assets including pension liability</b>		<u>170,912</u>	<u>144,547</u>
<b>Capital and reserves</b>			
Share capital	20	-	-
Revenue reserve excluding pension reserve		80,214	104,764
Pension reserve	22	(33,510)	(20,768)
Revenue reserve including pension reserve	21	46,704	83,996
Revaluation reserve	21	124,208	60,551
		<u>170,912</u>	<u>144,547</u>

### Association's funds

These financial statements were approved by the Board on 28 August 2013 and were signed on its behalf by:

  
Gordon Sloan  
Chair

  
John Grant  
Board Member

  
Mark Logan  
Secretary

The notes on pages 17 to 41 form part of these financial statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	<i>Notes</i>	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Net cash inflow from operating activities</b>	25	2,189	33,058
<b>Returns on investment and servicing of finance</b>			
Right to buy and Second stage transfer proceeds	9	3,509	28,745
Payment to Glasgow City Council for their share of right to buy proceeds and payments to Second Stage transfer Organisations	9	-	(38,340)
Interest received	10	35	42
Interest paid	11	(20,049)	(16,265)
Net cash outflow from returns on investment and servicing of finance		(16,505)	(25,818)
<b>Capital expenditure and financial investment</b>			
Improvement of properties	14	(99,751)	(126,923)
Purchase of other fixed assets	15	(4,001)	(4,072)
Grants received	23	35,804	18,695
Net cash outflow from capital expenditure and financial investment		(67,948)	(112,300)
<b>Financing</b>			
Amount due to group undertakings	18	82,333	88,815
Scottish Government Loan received	18	-	12,500
Net cash inflow from financing		82,333	101,315
 Increase/(reduction) in net cash	 25	 69	 (3,745)

The notes on pages 17 to 41 form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **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 2010.

### **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 Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2012, 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 Balance Sheet shows net current liabilities, a loan facility is in place as explained in note 18 which allows the 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.

#### **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.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

### **2. Accounting policies (continued)**

#### **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 2010). 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**

The Association 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.

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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

### **2. Accounting policies (continued)**

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

The Association 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.

#### **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 Association's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources.

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 2. Accounting policies (continued)

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 2013 (continued)**

### **2. Accounting policies (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 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.

#### **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 2013 (continued)**

**2. Accounting policies (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 2013 (continued)

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

	Turnover	2013 Operating Costs	Operating surplus/ (deficit)	2012 Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	149,241	137,885	11,356	23,821
Other activities (note 5)	19,409	36,897	(17,488)	(11,250)
Total	168,650	174,782	(6,132)	12,571

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

	General Needs £ 000	Supported Housing £ 000	2013 Total £ 000	2012 Total £ 000
Rent receivable net of service charges	143,722	2,525	146,247	148,039
Service charges	3,890	68	3,958	3,862
<b>Gross income from rents and service charges</b>	147,612	2,593	150,205	151,901
Less rent losses from voids	(947)	(17)	(964)	(1,342)
<b>Net income from rents and service charges</b>	146,664	2,577	149,241	150,559
<b>Total turnover from social letting activities</b>	146,664	2,577	149,241	150,559
Management and maintenance administration costs	58,643	1,205	59,848	57,532
Service costs	4,760	84	4,844	5,189
Planned and cyclical maintenance including major repairs costs	22,235	553	22,788	22,077
Reactive maintenance costs	29,294	339	29,633	24,902
Bad debts – rents and service charges	1,084	19	1,103	358
Depreciation of social housing	19,329	340	19,669	16,680
<b>Operating costs from social letting activities</b>	135,435	2,540	137,885	126,738
<b>Operating surplus from social lettings</b>	11,319	37	11,356	23,821

