



# ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

**The Glasgow Housing Association Limited**

(Co-operative and Community Benefit Society No. 2572RS)

(Scottish Housing Regulator Registration No. 317)

(Scottish Charity No. SC034054)

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

### **Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation. GHA is Scotland's largest social landlord with over 39,000 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 1,600 staff, who deliver sector-leading frontline services.

### **OPERATING REVIEW**

Looking back over the year 2018/19 there is much to be proud of at GHA.

One of the highlights was the publication in January of new research which confirmed, for the first time, exactly what GHA's transformation of affordable housing in our city has meant for Scotland.

Economists at the Fraser of Allander Institute found that our investment and new build programmes have, since stock transfer in 2003, contributed a huge £2 billion to the Scottish economy.

In that time, GHA has modernised more than 70,000 former city council homes and built almost 2,500 new affordable houses and flats.

That homes modernising programme, the biggest of its kind in Europe, has, as well as making a substantial contribution to the economy, also, according to the Fraser of Allander research, supported 2,425 full-time jobs every year.

GHA is about much more than just bricks and mortar. Universal Credit was rolled out across the city this year, presenting new challenges, and hardship, for many of our customers. We supported our customers and their families through this and many other challenges with personalised help delivered by our housing officers. Our wraparound services such as money, benefits and fuel advice, help with furniture and with putting food on the table became more important than ever, particularly for those making the transition on to the new benefit.

We helped 302 people from our homes into work or training either through opportunities created by our investment and new build contracts or through our employability schemes such as our Modern Apprenticeships.

Overall customer satisfaction at GHA remained high – at 90% – and the number of tenants satisfied with opportunities for participating in decision-making improved from 77% to 85%, reflecting our focus on engaging and listening closely to our customers.

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## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

#### **Homes and communities**

##### Building new homes

GHA built 342 new affordable homes over the year, 197 of them for social rent and 145 for mid-market rent.

Our completed new homes included:

- 51 on the site of the former high-rise blocks at Tarfside Oval in Cardonald;
- 45 in Govanhill on the site of Victoria Primary School;
- 54 houses and flats in Cathay Street, GHA's first new build in Milton;
- 22 homes at Glenacre Drive in Castlemilk, with the rest to follow in 2019/20;
- 67 houses and cottage flats in Pollok;
- a block of 36 mid-market rent flats at Hinselwood Drive, the first part of a bigger development;
- 24 mid-market flats at Ibroxholm; and
- 33 flats and houses in Carntyne.

We also progressed work on 143 new homes in the Gallowgate, began building 134 at Linkwood in Drumchapel, and a further 106 in Easterhouse as part of a partnership with Provanhall Housing Association.

Our new-build developments continued to be recognised with a number of awards. This included winning the Large Affordable Housing Development of the Year (Social Rent) award at the Scottish Home Awards 2018 for our Dougrie Drive development in Castlemilk. We also won, in partnership with our sister organisation Lowther Homes, Renovation of the Year for the regeneration of the old tram depot at Brand Street/Harvie Street in Govan. GHA also went on to win Housing Association of the Year.

Hundreds more homes are being built over the next few years with over 400 planned in 2019/20 and a further 400 the following year.

##### Investing in our homes

In 2018/19 we delivered £48.2m of planned improvements in our homes and communities; 1,800 tenants benefited from new improved, energy-efficient heating including the installation of an innovative district heating system for residents at Hillpark Drive benefiting around 350 homes. This system replaced old electric heating, helping to reduce fuel bills and carbon emissions.

A further 28 Winget blocks in Carntyne benefited from major improvement works including structural repairs, new roofs and wall insulation as well as new heating systems and kitchen, bathroom and rewire upgrades.

We completed the installation of new lifts in our multi-storey blocks at Ruby Street, Baltic Street and Helenvale and started upgrades at Drygate and Townhead.

We invested over £6.7m improving fire safety further in our homes. These improvements included repairing and replacing fire doors, renewing bin chutes and installing new emergency lighting in multi-storeys as well as starting a programme of smoke and heat detector upgrades. Over 100 GHA tenants in Darnley and Riddrie benefited from new external wall insulation, keeping their homes warmer and helping to reduce fuel bills. In addition, 185 tenants in the south and north west of the city had their windows replaced.

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## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

#### Improving our neighbourhoods

Creating clean, green and safe neighbourhoods where people are proud to live remained one of our priorities.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with GHA communities to tackle anti-social behaviour, crime and fire safety.

Our *Stay Safe* campaign, aimed at promoting safety messages to customers, saw another 698 home safety visits in GHA homes. Home safety visits, carried out by an officer from Scottish Fire and Rescue Service, are key to helping prevent fires in our homes. Across Wheatley Group there was an 81% increase in the uptake of home safety visits – up from 1,550 in 2017/18 to 2,812 in 2018/19 – with the total number of fires in our homes falling by 11%.

We resolved 93.8% of all anti-social cases reported to us within timescales agreed locally.

Through our pioneering partnership with Keep Scotland Beautiful, we developed a way of assessing our environments which involves both staff and customers. We were delighted that one of our areas – Baillieston, Greenfield, Sandyhills and Springboig – achieved a 5-star award with 25 areas reaching 4-stars and working towards the top level. Tenants' satisfaction with the management of their neighbourhood overall remained at 88% in line with the previous year.

#### **Our repairs service**

We continued our mission to improve our repairs and maintenance service because tenants have told us this is a priority for them. We were delighted that tenant satisfaction with the service remained at 94% for the second year in a row.

We cut the average time taken for both emergency and non-emergency repairs to be carried out. Emergency repairs took an average of 2.8 hours, down from 3.2 hours the previous year and from an average five hours in 2013/14. Non emergencies reduced from just over 6 working days the previous year to an average of 5.7 in 2018/19.

During the year 96% of repairs were completed right first time.

We continued working with City Building (Glasgow) LLP, jointly owned since 2017 by our parent company, Wheatley Housing Group, on further improving and modernising the service to make the overall customer experience even better over the next year.

#### **Rents and value for money**

In 2018/19 the percentage of tenants who felt the rent for their home represented good value for money was 76%. We will continue to work with customers over the next year to ensure they get as much value from their home and our services as they can.

