

**Govan Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2015**

**Registered Housing Association No. HEP87**

**FCA Reference No. 1686R(S)**

**Scottish Charity No. SC009055**

# GOVAN HOUSING ASSOCIATION LIMITED

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 <b>Registration Particulars:</b>	
Financial Conduct Authority	Reference No 1686 R(S)
Scottish Housing Regulator	Registration Number: HEP 87
Office of the Scottish Charity Regulator:	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC009055

**GOVAN HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2015**

**MANAGEMENT COMMITTEE**

Mr W Pritchard	Chairperson
Ms Anne Irvine	Vice Chairperson
Miss G Hay	Secretary
Mrs A Connelly	
Mr T Dawson	Resigned 05/09/2014
Mr J Hendry	
Mr J Flanagan	
Bailie F Thomas	Glasgow City Council Representative
Ms K Russell	Appointed 26/09/2014
Ms K McMillan	
Thomas McArthur	Appointed 27/04/14
Roger Chapman	Appointed 28/05/14

**EXECUTIVE OFFICERS**

Fiona McTaggart	Chief Executive
Natalya Macholla	Director of Finance and ICT
Kevin Nixon	Director of Operations

**REGISTERED OFFICE**

35 McKechnie Street  
Govan  
Glasgow  
G51 3AQ

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Royal Bank of Scotland  
788 Govan Road  
Glasgow  
G51 2YL

**SOLICITORS**

TC Young  
7 West George Street  
Glasgow  
G2 1BA

## GOVAN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2015.

#### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 1686R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC009055.

#### Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Govan Housing Association is a forward thinking and dynamic 'not for profit' social housing provider that owns and manages over 1,450 homes and provides factoring services to a further 580 homes in the Govan area of Glasgow. We employ 35 talented members of staff, including 11 specialist trade operatives which form our Govan HOME Team.

We have continued to develop our vision, our values and our strategic and operational outcomes for the Association and in the year have brought into effect our revised business plan reflecting the changes in the political, operational and economic environment our business and our residents currently operate in.

Our vision of what we want to achieve is:

*To provide, manage and maintain, affordable housing for people in housing need whilst aiming to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of our residents.*

The **strategic outcomes** we want to achieve during the lifetime of our new 3 year business plan will help us to realise our vision and are as follows:

- Provide a continually improving, high quality housing and factoring service that meets the needs and aspirations of our service users and protects the investment.
- Maximise participation, consultation and social inclusion in the delivery of our services.
- Improve our communities, quality of life and living conditions through regeneration initiatives.
- Ensure that the Associations services are delivered in a cost effective way.
- Ensure the business and viability of the Association is effective by providing efficient financial, administration and personnel systems.

Our **values** as an Association are summarised as follows:

- **Equality** - to ensure that everyone regardless of age, income, marital status, sex, disability, race, sexual orientation, religion and culture has equal access to services of the Association and employment by the Association or contractors working for the Association. Service provision should closely reflect the evolving needs of the community as a whole.

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

- **Quality** - to ensure that all property and services provided by the Association should be of a high quality, reflect the needs of the users and demonstrate high measurable standards.
- **Participation** - to ensure that the Association encourages and enables, participation by all sections of the community in meaningful consultation to ensure that services are appropriate and responsive.

The key focus of our new business plan is that customers are at the forefront of everything we do. There is a common goal through the company as each Directorate, team and each member of staff collectively and individually contributes to achieving the vision, outcomes, values and aims of Govan Housing Association.

The Management Committee has placed our residents at the centre of the culture of Govan Housing Association. Plans whereby tenants views and needs are at the pinnacle of what the Association aims to achieve are embedded in our training and development of staff and Management Committee members and the management of our contractors.

#### Governance and Decision Making

The strategic leadership and direction of the Association is provided by a Management Committee comprising 11 members. The Management Committee is supported by a Chief Executive and 2 Directors, the Executive Management team. The full list of Management Committee members during the period to 31 March 2015 is as follows:

#### Management Committee Members

Mr William Pritchard (Chair)	Appointed January
Ms Anne Irvine (Vice Chair)	Appointed March
Miss Georgina Hay (Secretary)	Appointed May 1979
Mrs Alice Connelly	Appointed May 2003
Ms Karen Russell	Appointed September 2014
Mr John Hendry	Appointed November 2011
Ms Baillie Fariha Thomas	Appointed June 2012
Ms Kellieanne McMillan	Appointed January 2014
Mr Thomas Dawson	Appointed October 2009,
Mr John Flanagan	Appointed April 1998
Mr Roger Chapman	Appointed May 2014
Mr Thomas McArthur	Appointed April 2014

All tenancies for the above tenant members of the Management Committee are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2010 and these members cannot use their position on the Management Committee to their advantage. Any transactions with Glasgow City Council are made at arm's length, on normal commercial terms and the Management Committee members who are also Councillors cannot use their position on the Management Committee to theirs or the council's advantage.

Each member of the Management Committee holds one fully paid share of £1 in Govan Housing Association. The Executive Officers of Govan Housing Association hold no interest in Govan's share capital and although not having the legal status of "Director" they act as Executives within the authority delegated by Management Committee. The members of the Management Committee are unpaid. The governance arrangements include a Management Committee with additional Committees for Audit, Staffing and Operations.

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The Management Committee has seen a considerable change in its membership and governance since 2012. The governance of the Association has been significantly strengthened with the addition of a number of new members with a range of relevant knowledge, skills and experience.

The Management Committee is currently in the process of implementing a governance and training plan for all Committee members. This will ensure that governance arrangements are 'fit for purpose' and reflect the best practice guidance. Key areas being explored and evaluated include:

- Continual review of terms of Management Committee members;
- Introduction of new Codes of Conduct and Governance;
- Full development of a training needs analysis for individual Committee members and the Committee as a whole;
- Continual focus on succession planning and Committee member development;
- Continual development of the 3 sub-committees to support the Management Committee;
- Recognition of customer led scrutiny of the Association through the Service Scrutiny Panel and other means.

The Executive Management Team of the company during the period to 31 March

#### Executive Management Team

Mrs Fiona McTaggart	Chief Executive	In post
Ms Natalya Macholla	Director of Finance and ICT	In post from April 2014
Mr Kevin Nixon	Director of Operations	In post from May 2014

The Executive Management Team, led by Chief Executive, Fiona McTaggart, are responsible for achieving the vision, strategic and operational outcomes, priorities and plans of the Management Committee outlined in the business plan. It is vital that the Executive Management Team ensure a high standard of professionalism, performance and innovation in their work. Vital to this is the ability to demonstrate a dynamic and hands-on approach in their work and in leading their respective teams as we continue to drive towards our overall mission of *'Moving Govan Forward'*.

