

***GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2017***

Financial Conduct Authority. 1791 R (S)

Registered Housing Association No. HCE 117

Registered Charity No. SC010307

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2017

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GOVANHILL HOUSING ASSOCIATION LIMITED
FINANCIAL AND OPERATIONAL REVIEW
For the year ended 31 March 2017

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KEY FINANCIAL HIGHLIGHTS

	<u>2016/17</u>	<u>2015/16</u>	<u>Change</u>
• Surplus for the year	£1,469,529	£1,448,264	+1%
• Net investment in improving existing tenants homes and also providing new housing	£9,936,094	£10,418,873	-5%
• Financial reserves	£26,027,958	£23,158,410	+12%
• Current ratio	1.08 times	1.22 times	
• Interest cover ratio	3.64 times	4.65 times	

The Association has the following strategic objectives:

1. To provide good quality, cost effective housing and services that meet customers' needs, while also raising levels of customer participation, service and satisfaction.
2. To sustain the quality and demand for the Association's existing housing stock, and develop new affordable housing in Govanhill where this can be done in a financially sustainable way.
3. To contribute to the eradication of sub-standard housing in Govanhill, alongside continued campaigning for long-term solutions that minimise risk to the Association.
4. To work closely with Govanhill Community Development Trust and other partners to deliver wider regeneration activities that will benefit the Govanhill and Merrylee communities.
5. To base our decision making on sound evidence and financial assessments, and provide good support to our committee members and staff in their roles.

In the year under review, the Association commenced development at 195-201 Victoria Road and spent £9.9 million on the acquisition and improvement of housing properties. This included the strategically important acquisition of a further 82 properties in South West Govanhill at a cost of £5.9 million fully funded by the Scottish Government and Glasgow City Council. This brings the total of acquisitions in the area to 184 properties (compared with an initial target of 80) and further grants were received to refurbish these properties. Following the success of the pilot project in this area, the Scottish Government and Glasgow City Council have approved a four year extension to the programme.

The Association has a £15 million loan facility with Barclays Bank PLC. This facility was put in place to fund the Association's financing requirements which were identified in its 30-year business plan and agreed with Barclays. At 31 March 2017 total drawdowns to date against the facility amounted to £10.8 million. 10-year interest rate fixes have been arranged for a number of these loans to reduce the Association's exposure to future increases in interest rates. The financial covenants attached to these loans were all comfortably met during the year to 31 March 2017.

The Association has one live new build project at 195-201 Victoria Road which is expected to complete in May 2018. This will provide 42 units in a seven-storey corner building that will include two and three bedroom flats as well as larger family homes and amenity flats for elderly people with wheelchair access for some. The Association has two additional sites at 134 Inglefield Street and 159 Butterbiggins Road for future development. The new build in Inglefield Street is due on site in October 2017 and will provide 22 units and the Butterbiggins Road development is scheduled to start in 2018 with the provision of 25 new homes.

Principal risks and uncertainties:

- 1. Loss of rental income due to Welfare Reform measures or housing benefit changes.*
- 2. Political and financial factors impacting on future plans.*
- 3. Continued adverse housing and demographic change across the wider Govanhill area.*
- 4. Increasing proportion of existing and prospective tenants find that rent levels are unaffordable.*
- 5. Major repair costs increasing above levels budgeted for in the Business Plan.*
- 6. Increasing loss of rental income due to voids.*

Corporate Governance:

The Management Committee (MC) is the Association's governing body. It has a minimum of seven and a maximum of fifteen members, including co-optees. Co-opted members are appointed directly by the MC, if the MC decides that this would be beneficial to broaden the skills experience or perspectives that the MC can draw upon.

Four sub committees support the work of the MC (Housing Services, Development, Finance and General Purposes and Audit.) The committee structure enables proper scrutiny of the Association's major business areas, while also permitting the MC to focus on its role of providing strategic direction and leadership.

Skills audits and committee member reviews are well-established and help members to reflect on their skills and contribution to the MC and identify what support the Association can provide. A committee training policy is in place with priorities agreed annually following committee reviews.