Moving on to Universal Credit caused unprecedented challenges for many of our customers and we worked hard to help them access support available and to pay their rent and other household bills. Our gross rent arrears increased slightly to 3.9% from 3.6% the previous year while rent collection – at better than 99% – remained steady despite the economic difficulties facing our communities.

## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

Supporting tenants through the difficulties of welfare reform will continue to be a focus in the year ahead.

#### **Engaging with customers**

Engaging more effectively with our communities was high on our agenda as Wheatley commissioned international research into how organisations can best involve their customers and communities.

The study – carried out by The Democratic Society and published in January 2019 – drew on best practice from around the world – from Antwerp to Oldham; Oslo to Estonia; and Rio de Janeiro to Vienna.

The resulting report outlined fresh approaches, tools and techniques for how organisations across the UK, particularly the housing sector, can better engage with people in the communities they serve.

We now have a renewed focus on engaging with our communities in new and innovative ways following the research.

Our customer forums, including the scrutiny panel, African Forum, Polish Forum and our new Welfare Reform Forum, continue to meet and shape what we do.

In April 2018 our housing officers began working with new tablet computers which gives them much more scope to be out and about in their communities, engaging directly with customers in their homes, helping them access services and supporting them to get online.

We engaged with more people online than ever before. More than 17,800 people followed our GHA Facebook and Twitter pages – an increase of 1,100 people on last year. The average number of people visiting the GHA website each month also increased year on year, up more than one thousand users to nearly 26,300. We introduced new sections on the GHA website, including advice on how to stay safe at home and support for people affected by Universal Credit. Our new Community News section allows tenants to find out more about how GHA supports local projects and what improvements are being carried out in their area.

Around 12,000 GHA tenants were registered for a *MyGHA* online account at the end of the financial year compared to only 2,300 in the previous 12 months. An online account allows tenants to pay rent, report repairs, check their account balance, contact their housing officer, report environmental issues at a time and place to suit them. More than £5.8m was paid online by GHA tenants using online services.

The percentage of tenants who felt GHA was good at keeping them informed about their services and decisions rose from 90% to 92% while the percentage of tenants satisfied with opportunities to participate in decision-making increased from 77% to 85%.

#### **Supporting our customers**

As Universal Credit was rolled out in our communities, affecting thousands of households, it became more important than ever to support tenants and their families.

## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

We brought the delivery of all our support and wraparound services together in a new division – *Wheatley 360*. This makes it easier for people to access the right package of services for them at any one time, including benefits, money and fuel advice, help with furniture or support to put food on the table.

In November we launched *MyHousing*, our new online advice, information and letting service, which gives people tailored help with their housing and an improved website for people to apply for housing, view available homes and note interest.

Through our *Livingwell* services, delivered by our sister organisation Loretto Care, we supported thousands of our older tenants to live independently at home. Through our *Wheatley Works* service, run by our charitable trust the Wheatley Foundation, we supported hundreds of our customers into work and training.

Working with Wheatley Foundation and *Wheatley 360*, we:

- created 408 opportunities for people from our homes to get into work or training with 302 of our customers benefiting;
- supported 1,228 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 939 homes through our *EatWell* service;
- gave 667 tenants up-cycled furniture through our *Home Comforts* service;
- awarded 39 young people from our homes a bursary to go to university or college; and
- provided free books every month to 354 children under five in our homes through the Dolly Parton Imagination Library initiative.

### **Independent auditor**

A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

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## **DIRECTORS' REPORT (continued)**

### **FINANCIAL REVIEW**

#### **Income**

Turnover recognised in the Statement of Comprehensive Income in the year was £199.4m (2018: £187.8m). Of this total, 84% or £167.9m (2018: £162.3m and 86%) was generated through rental and service charge income, net of void losses. The remainder included:

- £21.9m of grant income recognised on the completion of new build properties (2018: £17.7m);
- £4.6m of commercial property income (2018: £4.6m); and
- £1.1m of income in relation to improvements to homeowners' properties (2018: £1.7m).

#### **Expenditure**

Operating costs for the year amounted to £164.9m (2018: £162.1m). The main items of expenditure were as follows:

- Letting activity management costs of £49.4m (2018: £47.3m). After excluding non-cash pension adjustments underlying management costs were £44.0m (2018: £42.7m)
- Planned repair and reactive maintenance costs of £13.0m and £31.5m respectively (2018: £16.3m and £28.7m);
- Total depreciation costs of £49.5m (2018: £47.2m);
- Restructuring costs of £3.6m (2018: £6.6m);
- Demolition costs of £0.7m (2018: £1.3m); and
- Costs associated with our wider role in supporting communities of £6.4m (2018: £4.6m).

The Association generated an operating surplus of £25.3m or 12.7% (2018: £22.1m or 11.8%) in the year after taking account of losses on the revaluation of investment properties held, non cash pension adjustments relating to GMP indexation and McCloud ruling (note 24) and the transfer of grant income to Lowther Homes on disposal of MMR units.

The Association had a net asset position in the Statement of Financial Position of £561.5m at the year-end (2018: £528.9m).

#### **Cashflows**

The cash flow statement of the Association is shown on page 19. GHA generated £51.4m from operating activities (2018: £84.0m). This, as well as additional borrowing drawn in the year, was re-invested into improving our existing housing stock and constructing new housing stock. Cash and cash equivalents in the year decreased by £10.4m (2018: increased by £11.8m).

#### **Liquidity**

The Association's net current assets as at 31 March 2019 totalled £35.2m (2018: £70.2m). The £35.0m movement in the year has been driven by a reduction in the development agreement asset and the allocation of deferred income between short term and long term creditors. The Association has drawn down on its lending facility in the year to further invest in its existing stock and on its new build programme. Creditors due after more than one year have therefore increased to £857.2m from £814.1m.

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## **DIRECTORS' REPORT (continued)**

### **FINANCIAL REVIEW (continued)**

#### **Capital structure and treasury**

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 syndicated bank facilities and bond funding provided through Wheatley Funding No. 1 Limited ("WFL1"), a related entity, as detailed in note 21. The Association has access to an intra-group facility of £902.5m which is secured on its housing stock. Interest rate risk is managed at a group level by WFL1.