#### Recruitment and Training of Members

Vacancies on the Management Committee are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wider range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Management Committee members receive initial induction training and are then eligible to attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.

#### Business Plan 2015 - 2018: *'Moving Govan Forward'*

The business plan is the primary document for Govan Housing Association; it provides the strategic and operational direction for the Association, provides staff and Committee with a common direction, and helps to ensure that we remain a financially viable, fit for purpose organisation aiming to improve services and provide a high standard of living for our residents. We view this document not only as a working tool for staff and Management Committee but also as a public declaration of our continuing commitment to all those who have a vested interest in our business.

## GOVAN HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The business plan demonstrates how we will achieve our vision and priorities over the next three years. It confirms how we are responding to the environment in which we operate to improve services, the quality of our stock and to help create sustainable communities and support fully our local community over the next three years and beyond.

Govan Housing Association possesses a rich history and one of development and innovation. Founded in 1971, Govan Housing Association was the first community based housing provider, leading the way for social housing provision in Scotland. It is this innovation that our new business plan aims to achieve and as such the business plan sits within the wider strategic framework of priorities and plans for housing and communities, both locally and nationally working collaboratively with key partners such as Central Govan Action Plan to regenerate and continually develop and improve the lives of our residents and future residents in the Govan area.

A number of changes have taken place over the past few years, including an extensive staff restructure and comprehensive service reviews. The business plan will cover the period April 2015 to March 2018. It will endeavour to build on the successes of the last few years, as well as the learning from some significant challenges presented to the housing sector as a whole, notably the welfare reform, increasing levels of fuel poverty, the requirement for all of our stock to meet the Scottish Housing Quality Standard and the need to protect our investment through comprehensive planned and cyclical maintenance programmes. It was approved by the Management Committee in March 2015.

The Management Committee and staff have worked collaboratively on this business plan during 2014 with business development days and staff team building days providing a strong basis for discussion and joint working in shaping this business plan for the next three year period. The Association shall also continue to consult on the business plan through a variety of methods, including community events. Our Service Scrutiny Panel shall also continue to play a fundamental role in ensuring that there is a true tenant led scrutiny of our plan and our work during the period of the plan. To support this, the plan contains detailed key performance indicators, a comprehensive and outcome driven 30 year financial projection and strategy, an Operations Service Plan, a community development and regeneration strategy and full risk management outline to ensure that the plan will deliver tangible benefits and strong outcomes for our residents and the community of Govan as a whole.

## STRATEGIC REPORT

### Overview

The finances of the organisation are governed by the detailed 30 year financial projections and strategy outlined in the business plan which was agreed by the Management Committee in March 2015. These projections demonstrate the challenges that the Association is expecting to meet and demonstrate the likely impact on the cash flow and financial capacity of the Association when meeting these challenges. The financial projections outlined in the business plan are reviewed regularly and approved by the Management Committee annually. This process is linked fully to the annual budget process and the management of our financial covenants with our key lender, The Royal Bank of Scotland.

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

During the year, Govan Housing Association successfully achieved The Scottish Government requirement with regards to Scottish Housing Quality Standard (SHQS) by the deadline of the 31 March 2015. Of the stock 51% met the SHQS with the remainder of the stock either being exempt or abeyances at the year end. This is predominantly in relation to the pre-1919 tenements and the inability to remodel particular areas of the properties due to the current layouts. The majority of the expenditure in the year was in relation to internal modernisations.

The Association has also carried out a comprehensive investment in its existing stock over the year, including working with Central Govan Action Plan to plan future investment programmes in some of our pre-1919 tenemental stock going forward into the next financial year.

The Association is in a strong financial position with revolving loan facilities available to it on demand. The Association has also confidently met its banking covenants and borrowing requirements throughout the year.

As a business we continue to recognise the growing financial and structural pressures on the sector but consider that we have the commitment, skills, financial capacity and structure to enable us to provide a quality, customer-focussed and diverse service to our residents.

#### Income and Expenditure

The turnover of £5.528m relates mainly to the income from the letting of properties which accounts for £5.153m of this total. The balance of income of £0.375m relates to support activities, factoring income, grant funding from sources such as the Scottish Government and People and Communities Fund.

Total Operating Expenditure was £4.214m, consisting of:

- Service Costs £0.211m.
- Management and maintenance administration costs - £1.746m.
- Reactive Maintenance - £0.736m.
- Planned and Cyclical Maintenance, including Major Repairs - £0.435m (major repairs expenditure) which has been capitalised in note 11 on page 33.
- Other Costs - £1.086m.

#### Balance Sheet

Housing Properties are demonstrating additions of £2.623m in the year, of which the majority of this balance relates to properties purchased towards the end of the financial year. The Association received support from Glasgow City Council (Development and Regeneration Services) to acquire these, previously owner-occupied or privately let properties, across Govan. The remainder of this balance related to major repair costs to existing properties which were capitalised in line with the component accounting guidelines and related to central heating replacement at our supported accommodation, bathroom replacements within our property managed by the Talbot Association and window replacements within our properties at Festival Court.

Our other Tangible Fixed Assets have also increased in the year following completion of our office refurbishment and the purchase of a van, following the inclusion of a fully-qualified electrician to our Govan HOME Team in the year.



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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The debtors balance at the year end is £1.113m of which the gross rent debtor equates for £0.322m. The former tenant arrears have a provision for bad debt based on the value of the debt with current tenant arrears being provided for based on the age of the debt currently in effect. Also included in the debtors figure at the year end is a balance of £0.699m which relates to the Social Housing Grant accrued in relation to the acquisitions carried out towards the year end. All monies in relation to this balance have been received post year end.

The cash in hand at the year end is £2.695m.

#### **Surplus for the year and transfers**

The results for the year are shown in the Income and Expenditure Account on page 23. The surplus made in the year of £910,686 (2014 - £903,978) has been transferred to the Association's revenue reserve in full.

Note 18 on page 37 details the reserve position at the year end.

#### **Cash Flows**

The Cash Flow statement is shown on page 25. The net cash inflows from operating activities were £2.511m. The principal cash outflows were operating costs and investment.

#### **Financing and Liquidity**

The Association continues to hold a £2.5m revolving credit facility which remains undrawn but which are immediately available for drawing should they be required. During the year no additional short or long term borrowing was required.