All MC members must abide by the Association's Code of Conduct. The code is supported by comprehensive governance policies and procedures which are reviewed regularly, to make sure that the Association meets good practice and regulatory standards.

GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS
AND ADVISERS

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For the year ended 31 March 2017

Management Committee

<i>John McLardie</i>	<i>(Chairperson)</i>
<i>Annie Macfarlane</i>	<i>(Vice Chair)</i>
<i>Elizabeth Klein</i>	<i>(Secretary)</i>
<i>Keith Kintrea</i>	<i>(Treasurer)</i>
<i>Ann Scott</i>	
<i>Henry Rooney</i>	
<i>Mujeeb Ur Rehman</i>	
<i>Ghazala Hakeem</i>	
<i>Isabel Deakin</i>	
<i>Mark Fitzpatrick</i>	
<i>Barbara Robertson</i>	
<i>Zobia Haider</i>	<i>(Resigned 09/08/2016)</i>
<i>Andrew Thompson</i>	<i>(Appointed 01/09/2016 resigned 19/01/2017)</i>
<i>Jessica Yuill</i>	<i>(Appointed 01/09/2016)</i>
<i>James White</i>	<i>(Appointed 01/09/2016)</i>
<i>Jacqueline Rogers</i>	<i>(Co-opted 05/10/2016)</i>
<i>Saubia Saufdar</i>	<i>(Appointed 01/09/2016 resigned 07/09/2016)</i>
<i>Frank Meagher</i>	<i>(Co-opted 05/04/2017)</i>

Executive officers

<i>Anne Lear</i>	<i>(Director)</i>
<i>Malcolm MacDonald</i>	<i>(Finance Manager resigned 20/04/2017)</i>
<i>Cindy McNeill</i>	<i>(Acting Finance Manager appointed 19/09/2016)</i>
<i>Alan McDonald</i>	<i>(Housing Services Manager)</i>
<i>Kenneth MacDougall</i>	<i>(Development Manager)</i>
<i>Alison Kevan</i>	<i>(Corporate Services and HR Manager)</i>

Registered office

Samaritan House
79 Coplaw Street
Glasgow G42 7JG

Auditors

French Duncan LLP
133 Finnieston Street
GLASGOW G3 8HB

Bankers

Bank of Scotland plc
464 Victoria Road
GLASGOW G42 8PB

Solicitors

TC Young LLP
7 West George Street
GLASGOW G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2017

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The Management Committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2017.

Legal status

The Association is a registered social landlord under the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010. The Association is constituted under its Rule Book. In 2014 the Association changed its rules in compliance with the SFHA Charitable Model Rules (Scotland) 2013. The Association is a registered Scottish Charity with the number SC010307

Principal activities

The principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

The Management Committee and executive officers

The Management Committee and executive officers of the Association are listed on page 3.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association 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.

Review of business and future developments

The Committee are satisfied with the Company's performance during the year. The surplus for the year was £1,469,529 (2016 - £1,448,264). The Company's net assets are now £26,027,958 (2016 - £23,158,410). A review of the Association's financial and operational activities for the year is summarised on pages 1 and 2.

Related party transactions

Several members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Auditor

A resolution to re-appoint the auditor, French Duncan LLP, will be proposed at the Annual General Meeting.

Statement of Disclosure to Auditor

The Management Committee must, in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practice.

- (a) so far as the Management Committee are aware, there is no relevant audit information of which the Association's auditors are unaware, and*
- (b) they have taken all the steps that they ought to have taken as the Management Committee in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.*

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 governing body's responsibility to establish and maintain the 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 in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the 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 the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and 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 audit committee receive reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and*
- formal procedures have been established for instituting appropriate action to correct any weakness identified through internal or external audit reports.*

The Management Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2017. 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2017

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The Management Committee is responsible for preparing the financial statements in accordance with the Co-operative and Community Benefit Act 2014.