#### **Investment in tenants' homes**

During the year we invested £48.2m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £1,329.1m (2018: £1,237.7m)

#### **New Build**

During the financial year we completed 342 new build properties across nine developments. Our new build programme invested £54.6m in the year. The Business Plan includes a further projected spend of £185m on the new build programme in GHA over the next five years.

#### **Reserves Policy**

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association operates with three principal reserves: a revenue reserve, a revaluation reserve and a pension reserve.

#### Revenue reserve

Revenue reserve includes historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes
- support received from the Scottish Government as part of establishing the viability of the Association's business plan under the original stock transfer arrangements

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

The revenue reserve includes revaluation gains on investment properties, including the Association's portfolio of commercial properties and its ownership of mid-market rent homes which are leased to and managed by Lowther Homes. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

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## **DIRECTORS' REPORT (continued)**

### **FINANCIAL REVIEW (continued)**

#### **Reserves policy (continued)**

The residual amount of revenue reserve, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

#### Revaluation reserve

The revaluation reserve represents the increase in valuation which has occurred over and above the cost of additions to the Association's property (other than investment property). This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

#### Pension reserve

The pension reserve is not a cash reserve available for investment. It represents the amount by which the actuarial valuation of the Association's share of pension assets exceeds or is less than its notional pension liabilities. Under FRS 102, the reserve contained within the Statement of Financial Position assumes a continuing membership of the pension scheme. Withdrawing from the scheme in order to attempt to realise any surplus would involve liabilities being revalued onto an "exit" basis, with a significant additional premium attached to compensate the pension fund for the risk of reduced membership and inability to seek future contributions from the related members. Notwithstanding this issue, it is the Association's intention to continue membership of the Strathclyde Pension Fund on a long-term basis.

#### **Principal risks facing the Association**

The Board is responsible for assessing the risks facing The Glasgow Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board

**Bernadette Hewitt, Chair**  
16 August 2019

Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL

**DIRECTORS' REPORT (continued)**

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

As at 31 March 2019 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 2019 there were 11 members (2018: 11 members) of the GHA Board: 6 tenant members, 2 parent appointees, 2 council Board members, 1 co-optee and no independents.

Each member of the Board holds one fully paid £1 share that is cancelled on cessation of membership. During 2018/19, 2 shares were issued and 2 memberships were cancelled.

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

<b>Name</b>	<b>First Joined Board</b>	<b>Re-elected/ re-appointed</b>	<b>Left Board</b>	<b>Committees/Group Directorships</b>
Bernadette Hewitt (Chair & tenant member)	30 May 2014	21 September 2017	-	Wheatley Housing Group Limited, Wheatley Solutions Limited, Group Audit Committee, Group Strategic Development Committee, Group RAAG (Remuneration, Appointments, Appraisal and Governance) Committee, Wheatley Enterprises Limited
Kathleen Willis (Tenant member)	9 September 2009	24 September 2015	26 September 2018	Wheatley Housing Group Limited, GHA South Area Committee
Elizabeth Walford (Parent appointee)	17 August 2009	24 April 2013	26 September 2018	Wheatley Housing Group Limited, Group Audit Committee, Group Strategic Development Committee, GHA (Management) Limited, YourPlace Property Management Limited, The Glasgow Housing Association (Funding) Limited
Robert Granger Geddes (Tenant member)	24 September 2015	-	-	GHA North East Area Committee
Patrick Gray (Co-optee)	1 May 2017	-	-	Wheatley Housing Group Limited
Councillor Kenny McLean (Glasgow City Council appointee)	30 May 2014	1 June 2017	-	-

**DIRECTORS' REPORT (continued)**

**GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS  
(continued)**

<b>Name</b>	<b>First Joined Board</b>	<b>Re-elected/ re-appointed</b>	<b>Left Board</b>	<b>Committees/Group Directorships</b>
Iwona Majzuk Soska (Tenant member)	30 May 2014	21 September 2017	-	GHA North West Area Committee
Jean Albert Nietcho (Tenant member)	25 September 2014	21 September 2016	-	Wheatley Foundation Limited
Josephine Armstrong (Parent appointee)	24 June 2015	-	-	Wheatley Housing Group Limited (Non-Executive Director), Group Audit Committee, Group Strategic Development Committee
Councillor Frank McAveety (Glasgow City Council appointee)	20 June 2017	-	-	-
Cathy McGrath (Tenant member)	21 September 2017	-	-	GHA North East Area Committee
Michael McNamara (Tenant Member)	30 <sup>th</sup> November 2018	-	-	-
Andrew Clark (Independent)	30 <sup>th</sup> November 2018	-	-	-

**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 auditor**

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 auditor is 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 auditor is aware of that information.

## **DIRECTORS' REPORT (continued)**

### **DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL**

The Directors acknowledge their responsibility for ensuring that the Association has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

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**DIRECTORS' REPORT (continued)**

**STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS**

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standard FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

By order of the Board

**Bernadette Hewitt, Chair**  
16 August 2019

Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL

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

## Opinion

We have audited the financial statements of The Glasgow Housing Association Limited (“the Association”) for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2019 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the Association’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board’s conclusions, we considered the inherent risks to the association’s business model, including the impact of Brexit, and analysed how those risks might affect the association’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the association will continue in operation.

In our evaluation of the Board’s conclusions, we considered the inherent risks to the Association’s business model, including the impact of Brexit, and analysed how those risks might affect the Association’s financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

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

## **Other information**

The Association's Board is responsible for the other information, which comprises the Directors Report and the Directors' Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 12 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

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

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

## **Board's responsibilities**

As more fully explained in their statement set out on page 13, the Association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities**

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

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Shaw  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

KPMG LLP  
319 St Vincent Street  
Glasgow  
G2 5AS

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	Total 2019 £'000	Total 2018 £'000
Turnover	3	199,422	187,770
Operating expenditure	3	(164,864)	(162,087)
Other gains and losses	3	(9,221)	(3,606)
Operating surplus		25,337	22,077
Gain on disposal of fixed assets	10	202	3,610
Finance income	11	1,286	3,169
Finance charges	12	(43,028)	(44,587)
Movement in fair value of financial instruments	21	(4,709)	(350)
Deficit for the financial year		(20,912)	(16,081)
Unrealised surplus on the revaluation of housing properties		58,909	72,676
Unrealised surplus on the revaluation of office properties		511	-
Actuarial (loss)/gain in respect of pension schemes		(5,855)	7,419
Total comprehensive income for the year		32,653	64,014

All amounts relate to continuing operations.

**STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 MARCH 2019**

	Revenue Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2017	295,513	169,340	464,853
Total comprehensive income for the year	64,014	-	64,014
Transfer of reserves for the revaluation of housing properties	(72,676)	72,676	-
Balance at 31 March 2018	286,851	242,016	528,867
Total comprehensive income for the year	32,653	-	32,653
Transfer of reserves for the revaluation of housing properties	(58,909)	58,909	-
Transfer of reserves for the revaluation of office properties	(511)	511	-
Balance at 31 March 2019	260,084	301,436	561,520

The notes on pages 20 to 44 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019**

	<i>Notes</i>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Fixed assets</b>			
Social housing properties	15	1,329,132	1,237,679
Other tangible fixed assets	16	34,411	27,869
Investment properties	17	36,399	29,508
Investments - other	17	8,387	8,387
		<u>1,408,329</u>	<u>1,303,443</u>
Pension asset	24	14,711	27,409
<b>Current assets</b>			
Stock	18	77	-
Trade and other debtors	19	101,901	121,165
Cash and cash equivalents		8,882	19,311
		<u>110,860</u>	<u>140,476</u>
<b>Creditors: amounts falling due within one year</b>	20	(75,587)	(70,255)
		<u>35,273</u>	<u>70,221</u>
<b>Net current assets</b>			
		1,458,313	1,401,073
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	21	(857,188)	(814,060)
		<u>601,125</u>	<u>587,013</u>
<b>Provisions for liabilities</b>			
Other provisions	22	(39,605)	(58,146)
<b>Total net assets</b>		<u>561,520</u>	<u>528,867</u>
<b>Reserves</b>			
Share capital	23	-	-
Revenue reserve including pension reserve		260,084	286,851
Revaluation reserve		301,436	242,016
<b>Total reserves</b>		<u>561,520</u>	<u>528,867</u>

These financial statements were approved by the Board signed on its behalf on 16 August 2019 by:

Bernadette Hewitt  
Chair

Josephine Armstrong  
Director

Anthony Allison  
Secretary

The notes on pages 20 to 44 form part of these financial statements.

Charity registration number SC034054.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019**

	<i>Notes</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
<b>Net cash generated from operating activities</b>	25	51,435	83,997
<b>Cash flow from investing activities</b>			
Improvement of properties – housing stock	15	(48,166)	(47,556)
New build		(53,350)	(51,192)
Purchase of other fixed assets	16	(2,700)	(2,486)
Proceeds from disposal of investment properties		1,750	-
Proceeds from disposal of right to buy properties		534	12,020
Grants received		26,857	25,534
Finance income		-	928
		(75,075)	(62,752)
<b>Cash flow from financing activities</b>			
Finance charges		(41,789)	(43,459)
Financing draw down		55,000	34,000
		13,211	(9,459)
<b>Net change in cash and cash equivalents</b>		(10,429)	11,786
Cash and cash equivalents at beginning of the year		19,311	7,525
Cash and cash equivalents at end of the year		8,882	19,311
<b>Cash and cash equivalents at 31 March</b>			
Cash		8,882	19,311
		8,882	19,311

The notes on pages 20 to 44 form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

### **1. Legal status**

The Glasgow Housing Association Limited (“GHA” or “the Association”) is a wholly owned subsidiary of The Wheatley Housing Group (“WHG”). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.2572RS and is a registered Scottish charity No.SC034054. GHA is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activity of the Association is the provision of social housing.

The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

The Glasgow Housing Association Limited is a public benefit entity.

### **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 2014, 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 for social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Association and the preparation of long terms financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

#### **Accounting judgements and estimations**

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Determining the value of the Association’s share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds;

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

#### **Related party disclosures**

The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

#### **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.

#### **Grant income**

Where a 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 recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

#### **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. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

#### **Supported housing**

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

#### **Financial instruments**

Loans provided by Wheatley Funding Number 1 Limited ("WFL1") are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

#### **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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

#### **Pensions**

The Association participates in a defined benefit pension scheme arrangement with 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. The Fund provides 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 102 which requires disclosures presented for both the current and comparative period. FRS 102 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 comprehensive income under actuarial gain or loss on pension schemes.

#### **Fixed assets – housing properties**

In accordance with SORP 2014, 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 annually on an Existing Use Value for Social Housing (“EU-V-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 2018, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

Increases in the valuation of social housing properties are reported as other comprehensive income, accumulated in equity and reported as a revaluation reserve. Revaluation decreases reduce the accumulated gains and thereafter are recognised in profit or loss. Subsequent valuation gains are recognised in profit or loss to the extent they reverse a valuation decrease previously recognised in profit or loss.

On disposal, the value of the property is offset against the proceeds of sale and the gain or loss on disposal is taken to the Statement of Comprehensive Income.

- **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 the 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (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:

	<u>Economic Life</u>
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.

• **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.

• **Properties held for demolition**

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the statement of financial position as under FRS 102 there is no constructive obligation at the date of the statement of financial position to provide for these costs.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; 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.

**Non-social housing properties**

Housing for Mid Market Rent properties are valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. 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 improvement works.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 2. Accounting policies (continued)

Mid market rent properties owned by the Association are currently leased to Lowther Homes Limited at the prevailing market rate. These properties are managed by Lowther Homes Limited.

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are revalued at each reporting date.

### 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 is recognised as income in the statement of comprehensive income when new build properties are completed or the capital work carried out under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but 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 with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, 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:

	<u>Economic Life</u>
Furniture, fittings and office equipment (cost)	5 yrs
Computer equipment (cost)	3 – 7 yrs
Community infra-structure (cost)	20 yrs
District heating scheme (cost)	30 yrs
Office premises (valuation)	40 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are carried out at each reporting date.

### Stock

Where GHA enters into development agreements in conjunction with third party housing associations and incurs the cost of the development, the contractual share of costs yet to be billed to the third party is recognised in stock. Stock is accounted for at the lower of cost or net realisable value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**2. Accounting policies (continued)**

**Leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

**Provisions**

The Association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

**Taxation**

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**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.

**Development Agreement**

The Association 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 Statement of Financial Position as a debtor offset by a provision of an equal amount. As work progresses, both amounts reduce by the appropriate amount.