The 2014/15 cash flow was managed so that the Association would fund the current year's activities with no borrowing required. Going forward into 2015/16, as the investment programme progresses and results of the stock condition survey become evident, the Association do not foresee any need to borrow additional sums in order to meet requirements.

#### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 28 days from receipt of an invoice.

#### **Capital Structure and Treasury Management**

The Association's operations are funded on the basis of a 30 Year Business Plan which has to be reviewed annually. The funding is driven by a loan facility provided by our main lender, The Royal Bank of Scotland and grants provided by the Scottish Government. At the 31 March 2015 the Association had £2.5m in undrawn loan facilities which are immediately available for drawing should they be required.

The Association also has in place an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015**

The Association, as a matter of policy, will maintain a mixed portfolio of fixed and variable interest rate borrowing with no more than 50% of borrowings exposed to variable rates. At 31 March 2015 the Association has a mix of 51% long term fixed and 49% variable rate finance.

### **Planning for the future**

The Association will review its 30 year Business Plan annually which includes all long term plans for the business over the 30 year period. This is subject to review and amendment every year as real issues emerge and the financial climate changes so too must the Business Plan evolve to meet those challenges. Where required, the Business Plan projections will be reviewed on a more regular basis to ensure that risks are managed and current challenges are met without putting the business or its investment at risk.

The financial projections are a sub-section of the overall Business Plan. They demonstrate the key aspects of the business and the main areas of expenditure, notably; operating costs, planned and cyclical maintenance, day-to-day repairs and general investment across our stock. The key areas of funding for these activities are rental income, grants and loan debts. The financial plan and projections provide certainty in demonstrating the Association's ability to achieve the objectives of the Business Plan and provide a direct correlation between the strategic and operational objectives and the resources required to achieve these.

The key assumptions underpinning the 30 year projections are the investment in our stock to meet relevant standards and monies required to meet the costs of maintaining our stock based on our stock condition survey data and the Association's overall asset management strategy. In addition to this, the plan also demonstrates caution around the welfare reform, anticipating higher levels of rent arrears and potential void loss. The plan also includes resource to bring up the general environment in which our tenants and residents live, including back court improvements and wider regenerative initiatives.

The sensitivity analysis incorporated into our 30 year projections provides the Association with better awareness and the resources to assist with the management of any potential challenges which affect the Association and indeed the housing sector as a whole.

### **Risk Management and Internal Control**

The Association recognises that there are risks associated with anything new and untried and as a result wants to embrace new opportunities and recognising that, it will rarely be possible to remove risk associated with new opportunities completely. Thus the Association's aim is to identify, manage and minimise, rather than eliminate, risks which may prevent the organisation achieving its objectives. The identification and management of risk is on-going and occurs as changes are made to how the Association operates and to the external environment in which it works.

This risk management policy forms part of the Association's internal control and corporate governance arrangements. The policy explains the Association's underlying approach to risk management, and documents the roles and responsibilities of the Management Committee, the Executive Management Team, and other key parties. Central to the Association is its processes and framework for risk management. The Association is committed to embedding risk management throughout the organisation and its systems and controls are designed to ensure that exposure to significant risk is properly managed. The Management Committee set internal policy on risk and internal control as well as having responsibility for determining the strategic direction and providing oversight of risk management.

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The Association recognises that the management of risks is a continuous process that is linked to the Association's annual business planning cycle and is designed to identify and prioritise the risks to the achievement of policies, aims and objectives. Therefore, the Association encourages a culture that embraces risk at the heart of decision making and promotes this throughout the organisation so that risk appreciation and consideration is a part of normal work.

Management Committee will evaluate the effectiveness of the Association's risk management and internal control procedures. As part of this, the risk register is reviewed and reported via the Audit Sub-Committee, with ownership of each risk being attached to a specific officer of the Association. The top 5 risks facing the Association are currently:

1. Loss of income due to significant increases in arrears, particularly due to the impact of the Welfare Reform.
2. Increase in the SHAPS final salary pension scheme deficit liability leading to additional contribution costs and pressures on resources and cash flow of the Association.
3. Increases in costs and reductions in private finance in light of the current financial and economic climate impacting on investment opportunities.
4. Failure to delivery on the asset management strategy of the organisation resulting in hard-to-let properties and a general fall in the standard of the Association's stock.
5. Failure to diversity our staffing and Management Committee to reflect the community composition.

#### Annual Return on the Charter

During the year, the Association produced our first Annual Report on the Charter, following on from the first Scottish Housing Regulator Landlord Report, this allowed us to demonstrate to tenants and service users our progress in meeting the standards and indicators outlined in the Scottish Social Housing Charter.

Over the past year the Association has tried a number of different ways to engage and obtain feedback on both our current and future service delivery. The Association has also taken different approaches to get our customers and the community as a whole involved. Throughout 2014-15, this has primarily taken the form of tenant consultation through newsletters, our Annual Fun Day, our Service Scrutiny Panel and attendance at key community events. This work has assisted us in determining what information might be of most interest to our customers.

Monitoring and reporting on our performance is something that we do on a regular basis, so although the format was new in the year, the principle was not. The SHR Landlord Report, demonstrated to us, that despite performing well in many areas of our business, there was room for improvement in certain areas.

#### Service Scrutiny Panel

During the year we have also developed our Service Scrutiny Panel providing more focus on the key purpose and aims of the group. The main focus of this Panel is to provide the Association with a unique opportunity to get our customers involved in assessing our performance, influencing decisions and making recommendations on how we could improve the services we provide.

The Panel has provided the Association with a formal way to present recommendations directly to Management Committee. Importantly, the Panel will also complement our other participation opportunities such as Registered Tenant Organisations and local community groups.

## GOVAN HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

#### OPERATING REVIEW

#### HOUSING MANAGEMENT

##### Key Performance Indicators (KPIs)

The Association's KPIs are reviewed quarterly via the Operations Sub Committee and documented in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator. The KPIs are also reported to our residents through our quarterly newsletters to ensure that our residents are fully aware of how the Association is performing.

The Operations Departments services have a fundamental role to play in delivering improved housing services to our tenants, driving forward efficiency and delivering agreed outcomes whilst ensuring that the needs of our community are recognised. As a result, Housing Management are committed to continuous improvement and to playing its part in enabling the Association to achieve its aims and objectives. With this in mind, we aim to ensure that we meet our performance targets and where we do not, we take the most appropriate remedial action to make improvements.