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

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

	Grants From Scottish Ministers £000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2013 Operating Surplus /(Deficit) £ 000	2012 Operating Surplus /(Deficit) £ 000
Wider role activities to support the community	-	-	-	-	5,092	(5,092)	(5,163)
Other income - Gift Aid	-	790	-	790	-	790	719
Commercial Property	-	2,483	-	2,483	436	2,047	2,069
Support activities	-	-	1,251	1,251	1,599	(348)	(292)
Owners' improvement activities	-	5,199	-	5,199	4,358	841	(357)
Demolition activities	7,931	-	-	7,931	8,719	(788)	2,435
Other income	-	1,755	-	1,755	-	1,755	3,979
Depreciation – Non Social Housing Organisation	-	-	-	-	4,724	(4,724)	(4,256)
Restructuring	-	-	-	-	8,252	(8,252)	(5,604)
Development & Construction of Property Activities	-	-	-	-	3,713	(3,713)	(3,894)
Community Ownership Programme	-	-	-	-	4	(4)	(886)
<b>Total from other activities</b>	<u>7,931</u>	<u>10,227</u>	<u>1,251</u>	<u>19,409</u>	<u>36,897</u>	<u>(17,488)</u>	<u>(11,250)</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 6. Board members' emoluments

Board members received £2,775 (2012: £2,733) by way of reimbursement of expenses.

### 7. Executive directors' emoluments

	2013	2012
	£ 000	£ 000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	1,029	1,161
Emoluments payable to the highest paid director (excluding pension contributions)	196	191

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
More than £110,000 but not more than £120,000	-	1
More than £120,000 but not more than £130,000	1	2
More than £130,000 but not more than £140,000	3	1
More than £140,000 but not more than £150,000	1	1
More than £190,000 but not more than £200,000	1	1

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 8. Employees

In the year to 31 March 2013, the full time equivalent number of employees of the Association, including executive directors, was 1,537 (2012: 1,627). All staff are employed by the Association with it's costs being recharged to the other group companies where appropriate.

	2013 £ 000	2012 £ 000
Staff costs (for the above persons)		
Wages and salaries	44,960	45,486
Social security costs	3,786	3,709
Employer's pension costs	<u>5,304</u>	<u>6,819</u>
	<u>54,050</u>	<u>56,014</u>

### 9. Profit/(loss) on sale of fixed assets

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.

	2013 £ 000	2012 £ 000
Right-to-Buy		
Proceeds from disposal of properties	3,509	3,229
Value of properties disposed	(1,365)	(1,103)
Due from Glasgow City Council	=	<u>140</u>
	2,144	2,266
Second stage transfers		
Proceeds from disposal of properties	-	25,516
Value of properties disposed	-	(9,688)
Payments made to SST organisations	-	<u>(36,304)</u>
	-	(20,476)
Surplus/(deficit) on sale of fixed assets	<u>2,144</u>	<u>(18,210)</u>

### 10. Interest receivable and similar income

	2013 £000	2012 £000
Bank interest receivable on deposits in the year	35	42
Net return on pension asset	<u>1,124</u>	<u>2,513</u>
Total	<u>1,159</u>	<u>2,555</u>

### 11. Interest payable and similar charges

	2013 £000	2012 £000
Bank interest payable	<u>20,049</u>	<u>16,265</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 12. Auditors' remuneration

	2013 £000	2012 £000
The remuneration of the auditors (excluding VAT) is as follows:		
Audit of these financial statements	76	69
Other services	140	66

### 13. Financial commitments

#### Capital commitments

All capital commitments of the Association were as follows:

	2013 £000	2012 £000
Expenditure contracted for, but not provided in the financial statements	39,390	52,931
Expenditure authorised by the Board but not contracted	26,613	35,328
	<u>66,003</u>	<u>88,259</u>

#### Operating leases

At 31 March 2013 the Association had annual commitments under non-cancellable operating leases as follows:

	2013 £000 Land and Buildings	2013 £000 Other	2012 £000 Land and Buildings	2012 £000 Other
Operating leases that expire:				
Within one year	1,318	-	253	-
In the second to fifth years inclusive	286	500	167	167
Over five years	690	-	1,692	-
	<u>2,294</u>	<u>500</u>	<u>2,112</u>	<u>167</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