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

	Turnover	2019 Operating costs	Other gains/ (losses)	Operating surplus/ (deficit)	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	189,800	(147,702)	-	42,098	39,019
Other activities (note 5)	9,622	(17,162)	-	(7,540)	(13,336)
Loss on investment activities (note 17)	-	-	(8,621)	(8,621)	(3,606)
Grant transferred on disposal of properties (note 9)	-	-	(600)	(600)	-
Total	199,422	(164,864)	(9,221)	25,337	22,077
Total for previous reporting period	187,770	(162,087)	(3,606)	22,077	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

	<b>General Needs £'000</b>	<b>2019 Supported Housing £'000</b>	<b>Total £'000</b>	<b>2018 Total £'000</b>
Rent receivable net of service charges	164,381	3,022	167,403	161,748
Service charges	1,485	27	1,512	1,639
<b>Gross income from rents and service charges</b>	<b>165,866</b>	<b>3,049</b>	<b>168,915</b>	<b>163,387</b>
Less rent losses from voids	(960)	(18)	(978)	(1,059)
<b>Net income from rents and service charges</b>	<b>164,906</b>	<b>3,031</b>	<b>167,937</b>	<b>162,328</b>
Grants released from deferred income – new build	19,405	357	19,762	17,700
Grants released from deferred income – investment programme	2,063	38	2,101	-
<b>Total turnover from affordable letting activities</b>	<b>186,374</b>	<b>3,426</b>	<b>189,800</b>	<b>180,028</b>
Management and maintenance administration costs	48,466	904	49,370	47,345
Service costs	4,341	78	4,419	4,104
Planned and cyclical maintenance including major repairs costs	12,795	235	13,030	16,324
Reactive maintenance costs	30,977	532	31,509	28,696
Bad debts – rents and service charges	2,290	47	2,337	1,344
Depreciation of affordable let properties	46,188	849	47,037	43,196
<b>Operating costs for affordable letting activities</b>	<b>145,057</b>	<b>2,645</b>	<b>147,702</b>	<b>141,009</b>
<b>Operating surplus for affordable letting activities</b>	<b>41,317</b>	<b>781</b>	<b>42,098</b>	<b>39,019</b>
Operating surplus for affordable letting activities for the previous reporting period	38,306	713	39,019	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

	<b>Grants from Scottish Ministers £'000</b>	<b>Other revenue £'000</b>	<b>Total turnover £'000</b>	<b>Total operating costs £'000</b>	<b>2019 Operating surplus /(deficit) £'000</b>	<b>2018 Operating surplus /(deficit) £'000</b>
Wider role activities to support the community	-	-	-	(6,425)	(6,425)	(4,621)
Investment property activities	-	4,634	4,634	(386)	4,248	4,333
Support activities	-	1,450	1,450	(1,582)	(132)	(1,479)
Owners' improvement activities	-	1,095	1,095	(1,668)	(573)	(837)
Demolition activities	-	-	-	(677)	(677)	(1,260)
Other income	-	2,443	2,443	-	2,443	1,483
Depreciation – Non Social Housing	-	-	-	(2,496)	(2,496)	(4,024)
Organisation Restructuring	-	-	-	(3,624)	(3,624)	(6,635)
Development & Construction of Property Activities	-	-	-	(304)	(304)	(296)
<b>Total from other activities</b>	-	9,622	9,622	(17,162)	(7,540)	(13,336)
Total from other activities for the previous reporting period	-	7,742	7,742	(21,078)	(13,336)	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**6. Board members' emoluments**

Board members received £338 (2018: £605) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

**7. Key management emoluments**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	1,347	1,276
Emoluments payable to the highest paid key management	282	269
Employer pension contributions	52	48
Total emoluments payable to the highest paid key management	334	317

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

More than £150,000 but not more than £160,000	-	1
More than £160,000 but not more than £170,000	1	4
More than £170,000 but not more than £180,000	4	-
More than £260,000 but not more than £270,000	-	1
More than £280,000 but not more than £290,000	1	-

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

There were six senior officers in post at 31 March 2019. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson	Group Director of Finance
Tom Barclay	Group Director of Property and Development

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**8. Employees**

In the year to 31 March 2019, the average full time equivalent number of employees of the Association, including senior officers, was 1,673 (2018: 1,621). This was calculated on a monthly basis. All staff are employed by the Association with its costs being recharged to the other group companies where appropriate.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (for the above persons)		
Wages and salaries	44,887	44,746
Social security costs	5,035	5,014
Employer's pension costs	7,314	7,131
FRS 102 adjustment	7,482	4,559
	<u>64,718</u>	<u>61,450</u>

The FRS 102 pension adjustment includes an estimate by the pension scheme actuary of the potential impact of the McCloud ruling and GMP equalisation (note 24).

**9. Transfer of grant on disposal**

On 31 October 2018 GHA sold 30 mid market rent ("MMR") properties to Lowther Homes Limited ("Lowther"). The difference between the consideration paid by Lowther and the carrying value of the properties relates to the transfer of grant received by GHA to Lowther on the construction of these properties. All obligations under the grant agreement in relation to the properties sold transfers to Lowther Homes. This grant was originally recognised as income in the Statement of Comprehensive Income by GHA on completion of the build of the properties.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Proceeds from disposal of properties	1,750	-
Value of properties disposed	(2,350)	-
Grant transferred on disposal	<u>(600)</u>	<u>-</u>

**10. Gain on disposal or acquisition of fixed assets**

This represents net income from the sale of properties under tenants' Right-to-Buy (RTB) entitlement and any gain/(loss) on the disposal or acquisition of other fixed assets in the year.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<u>Right-to-Buy</u>		
Proceeds from disposal of properties	534	12,020
Value of properties disposed	(332)	(8,410)
Gain on sale of fixed assets	<u>202</u>	<u>3,610</u>
<u>Fixed assets acquired</u>		
Consideration paid	(831)	-
Value of assets transferred from Wheatley Solutions	831	-
Gain on acquisition of fixed assets	<u>-</u>	<u>-</u>
Total gain on sale/acquisition of fixed assets	<u>202</u>	<u>3,610</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**11. Finance income**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable on deposits in the year	2	1
Interest on intra group loans	645	2,561
Interest on pension scheme liability (note 24)	639	607
Total	<u>1,286</u>	<u>3,169</u>

**12. Finance charges**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest on intra group loans	40,125	41,707
Other financing costs	2,903	2,880
Total	<u>43,028</u>	<u>44,587</u>

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs of the Association's funding arrangements and the amortised interest on the contingent efficiencies loan.