Services in housing management have been remodelled during 2014/15 with the introduction of a generic housing service. This comprehensive and proactive service model involving our Housing Officers, Housing Assistants and Customer Service Assistants will ensure that our resident's enquiries and requests will be progressed effectively and efficiently through the Association, ensuring the Association achieves quality outputs and improved resident satisfaction. This service model will drive customer focus and will be heavily performance outcome driven.

KPI	Target	2014/15	2013/14
New Lets	n/a	26	55
Re-Lets	n/a	168	196
Total Gross Arrears	5%	6.58%	6.08%
Void Re-let Times	14 days	26 days	31 days
Void Rent Loss	0.50%	0.87%	1.15%
Section 5 Referrals	25%	45.24%	22.31%
Tenancy Sustainment > 1 year	n/a	88.05%	81.22%

The Association faces a challenging environment of welfare reform, economic downturn, increasing unemployment and reduced public spending. These factors are having, and will continue to have, an adverse effect on many of our customers, particularly those that are vulnerable and on low incomes.

Creating and maintaining successful tenancies lies at the heart of Govan Housing Associations vision - to create homes and places where people want to live. In 2012, we appointed a Tenancy Sustainment Officer to assist tenants with matters that may lead to them giving up their tenancy. During 2014/15 this role has been expanded to incorporate an element of community development to help build on the success of the tenancy sustainment role to date.

For the Association, Tenancy Sustainment is about understanding the importance of living in a secure environment and how this helps people to flourish through education, employment and good health. It is also about understanding the cost of tenancy breakdown - the personal, social and financial cost.

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

Our main objectives in relation to this area of the business are:

- To minimise the rate of tenancy failure, and possible homelessness, by identifying and responding appropriately to those whose tenance may be at risk.
- To mitigate, as far as possible, the impact of the Welfare Reform Act - both to the organisation and to our customers.
- To ensure customers understand the implications of the welfare reform changes, so empowering them to make informed choices in relation to their housing situation.
- To work in partnership with other organisations in the development, provision and procurement of advice and support services.
- To equip staff to provide accurate information to residents, either directly, or through effective signposting to appropriate organisations.
- To help customers improve their financial capability, enabling them to better manage their money so as to avoid/reduce debt, including rent arrears.
- To help customers to maximise their income by improving access to education, training training and employment opportunities.

A considerable part of this role is the creation and sustaining of partnership agreements (formal or informal) with external agencies. Partnership working is vital to the Association; we see the development of links with other agencies being of great benefit to our residents and in turn to the Association. Working in partnership ensures that we make our contribution in a more structured, holistic way, building and developing on work already being delivered across the Govan area.

#### Welfare Reform

Govan Housing Association has identified the loss of income due to welfare reforms as one of the highest risks affecting the business. To mitigate this risk the Association continues to work with our customers to provide advice and assistance on the impacts of welfare reform including:

- Advice on our website and regular features in our quarterly newsletter;
- Focus on early intervention in arrears cases to ensure advice and support can be provided before arrears escalate;
- Support through our in-house Tenancy Sustainment Officer in cases where customers are particularly vulnerable or indeed in complex cases.
- Support to existing customers wishing to downsize their home to offset the impact of any reduction in their housing benefit.
- Support through local partners, Money Matters, to provide a dedicated advice service providing practical support and assistance on all welfare and financial capability matters, including completing applications for housing and other benefits;
- Successfully bidding for £107k from Making Advice Work to sustain the service provided by Money Matters.
- On-going partnership working with Glasgow City Council to promote the take up of discretionary housing payments by our customers;
- Attendance at a number of local events to ensure that the Association is working with customers to best mitigate the impact of welfare reforms.
- Running local events e.g. Fun Day, to consult with local residents on key matters which are important to them, ensuring that the Association is well placed to meet local need.

#### Money Matters

Our partnership with Money Matters continues to develop. Money Matters has a wealth of knowledge and has been operating a successful advice centre since 1990. Money Matters have adopted a holistic approach to dealing with advice issues.

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The Money Matters service is diverse and is provided directly to the Association's residents currently two days per week, within the Association's premises. Some key examples of work carried out include: managing money with confidence, moving from benefits into employment, budgeting, saving, debt prevention, affordable credit, economical options for paying bills, etc. They also facilitate energy awareness sessions to offer essential information on heating your home effectively and saving money on your fuel costs. This is a vital service to the Association's residents and indeed the wider community.

## MAINTENANCE AND REPAIRS

### Maintenance

During 2014/15, Govan Housing Association received a total of 5,156 repairs orders, an increase of 645 from the previous year.

Emergency repairs have remained consistent with the previous year, equating for 3% of the total repairs recorded in the year.

The performance in the year on key areas of our repairs and maintenance services are outlined below along with the respective targets to which the key performance indicator relates:

KPI	Target	2014/15	2013/14
Emergency Repairs – Average Time	3 hours	1.48 hours	3.51 hours
Non-Emergency Repairs	4 days	4.18 days	4.12 days
Gas Servicing	100%	98.04%	96.26%
Customer Satisfaction – Very of Fairly Satisfied	98%	98.22%	98.07%
Right First Time		93.60%	88.44%

### Acquisitions

During 2014-15 the Association worked in partnership with Glasgow City Council, Development and Regeneration Services (DRS), to acquire owner-occupied properties in the area. This piece of work has enabled the Association to acquire stock which will enable the Association to move forward with major repair works, where required, and provided much needed social rented accommodation to the Govan area. At the 31 March 2015, the Association had acquired 36 properties with a further commitment to purchase a further 6 in the following financial year.

### Investment

The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in 2004 and sets a standard which all RSL and local authority housing stock must meet.

At the 31 March 2015, the Association held a total of 1,478 properties, of which 51% were meeting the SHQS and 45% were exempt. The exemptions are primarily in relation to the restrictions in the layouts of the pre-1919 tenemental stock. At the year-end, there were 25 properties failing the SHQS but all of these were in relation to the acquisition stock purchased at the year-end, whereby timescales did not allow for the works to be carried out prior to the year end. All necessary works have since been carried out to bring these properties up to standard.

## GOVAN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The work carried out during 2014-15, included the following:

- Central heating - approximate spend £28,000;
- Renewal of consumer units to meet SHQS - approximate spend £6,000;
- Replacement kitchens - approximate spend £6,000.

In addition to our SHQS compliance, the Association also has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of properties, which have come to the end of their economic lives. In line with the SORP, replacements to building components are capitalised in the accounts as they occur. All other major repairs are charged to the Incoem and Expenditure Account.