**14. Tangible fixed assets - Housing Properties**

	<b>Core Stock £ 000</b>	<b>Donated assets £ 000</b>	<b>Housing under Construction £ 000</b>	<b>Total £ 000</b>
<b>Cost or Valuation</b>				
At 1 April 2012	717,162	1,325	9,640	728,127
Additions	77,984	-	21,767	99,751
Disposals	(1,365)	-	0	(1,365)
Transfers	6,416	-	(6,416)	-
Revaluation	43,942	22	-	43,964
At 31 March 2013	844,139	1,347	24,991	870,477
<b>Grants</b>				
At 1 April 2012	98,961	-	5,949	104,910
Received / receivable for year	24,803	-	11,001	35,804
Transfers	322	-	(322)	-
At 31 March 2013	124,086	-	16,628	140,714
<b>Depreciation</b>				
At 1 April 2012	-	-	-	-
Charge for year	(19,669)	(24)	-	(19,693)
Revaluation	19,669	24	-	19,693
At 31 March 2013	-	-	-	-
<b>Net Book Value</b>				
At 31 March 2013	<u>720,053</u>	<u>1,347</u>	<u>8,363</u>	<u>729,763</u>
Net Book Value				
At 1 April 2012	<u>618,201</u>	<u>1,325</u>	<u>3,691</u>	<u>623,217</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 2013-14. The demolition programme identifies 3,949 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 £720.1million.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 14. Tangible fixed assets - Housing Properties (continued)

Housing properties have been valued by Jones Lang LaSalle Limited, 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 2013 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of 6.25% (2012: 6.25%) was used for retained stock and a rate of 8.0% (2012: 8.0%) for demolition stock. The valuation assumes an increase of RPI + 1% for retained stock, except years 2-4 at RPI only, in line with the Association's 30 year Business Plan (2013-14). 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 and subsequently disposed of 1. The remaining 29 properties were valued by Jones Lang LaSalle Limited at £1.347m as at 31 March 2013 (2012: £1.325m) 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 2013 was £1.008m (2012: £1.032m).

During 2012-13 GHA disposed of 87 properties to tenants under RTB entitlements. These properties were valued at £1.365m during the year (2012: £1.103m).

The number of units of accommodation owned and managed (excluding unlettable voids) by the Association at 31 March 2013 is shown below:

	2013	2012
<b>Social Housing</b>		
General	39,440	40,698
Supported Housing	715	715
Total Social Housing	<u>40,155</u>	<u>41,413</u>

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:

	2013	2012
<b>Housing Properties</b>		
Housing held for long-term letting	38,982	39,403
Housing approved / planned for demolition	3,949	4,879
Total Units	<u>42,931</u>	<u>44,282</u>

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 2013 (continued)**

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

	Commercial Properties £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost or valuation				
At 1 April 2012	19,580	10,243	21,784	51,607
Additions	555	362	3,084	4,001
At 31 March 2013	20,135	10,605	24,868	55,608
Depreciation				
At 1 April 2012	(1,853)	(8,158)	(15,528)	(25,539)
Charge for year	(363)	(1,030)	(3,331)	(4,724)
At 31 March 2013	(2,216)	(9,188)	(18,859)	(30,293)
Net Book Value				
At 31 March 2013	17,919	1,417	6,009	25,345
At 31 March 2012	17,727	2,085	6,256	26,068

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.

**16. Debtors**

**Due after more than one year:**

	2013 £ 000	2012 £ 000
Development agreement (note 2)	186,717	250,456
Due from other group companies	41,670	40,622
Deferred Expenditure	-	149
Total	228,387	291,227

In accordance with the development agreement accounting policy, included in debtors is a balance of £186.7m (2012: £250.5m) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

**16. Debtors (continued)**

Due within one year:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Arrears of rent and service charges	10,658	11,022
Less: provision for bad and doubtful debts	(3,965)	(5,462)
	<u>6,693</u>	<u>5,560</u>
Prepayments and accrued income	2,321	1,466
Other debtors	17,972	25,610
Due from other group companies	610	376
Total	<u>27,596</u>	<u>33,012</u>

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

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors and accruals	30,039	46,945
Deferred income	5	-
Rent and service charges received in advance	3,746	3,485
Salaries, wages, other taxation and social security	1,041	1,043
Bank overdraft	8,738	4,265
Other creditors	2,881	5,871
Due to other group companies	-	210
Total	<u>46,450</u>	<u>61,819</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

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

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Scottish Government Loan	100,000	100,000
Amount due to Group company	482,333	400,000
Total	<u>582,333</u>	<u>500,000</u>

The Scottish Government has made available £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2012: £100.0m) 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 (2012: £700.0m), secured on the Association's housing stock is available from a syndicate of banks. During the year an additional £82.33m was drawn down (2012: £109.75) at an interest rate of 4.8% (2012: 4.8%). 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 Glasgow Housing Association Limited.