**13. Auditor's remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	50	49

**14. Financial commitments**

**Capital commitments**

All capital commitments of the Association were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure contracted for, but not provided in the financial statements	77,213	49,298
Expenditure authorised by the Board, but not contracted	30,700	84,648
	<u>107,913</u>	<u>133,946</u>

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the Association, and private funding.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**14. Financial commitments (continued)**

**Operating leases**

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

	<b>2019</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
Operating leases that fall due:				
Within one year	491	619	750	-
In the second to fifth years inclusive	857	92	1,332	-
Over five years	13	-	-	-
	<hr/> 1,361	<hr/> 711	<hr/> 2,082	<hr/> -

Lease commitments under FRS 102 include the timing of the full payment due under contract.

**15. Tangible fixed assets**

**Social Housing Properties**

	<b>Core Stock</b> <b>£'000</b>	<b>Housing Under Construction</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Valuation</b>			
At 1 April 2018	1,181,294	56,385	1,237,679
Additions	48,166	54,605	102,771
Disposals	(332)	-	(332)
Transfers	27,305	(50,163)	(22,858)
Revaluation	11,872	-	11,872
	<hr/> 1,268,305	<hr/> 60,827	<hr/> 1,329,132
<b>At 31 March 2019</b>			
<b>Accumulated Depreciation</b>			
At 1 April 2018	-	-	-
Charge for year	(47,037)	-	(47,037)
Revaluation	47,037	-	47,037
	<hr/> -	<hr/> -	<hr/> -
<b>At 31 March 2019</b>			
<b>Net Book Value - Valuation</b>			
At 31 March 2019	<hr/> 1,268,305	<hr/> 60,827	<hr/> 1,329,132
At 31 March 2018	<hr/> 1,181,294	<hr/> 56,385	<hr/> 1,237,679
<b>Net Book Value - Cost</b>			
At 31 March 2019	<hr/> 1,458,295	<hr/> 60,827	<hr/> 1,519,120
At 31 March 2018	<hr/> 1,430,191	<hr/> 56,385	<hr/> 1,486,576

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 15. Tangible fixed assets (continued)

Total expenditure on repairs and capital improvements in the year on existing properties was £92.7m (2018: £92.6m). Of this, repair costs of £44.5m (2018: £45.0m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £48.2m (2018: £47.6m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £48.2m (2018: £47.6m) in the year include:

- £30.7m for the improvement of components including £6.7m on fire safety upgrade works, £2.7m in relation to medical adaptations and £21.3m for other strategic projects including our Wingets improvement projects and our High Rise Living strategy;
- £15.3m on the replacement of components including capitalised void costs; and
- £2.2m for the acquisition of properties for social rent.

Additions to housing under construction include capitalised interest costs of £1.3m (2018: £1.4m). Interest has been capitalised at the weighted average interest cost for the Association of 4.684% (2018: 5.50%).

The valuation of social 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 2019/20. The demolition programme identifies 117 (2018: 122) 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 due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the date of the Statement of Financial Position to provide for these costs.

Retained stock for letting has been valued at £1,268.3m. Housing under construction, with a NBV of £60.8m, is not included within this total.

Social 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 2019 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-7.50% have been used depending on the property archetype (2018: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.9% in 2019/20 and +0.5% thereafter for retained stock, in line with the Association's 30 year Business Plan (2019/20). 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 2018/19 GHA disposed of 11 properties to tenants under RTB entitlements. These properties were valued at £0.3m (2018: £8.4m). Tenants' right to buy their homes ended on 31 July 2016. However, the processing of RTB sales was extended beyond that date, and all sales under the entitlement are complete.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**15. Tangible fixed assets (continued)**

	<b>2019</b>	<b>2018</b>
<b>Social Housing</b>		
General needs	38,623	38,392
Supported housing	710	715
Housing held for long-term letting	39,333	39,107
Housing approved / planned for demolition	117	122
Total Units	39,450	39,229

The housing valuation has been based on the number of houses held for social letting.

**16. Other tangible fixed assets**

	<b>Community infra- structure £'000</b>	<b>District heating £'000</b>	<b>Office premises £'000</b>	<b>Furniture, fittings &amp; equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>						
At 1 April 2018	8,762	-	10,470	25,457	28,736	73,425
Additions	683	-	970	1,047	-	2,700
Transfers between other fixed asset categories	-	4,996	-	-	-	4,996
Acquired from other group entities	-	-	-	-	831	831
Revaluation	-	-	(33)	-	-	(33)
At 31 March 2019	9,445	4,996	11,407	26,504	29,567	81,919
<b>Accumulated Depreciation</b>						
At 1 April 2018	(577)	-	(262)	(19,331)	(25,386)	(45,556)
Charge for year	(454)	(83)	(282)	(1,516)	(161)	(2,496)
Revaluation	-	-	544	-	-	544
At 31 March 2019	(1,031)	(83)	-	(20,847)	(25,547)	(47,508)
<b>Net Book Value</b>						
At 31 March 2019	8,414	4,913	11,407	5,657	4,020	34,411
At 31 March 2018	8,185	-	10,208	6,126	3,350	27,869

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**17. Investments**

**Investment Properties**

	<b>Properties held for market rent £'000</b>	<b>Commercial Properties £'000</b>	<b>Total £'000</b>
<b>Valuation</b>			
At 1 April 2018	18,764	10,744	29,508
Transfers between other fixed asset categories	17,862	-	17,862
Disposals	(2,350)	-	(2,350)
Revaluation taken to operating surplus	(8,787)	166	(8,621)
At 31 March 2019	25,489	10,910	36,399
<b>Net Book Value</b>			
At 31 March 2019	25,489	10,910	36,399
At 31 March 2018	18,764	10,744	29,508

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019.