A number of extensive planned maintenance works have been undertaken in the year, including:

- Roof and gutter maintenance works (£189,000).
- Window replacement works at Festival Court (£93,000).
- Replacement of communal heating system at our supported accommodation, Jim Stephen House (£102,500).
- Urgent stonework repairs required to a number of our pre-1919 tenements (£105,000).
- Replacement of bathrooms at our properties managed by the Talbot Association (£47,500) of which the Talbot Association provided 50% funding towards.

Going forward into 2015-16, the Association shall be undertaking an extensive stock condition survey. The key objective of this piece of work is to build on the last stock condition survey carried out in 2012, and to develop a clean data-set to use as the foundation for all planned works going forward. The Association's aim is to strive towards 100% actual stock condition data, limiting the need to used cloned/assumed data. The longer term effect of this work will result in more accurate long-term planning both operationally and financial and importantly will provide an effective means by which to manage tenant expectations and provide high-quality homes for both current and future tenants.

#### **Govan HOME Team**

During 2014-15 the Association carried out a review of our in-house direct labour organisation with a view to seeking continuous improvements, and obtaining improved value for money. Our DLO, renamed Govan HOME Team delivers multi-trade services for our properties and our open and common spaces. After detailed options appraisals the Association developed further this area of the business to take forward the Association's ambition to deliver our savings and improvements. We have introduced our own in-house electrician which has provided efficiencies and reduced costs in this trade for our day-to-day repairs service.

In October 2012 the Association appointed Tom McLeod to take forward the development of the Govan Home Team. As Head of this service area, Tom has remodelled a more productive and self-sufficient working unit with the aim of providing a first class repairs service to our tenants. The team have now become established during 2014/15 and programmes of work are now laid out in many areas, particularly Ground Maintenance and Environmental works.

Going forward, these improvements and changes should show improved outcomes for tenants in relation to repairs and maintenance, improved open environments and green spaces, cleaner neighbourhoods and a more efficient and effective use of our staffing resources in delivering savings with improved standards.

## GOVAN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

In 2014/15 the Association completed the recruitment of new staff to reduce the necessity to continually rely on the use of external contractors which can be expensive for all our day to day repairs. The Association also increased our vehicle fleet to assist in speedier response times to jobs and have invested in heavy machinery reducing the costs associated with plant hire.

The Govan Home Team continue to develop the environment in and around Govan by, improving old brick bin stores and working to increase bin storage capacity, maintaining anti-dog fouling campaigns, power washing our streets and back courts, regenerating old and poorly positioned flower planters, fitting new kitchens and bathrooms and contributing to the development of hanging flower baskets along Govan Road.

All of these activities have been positive steps to "Moving Govan Forward" and these changes have been embraced by the staff who recognise the need for change themselves.

The restructured service models implemented in 2014/15 have been essential components for the Association in delivering on our improvements agenda and as we look to the future investments from our planned maintenance programs such as guttering, renewal of electrical consumer units, gas maintenance, painter works, stonework repairs, roof repairs, new central heating, boiler replacements, kitchen upgrades and renewals.

#### **Gas Safety Compliance**

The Association has a legislative obligation to maintain all gas appliances within its properties. This maintenance obligation extends to an annual inspection and service of each appliance, with appropriate certification being issued by a registered Gas Safe engineer. This obligation excludes appliances installed by tenants.

As at March 2015, 98.04% of applicable appliances had a valid safety certificate. Over the year, the Association has implemented a vigorous escalation procedure, including both Housing Management and Maintenance staff, to ensure access to all properties is achieved in advance of the expiry date of the safety certificate. When deemed necessary, this procedure includes forcing access to properties. To assist with this process, over the course of the year, the Association has reduced the gas servicing cycle to 10 months which will ensure that sufficient time is provided to access our most vulnerable tenancies and that quality or legislative requirements are not compromised.

#### **ORGANISATIONAL DEVELOPMENT**

##### **Awards and Recognition**

During 2014-15, the Association was awarded with the prestigious Investors in People Silver Accreditation. This is an award that the Association is very proud of and comes at the end of a period of considerable change for the Association, recognising staffs key role in being a fundamental asset to how our services are delivered and developed. The Association aims to build on this going forward to continue to work towards further awards within the Investors in People Framework.

In addition to the Investors in People Silver Accreditation, the Association also in the year became one of the first Housing Associations in Scotland to receive the Investors in Young People Accreditation. This award demonstrated the recognition of the role that young people play in our business and demonstrates the Associations continued investment in the staff team at all levels.



## GOVAN HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The Association appreciates that continued investment in the people within our organisation helps to ensure that we have a diligent, committed and skilled staff team who care about the people in the community and are determined to provide the best service possible to our service users. These awards have been a great recognition demonstrating the passion of our staff team and also highlighting the freshness and vibrancy that young people bring to our organisation. We hope to build on this going forward, using our experience as an employer within the social rented housing sector to enhance the opportunities for young people and use this experience to develop the business as a whole.

#### Learning and Development Opportunities

Govan Housing Association remain committed to offering a wide range of learning opportunities for staff. This has included the provision of:

- Further education within a college or university setting through distance learning.
- Scottish Vocational Qualification Level 2 and 3 in Business Administration.
- Short courses.
- Conference attendance by both members of Govan Housing Association staff and Committee Members.

Towards the end of 2014-15, the Association introduced two new training roles within the Association; Trainee Tradesperson and Trainee Operations Assistant. These roles will not only include considerable vocational experience, they will also incorporate a full certificated qualification, including:

- Joinery Apprenticeship supported by the Scottish Building and Apprenticeship Training Council (SBATC) and including support by staff from the Construction Industry Training Board (CITB).
- Housing Level 4 Diploma in Housing Practice, Chartered Institute of Housing.

#### IT Systems

In the year the Association has carried out a comprehensive review of its IT systems from both a hardware and software perspective. The review was carried out by a newly created in-house ICT User Group consisting of staff from various areas of the business. The main purpose of this approach was to undertake a user and customer-focussed review and ensure that systems were fit for purpose and met both current and future need.

Following on from the review Management Committee approved a proposal to re-implement the

- Customer-focussed systems providing more options for our tenants to liaise with the Association;
- Streamlined systems which ensure that resource within the organisation is used effectively;
- Systems that will support the growth of the organisation and the service improvements that the Association aims to achieve;
- Systems that provide a more effective interface and promote interactivity between the Association and its key contractors;
- Strong robust systems, with good levels of internal control to protect the Association.