Borrowings are repayable as follows	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
In less than one year	-	-
In more than five years	482,333	400,000
	<u>482,333</u>	<u>400,000</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 19. Provisions for liabilities and charges

	Development Agreement £ 000	Insurance £ 000	Total £ 000
At 1 April 2012	250,455	1,847	252,302
Created in year	-	-	-
Utilised	(63,738)	(200)	(63,938)
	<u>186,717</u>	<u>1,647</u>	<u>188,364</u>
At 31 March 2013	<u>186,717</u>	<u>1,647</u>	<u>188,364</u>

#### 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.

### 20. Share capital

	2013 £	2012 £
Shares of £1 each issued and fully paid		
At 1 April	13	13
Issued during year	2	2
Surrendered during year	<u>(1)</u>	<u>(1)</u>
At 31 March	<u>14</u>	<u>14</u>

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 2013 (continued)**

**21. Reserves**

	<b>Revenue reserve</b>	<b>Revaluation reserve - core housing stock</b>	<b>Revaluation reserve - donated assets</b>	<b>Revaluation reserve - commercial properties</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Opening balance at 1 April 2012	83,996	53,505	295	6,751	144,547
Deficit for the year	(22,878)	-	-	-	(22,878)
Revaluation during the year		63,611	46	-	63,657
Actuarial loss in respect of pension provision	(14,414)	-	-	-	(14,414)
Closing balance at 31 March 2013	46,704	117,116	341	6,751	170,912

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 22. Pensions

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 as at 31 March 2013. The next full actuarial valuation is due as at 31 March 2018.

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 2013	31 March 2012
Discount rate	4.5%	4.8%
Expected rate of return on plan assets	5.2%	5.8%
Future salary increases	*5.1%	**4.8%
Inflation	2.8%	2.5%

\* 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 2015 reverting to the long term assumption thereafter.

In valuing the liabilities of the pension fund at 31 March 2013, 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:

- Current pensioner aged 65: 21.0 years (male) (2012 21.0 years), 23.4 years (female) (2012 23.4 years).
- Future retiree upon reaching 65: 23.3 years (male) (2012 23.3 years), 25.3 years (female) (2012 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 2013 £ 000	Value at 31 March 2012 £ 000
Present value of funded defined benefit obligations	(280,460)	(227,202)
Fair value of plan assets	246,950	206,434
Net liability	(33,510)	(20,768)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 22. Pensions (continued)

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

	2013 £000	2012 £000
Opening defined benefit obligation	227,202	208,219
Current service cost	6,347	6,356
Interest cost	11,113	11,556
Loss on curtailment	5,365	4,804
Actuarial losses	33,416	1,860
Contributions by members	2,130	2,135
Liabilities extinguished on settlements	-	(3,157)
Estimated benefits paid	(5,113)	(4,571)
Closing defined benefit obligation	280,460	227,202

#### *Movements in fair value of plan assets*

	2013 £000	2012 £000
Opening fair value of plan assets	206,434	202,419
Expected return on plan assets	12,237	14,069
Actuarial gains / (losses)	19,002	(14,795)
Contributions by the employer	12,260	10,249
Contributions by the members	2,130	2,135
Assets distributed on settlements	-	(3,072)
Estimated benefits paid	(5,113)	(4,571)
Closing fair value of plan assets	246,950	206,434

#### *Expense recognised in the income and expenditure account*

	2013 £000	2012 £000
Current service cost	6,347	6,356
Losses on settlements or curtailments	5,365	4,719
Interest on defined benefit pension plan obligation	11,113	11,556
Expected return on defined benefit pension plan asset	(12,237)	(14,069)
	10,588	8,562

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

	2013 £000	2012 £000
Operating costs	174,369	181,805
Past pension service gain	-	-
Interest receivable	2,283	2,561

The total amount recognised in the statement of total recognised gains and losses in respective of actuarial gains and losses is £14.414m loss (£16.655m loss, 2012).

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 £41.484 million (£27.070 million loss in 2012).