The number of properties held for market rent by the Association at 31 March was:

	<b>2019</b>	<b>2018</b>
<b>Mid Market Rent Properties</b>		
Total Units	384	269

Commercial properties were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

**Investments - other**

**Due after more than one year:**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Unsecured subordinated convertible loan due from Lowther Homes Limited	8,387	8,387

GHA has an unsecured subordinated convertible loan with Lowther Homes Limited, a related group company. FRS 102 requires that the principal amount and interest payments be fair valued and shown as debt on the balance sheet (note 19). The difference between this and the principal amount of the instrument should be recognised as the fair value of equity component.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**18. Stock**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Stock	77	-

Stock held relates to balances for the contractual share of the development costs incurred on behalf of third party housing associations.

**19. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due in more than one year:</b>		
Development agreement (note 2)	38,420	57,610
Due from other group companies	26,381	25,736
	<u>64,801</u>	<u>83,346</u>
<b>Due within one year:</b>		
Arrears of rent and service charges	11,192	9,600
Adjustment to discount arrears balances with payment plans to NPV	(62)	(62)
Less: provision for bad and doubtful debts	(3,313)	(1,968)
	<u>7,817</u>	<u>7,570</u>
Prepayments and accrued income	5,304	5,379
Other debtors	5,961	3,040
Due from other group companies	18,018	21,830
Total	<u>101,901</u>	<u>121,165</u>

Included in debtors is a balance of £38.4m (2018: £57.6m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the housing stock transferred to the Association. The Council has sub-contracted The Glasgow Housing Association Limited 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 (note 22) and as work progresses both of these balances will be utilised when the work is actually undertaken.

The balance due from other group companies in more than one year relates to the unsecured subordinated convertible loan with Lowther Homes Limited. This debt was issued in November 2014 and is due to mature in 2043. Interest on this instrument has been charged at 4.68% in the year (2018: 3.09%).

The Wheatley Foundation has agreed to deliver certain charitable community programmes on the Glasgow Housing Association's behalf. Under this arrangement, these programmes were funded in part during the year by the Glasgow Housing Association agreeing that the interest receipt due from Lowther Homes Limited would be paid directly to the Wheatley Foundation on its behalf.

Amounts owed by group undertakings and due within one year are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	3,825	4,204
Accruals	23,749	26,521
Deferred income (note 20)	34,552	16,144
Rent and service charges received in advance	7,003	14,312
Salaries, wages, other taxation and social security	2,038	2,016
Other creditors	2,810	2,772
Due to other group companies	1,610	4,286
Total	75,587	70,255

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Scottish Government contingent efficiencies grant	35,531	29,187
Deferred income	9,395	22,105
Amount due to group company	812,078	762,305
Other	184	463
Total	857,188	814,060

**Scottish Government contingent efficiencies grant**

The Scottish Government made available to The Glasgow Housing Association Limited £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2018: £100.0m) has been received and this is an interest free loan with repayment due in 2040/41. The amount due of £35.5m at 31 March 2019 (2018: £29.2m) is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date. This treatment is consistent with FRS 102 which requires financial instruments to be measured at amortised cost. The movement in the balance in the year relates to:

- interest costs                      £1.6m
- fair value movement            £4.7m

Interest costs are reported within finance charges (note 12). The movement in the fair value is reported on the face of the Statement of Comprehensive Income.

**Bank lending facility**

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £662.4m from a syndicate of commercial banks, a committed facility of £285.3m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,497.7m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with GHA

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

having access to an intra-group facility of £902.5m, secured on its housing stock. Interest in the year has been charged at 4.68% (2018: 5.50%).

The Glasgow Housing Association Limited has secured a major portion of its housing stock (£1,301.4m) against this facility. At 31 March 2019, 26% (£460.3m) of GHA's housing properties remained unsecured.

Borrowings are repayable as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
In less than one year	187	2,018
In more than one year but less than two years	-	1,601
In more than two years but less than five years	-	2,971
In more than five years	811,891	757,733
	812,078	764,323

**Deferred income**

The deferred income balance is made up as follows:

	<b>Housing Association Grant £'000</b>	<b>Other £'000</b>	<b>Total Deferred Income £'000</b>
Deferred income as at 1 April 2018	32,137	6,112	38,249
Additional income received	26,631	2,054	28,685
Released to the Statement of Comprehensive Income	(19,762)	(3,225)	(22,987)
Deferred income as at 31 March 2019	39,006	4,941	43,947

This is expected to be released to the Statement of Comprehensive Income in the following years:

<b>Deferred income to be released to the Statement of Comprehensive Income:</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
In less than one year (note 20)	34,552	16,144
In more than one year but less than five years	9,395	22,105
In more than five years	-	-
	43,947	38,249

**Financial instruments**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets:</b>		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	75,520	95,429
<u>Measured at fair value:</u>		
Due from other group companies	26,381	25,736
Total	101,901	121,165

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

**Financial liabilities:**

Measured at amortised cost:

Creditors, accruals and deferred income 897,244 855,128

Measured at fair value:

Scottish Government loan 35,531 29,187

Total 932,775 884,315

Income earned and expense payable on the financial assets and liabilities is disclosed in notes 11 and 12 respectively.

**22. Provisions for liabilities and charges**

	<b>Development Agreement £'000</b>	<b>Insurance £'000</b>	<b>Dilapidation Provision £'000</b>	<b>Total £'000</b>
At 1 April 2018	57,610	536	-	58,146
Created in year	-	-	750	750
Utilised	(19,190)	(101)	-	(19,291)
At 31 March 2019	<u>38,420</u>	<u>435</u>	<u>750</u>	<u>39,605</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 is held in respect of the excess arising on all outstanding insurance claims.

**Dilapidation Provision**

This provision represents the estimated costs of dilapidation works required under lease contracts for office properties leased by GHA.

**23. Share capital**

	<b>2019 £</b>	<b>2018 £</b>
Shares of £1 each issued and fully paid		
At 1 April	12	10
Issued during year	2	3
Surrendered during year	(2)	(1)
At 31 March	<u>12</u>	<u>12</u>

Share capital does not carry any voting rights or rights to dividend payments.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

### **24. Pensions**

#### **Strathclyde Pension Fund**

The Glasgow Housing Association Limited participates in the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. Strathclyde Pension Fund is part of the wider Local Government Pension Scheme (“LGPS”) in Scotland. The assets of the scheme are held separately from those of the Association with investments under the overall supervision of the Fund Trustees. The latest full actuarial valuation was carried out as at 31 March 2017. The next full actuarial valuation is due as at 31 March 2020.