## GOVAN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

#### REGENERATION AND DEVELOPMENT

As part of our new business plan, the Association launched a Community Development and Regeneration Strategy covering a two year period from 2015 to 2017. Building on the work that has been carried out to date, the strategy takes on board the main mission of *'Moving Govan Forward'* and the view that the Association wants to deliver a service which goes far beyond the basic housing service. The Association through this strategy wants to deliver a service which puts the Association at the heart of the Govan community again, puts tenants and the wider community interests at the heart of projects undertaken and which tackles the wider economic and social challenges facing the Govan area.

Our vision is to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of residents.

#### Holistic Partnerships

Govan Housing Association are clear that the vision for the regeneration and development of the Govan area cannot be achieved alone and therefore a main element in our approach is about adopting a holistic partnership approach to tackle problems, deliver effective services, learn, innovate and add best value to our community. Management Committee's aim is to work in partnership with tenants, owners, staff, other Registered Social Landlords (RSLs), Glasgow City Council, local regeneration projects and other agencies to deliver a wide range of social, economic and environmental regeneration activities that will contribute to the creation of building a safer and sustainable community.

#### Our Key Aims

The Association wants our customers to feel safe, secure and supported by the community and for customers to have a long association with the area, to feel a sense of belonging and to have pride in it. This underpins the great importance of the holistic approach to partnership working, collaboratively working with others to:

- Contribute towards the broader needs and desires of our tenants and their respective communities.
- Establish opportunities for the growth and development of a stronger, more sustainable Govan community.
- Exploit opportunities to provide possibilities and wider options for our customers to build their skills and their life prospects.
- Provide resource and activities which our tenants can take pride in and which demonstrate vibrancy and inclusiveness attractive to both current and future customers and community members.

In order to achieve our objectives our Community Development and Regeneration Strategy will aim to deliver

1. Community Engagement and Involvement.
2. Employability and Training Opportunity.
3. Building Sustainable Communities.
4. Youth Development and Integration.

GOVAN HOUSING ASSOCIATION LIMITED

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015

**Going Concern**

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has the adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

## GOVAN HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

#### Management Committee and Executive Officers

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

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

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

#### Statement of Management Committee's Responsibilities

The Co-operative & Community Benefit Societies Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

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

GOVAN HOUSING ASSOCIATION LIMITED

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015

**Statement on Internal Financial Control**

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

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

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

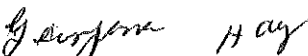
- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Auditors**

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

**By order of the Management Committee**

  
MISS G HAY  
Secretary  
30 July 2015

**GOVAN HOUSING ASSOCIATION LIMITED**

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**REPORT BY THE AUDITORS TO THE MEMBERS  
GOVAN HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 19 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on page 19 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
30 July 2015

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

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We have audited the financial statements of Govan Housing Association Limited for the year ended 31st March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective Responsibilities of Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit on the Financial Statements**

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

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

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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

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

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

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

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

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

We have nothing to report in respect of these matters.

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
30 July 2015



GOVAN HOUSING ASSOCIATION LIMITED

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2014 £
TURNOVER	2.	5,528,254	6,470,132
Operating Costs	2.	<u>(4,213,890)</u>	<u>(5,231,141)</u>
OPERATING SURPLUS	9.	1,314,364	1,238,991
(Loss) / Gain On Sale Of Housing Stock	7.	(26,221)	53,248
Interest Receivable and Other Income		12,893	13,123
Interest Payable and Similar Charges	8.	<u>(390,350)</u>	<u>(401,384)</u>
		<u>(403,678)</u>	<u>(335,013)</u>
<b>SURPLUS FOR THE YEAR</b>		<u>910,686</u>	<u>903,978</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

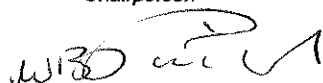
GOVAN HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	2015	2014
		£	£
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	83,507,543	81,523,710
Less: Social Housing Grant	11.(a)	(68,152,002)	(65,862,004)
		<u>15,355,541</u>	<u>15,661,706</u>
Other fixed assets	11.(b)	699,195	390,019
		<u>16,054,736</u>	<u>16,051,725</u>
<b>CURRENT ASSETS</b>			
Debtors	13.	1,112,722	437,993
Development Cost of Housing Property	22.	354,008	413,559
Cash at bank and in hand		2,695,296	2,688,372
		<u>4,162,026</u>	<u>3,539,924</u>
<b>CREDITORS: Amounts falling due within one year</b>	14.	<u>(1,924,381)</u>	<u>(1,852,041)</u>
<b>NET CURRENT ASSETS</b>		<u>2,237,645</u>	<u>1,687,883</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,292,381</u>	<u>17,739,608</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15.	<u>(11,229,650)</u>	<u>(11,587,561)</u>
<b>NET ASSETS</b>		<u>7,062,731</u>	<u>6,152,047</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	17.	213	215
Revenue Reserves	18.(b)	7,062,518	6,151,832
		<u>7,062,731</u>	<u>6,152,047</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 30 July 2015.

Chairperson



Vice-Chairperson

Anne Irvine

Secretary



GOVAN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2015

	Notes	2015	2014
		£	£
Net Cash Inflow from Operating Activities	16.	2,510,601	1,691,942
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		12,893	13,123
Interest Paid		(390,350)	(401,384)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		<b>(377,457)</b>	<b>(388,261)</b>
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(2,623,243)	(1,091,662)
Purchase of Other Fixed Assets		(374,423)	(97,472)
Social Housing Grant Received		1,316,887	96,676
Proceeds on Disposal of Properties		-	53,248
Proceeds on Disposal of Other Fixed Assets		2,641	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<b>(1,678,138)</b>	<b>(1,039,210)</b>
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		<b>455,006</b>	<b>264,471</b>
<b>Financing</b>			
Loan Advances Received		-	2,711,000
Loan Principal Repayments		(351,573)	(1,368,316)
Share Capital Issued		5	8
<b>Net Cash (Outflow) / Inflow from Financing</b>		<b>(351,568)</b>	<b>1,342,692</b>
<b>Increase in Cash</b>	16.	<b>103,438</b>	<b>1,607,163</b>

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

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

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

##### **Basis Of Consolidation**

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements. The Financial Statements for Govan Housing Association Limited present information about it as an individual undertaking and not about its Group.