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

**22. Pensions (continued)**

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Equities	187,681	158,954
Corporate bonds	34,573	22,708
Property	17,287	14,450
Cash	<u>7,409</u>	<u>10,322</u>
	246,950	206,434
Actual return on plan assets	31,299	2,077

*History of experience gains and losses*

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance Sheet					
Present value of scheme liabilities	(280,460)	(227,202)	(208,219)	(235,144)	(120,070)
Fair value of scheme assets	246,950	206,434	202,419	179,185	116,559
(Deficit)	<u>(33,510)</u>	<u>(20,768)</u>	<u>(5,800)</u>	<u>(55,959)</u>	<u>(3,511)</u>
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000 / %</b>	<b>£000 / %</b>	<b>£000 / %</b>	<b>£000 / %</b>	<b>£000 / %</b>
Experience Adjustments					
Experience adjustments on scheme liabilities £000	318	10,333	(72)	7	11,500
Experience adjustments on scheme liabilities %	0.1	4.5	0.0	0.0	9.6
Experience adjustments on scheme assets £000	19,002	(14,795)	1,188	39,081	(39,206)
Experience adjustments on scheme assets %	7.7	(7.2)	0.6	21.8	(33.6)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

### 23. 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 £331.6m 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 2013 and is shown as a loan (note 18).

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

Grants & Loans	2013 £000	2012 £000
<b>Scottish Government Grants (Capital)</b>		
Secured Repayable grant	21,656	9,156
Reprovisioning grant	<u>11,002</u>	<u>9,539</u>
<b>Total Scottish Government Capital Grants</b>	32,658	18,695
<b>Other Capital Grants</b>		
Energy Efficiency	<u>3,146</u>	-
<b>Total Capital Grants</b>	35,804	18,695
<b>Scottish Government Revenue Grants</b>		
Demolition grant	7,931	10,788
<b>Scottish Government Loan</b>		
Contingent Efficiency	-	<u>12,500</u>
<b>Total</b>	<u>43,735</u>	<u>41,983</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

**24. 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:

Wilma Masterton	Clydeside Tenant Partnership
John Grant	Mosspark Housing Association
Gordon Sloan	Keystone Tenant Managed Homes
Robert McCormick	Compass LHO

Ian Wall, GHA Board member during the financial year, is a trustee of Shelter and a Director of the Scottish Urban Regeneration Forum.

During the financial year GHA made payments of £33k to Shelter Scotland (2012: £64k). and £7k to Scottish Urban Regeneration Forum (2012: £7k)

During the year GHA held nomination rights to a directorship of Transforming Communities: Glasgow. During the year it nominated Gordon Sloan and Ronnie Jacobs as directors.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

**25. Cash Flow Analysis**

Reconciliation of surplus to net cash inflow from operating activities	2013	2012	
	£000	£000	
(Deficit)/surplus from operating activities	(6,132)	12,571	
Depreciation charges	24,417	20,966	
Decrease in debtors	4,519	5,775	
Decrease in creditors and provisions	(20,043)	(7,056)	
Release of government grant	(24)	(24)	
Pensions costs less contributions payable	(548)	826	
Net cash inflow from operating activities	<u>2,189</u>	<u>33,058</u>	
Reconciliation of net cash flow to movement in net debt	2013	2012	
	£000	£000	
Net debt at 1 April	(497,321)	(371,344)	
Increase in cash in the year	4,542	89	
Increase in overdraft	(4,473)	(3,834)	
Cash inflow from debt after more than one year	(82,333)	(122,232)	
Net debt at 31 March	<u>(579,585)</u>	<u>(497,321)</u>	
Analysis of changes in net debt	At 1 April	Cashflow	At 31 March
	2012		2013
	£000	£000	£000
Cash at bank and in hand	6,944	4,542	11,486
Overdraft	(4,265)	(4,473)	(8,738)
Movement in cash	<u>2,679</u>	<u>69</u>	<u>2,748</u>
Debt due after more than one year	<u>(500,000)</u>	<u>(82,333)</u>	<u>(582,333)</u>
Net debt	<u>(497,321)</u>	<u>(82,264)</u>	<u>(579,585)</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013 (continued)**

**26. 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.

**27. Ultimate parent organisation**

The association is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Granite House, 177 Trongate, Glasgow, G1 5HF.

## **SUPPLEMENTARY INFORMATION**

### **Secretary and Registered Office**

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

### **Independent 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  
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Moulton Park  
Northampton  
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European Investment Bank  
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Adenauer L-2950  
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