#### GMP

Guaranteed minimum pension (“GMP”) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men’s and women’s benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Funds’ actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation is to increase the share of total liabilities in SFP for Glasgow Housing Association by approximately £2,265k.

#### McCloud/Sargeant Ruling

The benefit structure of the LGPS in Scotland was reformed in 2015 and transitional protections were applied to certain older members close to normal retirement age.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination.

The actuary for SPF has assessed the likely impact of the ruling on the liability of the funds in conjunction with the principal actuarial assumptions used for the valuation, and has concluded that the ruling has no impact on the scheme.

The liabilities disclosed for Strathclyde Pension Fund at 31 March 2019 include the estimated impact on liabilities of the GMP indexation<sup>6</sup>.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**24. Pensions (continued)**

The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation is to increase the total liabilities by approximately £2,265,000 for Glasgow Housing Association.

The liabilities disclosed for Strathclyde Pension Fund at 31 March 2019 include the estimated impact on liabilities of both the McCloud ruling and the GMP indexation.

**Wheatley Housing Group Defined Contribution Scheme**

The Wheatley Group also operates a defined contribution scheme through Salvus Master Trust. These arrangements are open to all employees of GHA who are not members of the Strathclyde Pension Fund.

**Defined Benefit assets and obligations**

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:

	<b>31 March 2019</b>	<b>31 March 2018</b>
Discount rate	2.60%	2.7%
Future salary increases	*2.0%	**2.0%
Inflation	2.35%	2.2%

\*Salary increases are assumed to be 2.20% p.a. for 2019/20 and 2.0% p.a. thereafter.

\*\*Salary increases are assumed to be 2.10% p.a. for 2018/19 and 2.0% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2019, 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: 21.4 years (male) (2018 21.4 years), 23.7 years (female) (2018 23.7 years).
- Future retiree upon reaching 65: 23.4 years (male) (2018 23.4 years), 25.8 years (female) (2018 25.8 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018 (continued)**

**24. Pensions (continued)**

*Movements in present value of defined benefit obligation*

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	<b>390,536</b>	<b>379,638</b>
Current service cost	12,138	11,528
Interest cost	10,678	10,708
Loss on curtailment	4,180	535
Actuarial losses/(gains)	19,462	(5,996)
Contributions by members	2,346	2,369
Estimated benefits paid	(8,186)	(8,246)
	<hr/>	<hr/>
Closing defined benefit obligation	<b>431,154</b>	<b>390,536</b>

*Movements in fair value of plan assets*

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of plan assets	<b>417,945</b>	<b>403,580</b>
Expected return on plan assets	11,317	11,315
Actuarial gains	13,607	1,423
Contributions by the employer	8,836	7,504
Contributions by the members	2,346	2,369
Estimated benefits paid	(8,186)	(8,246)
	<hr/>	<hr/>
Closing fair value of plan assets	<b>445,865</b>	<b>417,945</b>

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded defined benefit obligations	(430,797)	(390,247)
Present value of unfunded defined benefit obligations	(357)	(289)
Fair value of plan assets	445,865	417,945
Net asset	<hr/>	<hr/>
	14,711	27,409

*Expense recognised in the statement of comprehensive income*

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	12,138	11,528
Losses on settlements or curtailments	4,180	535
Net interest on net defined benefit obligation (note 11)	(639)	(607)
	<hr/>	<hr/>
	11,855	11,456

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**24. Pensions (continued)**

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £5,855k loss (2018: £7,419k gain).

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Equities	285,354	292,562
Corporate bonds	107,008	75,230
Property	44,587	45,974
Cash	8,916	4,179
	<hr/>	<hr/>
	445,865	417,945
Actual return on plan assets	24,924	12,738

**25. Related party transactions**

Members of the Management Board are related parties of the Association as defined by FRS 102.

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

**Tenant and factored homeowners Board Members**

The following members are tenants or factored homeowners of the Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage.

Kate Willis  
Iwona Majzuk-Soska  
Jean Albert Nietcho  
Bernadette Hewitt  
Robert Geddes  
Cathy McGrath  
Michael McNamara

Transactions entered into with members, and rent arrear balances outstanding at 31 March, are as follows:

	<b>2019</b>
	<b>£'000</b>
Rent charged during the year	33
Arrears balances outstanding at 31 March 2019	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**25. Related party transactions (continued)**

**Other related parties**

Related party interests and transactions during the year are as follows:

	<b>Invoiced in the year £'000</b>	<b>Year end balance £'000</b>
<b>2019</b>		
Bernadette Hewitt - Transforming Communities Glasgow	-	-
Bernadette Hewitt - Barmulloch Community Development	-	-

All transactions were on commercial terms and at arm's length.

During the year GHA held nomination rights to a directorship of Transforming Communities: Glasgow ("TC:G"). Bernadette Hewitt serves as a GHA nominated director on the board of TC:G.

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 with Kathleen Willis serving on the board during the year.

**26. Cash Flow Analysis**

<b>Cash flow from operating activities</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Deficit for the year	(20,912)	(16,081)
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	49,533	47,220
(Increase)/decrease in trade and other debtors	(189)	2,551
(Decrease)/increase in trade and other creditors	(17,611)	23,651
Increase/(decrease) in provisions	649	(175)
Pension costs less contribution payments	7,482	4,559
<u>Adjustments for investing or financing activities:</u>		
Proceeds from the sale of tangible fixed assets	(202)	(3,610)
Government grants utilised in the year	(22,987)	(19,492)
Interest paid	43,028	44,587
Interest received	(1,286)	(3,169)
Movement in fair value of financial instruments	4,709	350
Transfer of grant on disposal of MMR units	600	-
Loss on investment activities	8,621	3,606
<b>Net cash inflow from operating activities</b>	<b>51,435</b>	<b>83,997</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**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 Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

## **SUPPLEMENTARY INFORMATION**

### **Secretary and Registered Office**

Anthony Allison  
Glasgow Housing Association Limited  
Wheatley House  
25 Cochrane Street  
Glasgow G1 1HL

### **Independent auditor**

KPMG LLP  
319 St Vincent Street  
Glasgow G2 5AS

### **Bankers**

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