##### **Turnover**

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

##### **Retirement Benefits**

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

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

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

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Kitchen	Over 15 years
Bathroom	Over 20 years
Central Heating	Over 15 years

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

Office Premises	2%
Furniture and Fittings	25%
Vehicles	15%
Office Equipment	25%

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

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

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

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

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

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

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

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

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

# GOVAN HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Leases/Leased Assets**

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

### **Works to Existing Properties**

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

### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

### **Property Development Cost**

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

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

### **Housing Property Managed By Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	5,153,015	3,781,332	1,371,683	4,925,295	3,439,499	1,485,796
Other Activities	4.	375,239	432,558	(57,319)	1,544,837	1,791,642	(246,805)
<b>Total</b>		<b>5,528,254</b>	<b>4,213,890</b>	<b>1,314,364</b>	<b>6,470,132</b>	<b>5,231,141</b>	<b>1,238,991</b>

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

	General			2015 Total £	2014 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	4,822,756	61,339	71,031	4,955,126	4,756,750
Service Charges Receivable	124,180	-	95,765	219,945	194,827
<b>Gross Rents Receivable</b>	<b>4,946,936</b>	<b>61,339</b>	<b>166,796</b>	<b>5,175,071</b>	<b>4,951,577</b>
Less: Rent losses from voids	44,394	378	-	44,772	56,932
<b>Net Rents Receivable</b>	<b>4,902,542</b>	<b>60,961</b>	<b>166,796</b>	<b>5,130,299</b>	<b>4,894,645</b>
Revenue Grants from Scottish Ministers	22,716	-	-	22,716	30,650
<b>Total Income From Social Letting</b>	<b>4,925,258</b>	<b>60,961</b>	<b>166,796</b>	<b>5,153,015</b>	<b>4,925,295</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	139,272	4,829	67,403	211,504	212,170
Management and maintenance administration costs	1,721,189	11,670	13,518	1,746,377	1,475,217
Reactive Maintenance	735,270	-	308	735,578	568,387
Bad Debts - Rents and Service Charges	87,417	-	577	87,994	53,828
Planned and Cyclical Maintenance, including Major Repairs	433,917	-	946	434,863	559,068
Depreciation of Social Housing	563,149	-	1,867	565,016	570,829
<b>Operating Costs of Social Letting</b>	<b>3,680,214</b>	<b>16,499</b>	<b>84,619</b>	<b>3,781,332</b>	<b>3,439,499</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,245,044</b>	<b>44,462</b>	<b>82,177</b>	<b>1,371,683</b>	<b>1,485,796</b>
<b>2014</b>	<b>1,450,591</b>	<b>(8,127)</b>	<b>43,332</b>		

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Wider Role Activities	97,492	47,412	-	7,748	152,652	-	210,716	(58,064)	(8,377)
Factoring	-	-	-	66,678	66,678	15,474	70,999	(19,795)	(29,794)
Development and construction of property activities	-	-	-	-	-	-	-	-	(214,521)
Development of Property for sale to non RSLs	-	-	-	127,533	127,533	-	127,533	-	-
Other Income	-	-	-	15,966	15,966	-	-	15,966	775
Sale of other fixed assets	-	-	-	2,641	2,641	-	4,280	(1,639)	-
Other Activities	-	-	-	9,769	9,769	-	3,556	6,213	5,112
<b>Total From Other Activities</b>	<b>97,492</b>	<b>47,412</b>	<b>-</b>	<b>230,335</b>	<b>375,239</b>	<b>15,474</b>	<b>417,084</b>	<b>(57,319)</b>	<b>(246,805)</b>
2014	-	173,779	-	1,371,058	1,544,837	2,158	1,789,484	(246,805)	



## GOVAN HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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

##### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>80,756</u>	<u>77,993</u>
Compensation payable to Officers for loss of Office	<u>103,304</u>	<u>105,720</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>10,098</u>	<u>4,476</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>80,756</u>	<u>77,993</u>

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

	Number	Number
£70,001 to £80,000	-	1
£80,001 to £90,000	1	-

##### 6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>33</u>	<u>35</u>
The average total number of Employees employed during the year was	<u>34</u>	<u>37</u>
Staff Costs were:	£	£
Wages and Salaries	1,163,723	1,300,556
Social Security Costs	91,033	105,666
Other Pension Costs	295,795	139,332
Temporary, Agency and Seconded Staff	634	1,733
	<u>1,551,185</u>	<u>1,547,287</u>

## GOVAN HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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

#### 7. (LOSS) / GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	-	53,248
Cost of Sales	26,221	-
(Loss) / Gain On Sale Of Housing Stock	<u>(26,221)</u>	<u>53,248</u>

#### 8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>390,350</u>	<u>401,384</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2014 £0).

Interest capitalised was incurred at varying rates of interest.

#### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	625,984	615,051
Auditors' Remuneration - Audit Services	8,713	8,430
- Other Services	355	150
Operating Lease Rentals - Other	3,360	-
Loss on sale of fixed assets	<u>1,639</u>	<u>-</u>

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

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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11. TANGIBLE FIXED ASSETS**

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
<b>COST</b>			
As at 1st April 2014	85,418,869	802,995	86,221,864
Additions	2,623,243	-	2,623,243
Disposals	(124,377)	-	(124,377)
As at 31st March 2015	<u>87,917,735</u>	<u>802,995</u>	<u>88,720,730</u>
<b>DEPRECIATION</b>			
As at 1st April 2014	4,674,979	23,175	4,698,154
Charge for Year	563,149	1,867	565,016
Disposals	(49,983)	-	(49,983)
As at 31st March 2015	<u>5,188,145</u>	<u>25,042</u>	<u>5,213,187</u>
<b>SOCIAL HOUSING GRANT</b>			
As at 1st April 2014	65,155,177	706,827	65,862,004
Additions	2,338,171	-	2,338,171
Disposals	(48,173)	-	(48,173)
As at 31st March 2015	<u>67,445,175</u>	<u>706,827</u>	<u>68,152,002</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2015	<u>15,284,415</u>	<u>71,126</u>	<u>15,355,541</u>
As at 31st March 2014	<u>15,588,713</u>	<u>72,993</u>	<u>15,661,706</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £262,043 (2014 £200,077)

All land and housing properties are freehold.

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. TANGIBLE FIXED ASSETS (Continued)

### b) Other Tangible Assets

	Motor Vehicles £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2014	64,738	398,338	262,000	725,076
Additions	10,274	288,361	75,788	374,423
Eliminated on Disposals	-	-	(106,667)	(106,667)
As at 31st March 2015	<u>75,012</u>	<u>686,699</u>	<u>231,121</u>	<u>992,832</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2014	28,403	106,376	200,278	335,057
Charge for year	5,117	13,734	46,396	65,247
Eliminated on disposal	-	-	(106,667)	(106,667)
As at 31st March 2015	<u>33,520</u>	<u>120,110</u>	<u>140,007</u>	<u>293,637</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2015	<u>41,492</u>	<u>566,589</u>	<u>91,114</u>	<u>699,195</u>
As at 31st March 2014	<u>36,335</u>	<u>291,962</u>	<u>61,722</u>	<u>390,019</u>

## 12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>368,838</u>	<u>212,332</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**13. DEBTORS**

	2015	2014
	£	£
Arrears of Rent & Service Charges	321,643	223,357
Less: Provision for Doubtful Debts	(152,080)	(110,187)
	<u>169,563</u>	<u>113,170</u>
Social Housing Grant Receivable	699,871	-
Other Debtors	243,288	324,823
	<u>1,112,722</u>	<u>437,993</u>

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

	2015	2014
	£	£
Bank Overdrafts (secured)	93,199	189,713
Housing Loans	357,897	351,558
Trade Creditors	270,881	244,321
Rent in Advance	349,202	-
Social Housing Grant in Advance	-	321,413
Other Taxation and Social Security	23,902	25,594
Other Creditors	471,346	446,157
Accruals and Deferred Income	357,954	273,285
	<u>1,924,381</u>	<u>1,852,041</u>

At the balance sheet date there were pension contributions outstanding of £28,362 (2014 £15,346)

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

	2015	2014
	£	£
Housing Loans	<u>11,229,650</u>	<u>11,587,561</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	357,897	351,558
Between one and two years	365,381	357,899
Between two and five years	1,145,197	1,122,137
In five years or more	9,719,071	10,107,525
	<u>11,587,547</u>	<u>11,939,119</u>
Less: Amount shown in Current Liabilities	357,897	351,558
	<u>11,229,650</u>	<u>11,587,561</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	1,314,364	1,238,991
Depreciation	625,984	615,051
Change in properties developed for resale	59,551	340,415
Change in Debtors	25,142	75,176
Change in Creditors	483,928	(577,677)
Loss on sale of fixed assets	1,639	-
Share Capital Written Off	(7)	(14)
Net Cash Inflow from Operating Activities	<u>2,510,601</u>	<u>1,691,942</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	103,438		1,607,163	
Cash flow from change in debt	<u>351,572</u>		<u>(1,342,684)</u>	
Movement in net debt during year		455,010		264,479
Net debt at 1st April 2014		<u>(9,440,460)</u>		<u>(9,704,939)</u>
Net debt at 31st March 2015		<u>(8,985,450)</u>		<u>(9,440,460)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	2,688,372	6,924		2,695,296
Bank Overdrafts	<u>(189,713)</u>	<u>96,514</u>		<u>(93,199)</u>
Debt: Due within one year	2,498,659	103,438		2,602,097
Due after more than one year	<u>(351,558)</u>	<u>351,571</u>	<u>(357,910)</u>	<u>(357,897)</u>
	<u>(11,587,561)</u>	<u>1</u>	<u>357,910</u>	<u>(11,229,650)</u>
Net Debt	<u>(9,440,460)</u>	<u>455,010</u>	<u>-</u>	<u>(8,985,450)</u>

## GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	215
Issued in year	5
Cancelled in year	<u>(7)</u>
At 31st March 2015	<u>213</u>

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

### 18. RESERVES

(b) Revenue Reserves	Total £
At 1st April 2014	6,151,832
Surplus for the year	<u>910,686</u>
At 31st March 2015	<u>7,062,518</u>

### 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	474	464
- Rehabilitation	995	969
Shared Ownership	23	23
Supported Housing	<u>23</u>	<u>23</u>
	<u>1,515</u>	<u>1,479</u>

Housing Units owned by the Association but managed by another body:

Name of Provider	Type of Funding	No of Units		Funds Payable to Provider	
		2015	2014	2015 £	2014 £
Talbot Association	N/A	1	1	-	-
Key Housing Association	N/A	1	1	-	-

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RELATED PARTY TRANSACTIONS

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

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

8 members are tenants of the Association

1 member is a factored owner

1 member is a relevant local councillor

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

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

#### 21. FIXED ASSET INVESTMENT

	2015	2014
	£	£
<b>Investments in Subsidiaries</b>		

The Association has a 100% owned subsidiary, South Clyde Housing Limited, a company limited by guarantee. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties. The Association has the authority to appoint and remove South Clyde Housing Limited's Board Members, thereby creating ownership.

The aggregate amount of capital and reserves and the results of South Clyde Housing Limited for the year ended 31st March 2015 were as follows:

	2015	2014
	£	£
Capital & Reserves	-	(40)
Loss for the year	-	7



## GOVAN HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22. DEVELOPMENT COST OF HOUSING PROPERTY

	2015 £	2014 £
Shared Equity Properties		
Completed Properties Unsold	1,136,986	1,254,470
	<u>1,136,986</u>	<u>1,254,470</u>
Less: Grants Received from Scottish Ministers	(782,978)	(840,911)
	<u>354,008</u>	<u>413,559</u>

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

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

The Scheme offers six benefit structures to employers, namely:

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

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

Govan Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 01 April 2010 and the career averaged revalued earnings with a 1/70th accrual rate scheme from 01 April 2011. Govan Housing Association has elected to operate a defined contribution benefit structure for all new staff from 01 April 2014.

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

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

During the accounting period Govan Housing Association Limited paid contributions at the rate of 9.6% to 12.3% of pensionable salaries for the defined benefit options and 10.45% of pensionable salaries for the defined contribution option. Member contributions were 9.6% to 12.3% for the defined benefit options and 5% for the defined contribution option.

As at the balance sheet date there were 17 active members of the Scheme employed by Govan Housing Association Limited. The annual pensionable payroll in respect of these members was £706,955. Govan Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

#### Financial Assumptions

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

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

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

## GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

#### Valuation Results

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

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

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

The Trustees have recently supplied Govan Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Govan Housing Association Limited will be required to pay £237,695 per annum as a contribution to the past service deficit. This will represent an increase/decrease of 3% in Govan Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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

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

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

# GOVAN HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. RETIREMENT BENEFIT OBLIGATIONS

### Growth Plan

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

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

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

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

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

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

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

As at the Balance Sheet date there were 0 active member(s) of the Plan employed by Govan Housing Association Limited.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. RETIREMENT BENEFIT OBLIGATIONS

### Growth Plan (Contd.)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a past service funding level of 84%.

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) were £984 million. The update, therefore revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement - Active/Deferred	4.2
Rate of return post retirement - Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

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

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

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### Growth Plan (Continued)

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

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

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