Statute requires the Management Committee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the surplus or deficit of the Association for that period. In preparing accounts, the Management Committee is required to fulfil the following obligations:-

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

The Management Committee confirms that the accounts comply with the above requirements.

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 accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Scottish Housing Regulator's Determination of Accounting Requirements December 2014. 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.

BY ORDER OF THE MANAGEMENT COMMITTEE



Elizabeth Klein
Secretary

Date: 2/8/17

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION ON CORPORATE GOVERNANCE
MATTERS

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For the year ended 31 March 2017

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 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 Advisory 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 Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



FRENCH DUNCAN LLP

Chartered Accountants

Statutory Auditor

133 Finnieston Street

GLASGOW G3 8HB

Date: 09/08/2017

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2017

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We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102- The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Scottish Housing Regulator's Determination of Accounting Requirements December 2014.

This report is made solely to the Association's members as a body, in accordance with Section 87 of the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association 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 auditor

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 6, the Committee is responsible for the preparation of the Financial Statements and for being satisfied that they 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 of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its surplus for the year then ended;*
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements December 2014; and*
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.*

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2017

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Matters arising on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operation and Community Benefit Societies Act 2014 requires us to report to you, if in our opinion:

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



FRENCH DUNCAN LLP
Chartered Accountants
Statutory Auditor
133 Finnieston Street
GLASGOW G3 8HB

Date: 09/08/2017

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

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	Notes	2017 £	2016 £
REVENUE	2	14,421,483	13,115,379
<i>Operating costs</i>	2	(13,092,503)	(11,476,127)
OPERATING SURPLUS	2, 10	1,328,980	1,639,252
<i>Gain on sale of housing stock</i>	7	435,510	157,172
<i>Release of negative goodwill</i>	15	163,972	103,142
<i>Interest receivable and other similar income</i>		1,164	2,026
<i>Interest payable and other similar charges</i>	8	(366,269)	(354,364)
<i>Other Finance Charges</i>	9	(93,828)	(98,964)
SURPLUS FOR THE YEAR	24	1,469,529	1,448,264
OTHER COMPREHENSIVE INCOME			
<i>Actuarial (loss) / gain recognised in the retirement benefit schemes</i>	30	(241,000)	165,000
<i>Remeasurement of pension liability - SHAPS pension adjustment</i>	30	1,641,000	0
TOTAL COMPREHENSIVE INCOME		2,869,529	1,613,264


The notes on pages 14 to 35 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

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	Notes	2017 £	2016 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	13(a)	96,698,423	89,969,889
New Supplied Share Equity Scheme Loan		282,500	282,500
New Supplied Share Equity Scheme Grant		(282,500)	(282,500)
		0	0
Other tangible fixed assets	13(c)	2,889,356	3,162,420
		99,587,779	93,132,309
INVESTMENT	14	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	15	(3,563,454)	(3,727,426)
CURRENT ASSETS			
Stock and work in progress	16	3,811	3,839
Debtors	17	1,509,982	1,104,915
Cash at bank and in hand		3,493,123	3,433,206
		5,006,916	4,541,960
CREDITORS: amounts falling due within one year	18	(4,650,009)	(3,735,683)
NET CURRENT ASSETS		356,907	806,277
TOTAL ASSETS LESS CURRENT LIABILITIES		96,381,332	90,211,260
CREDITORS: amounts falling due after more than one year	19	(11,399,747)	(13,887,105)
PROVISION FOR LIABILITIES			
Retirement benefit scheme deficit	20	(535,000)	(283,000)
DEFERRED INCOME			
Social Housing Grants	21	(55,529,869)	(49,949,830)
Other Grants	21	(2,888,758)	(2,932,915)
		(58,418,627)	(52,882,745)
NET ASSETS		26,027,958	23,158,410
EQUITY			
Share capital	22	1,298	1,279
Restricted reserves	23	16,900	16,900
Revenue reserve	24	26,009,760	23,140,231
		26,027,958	23,158,410

The financial Statements were approved by the management committee, authorised for issue and signed on its behalf on: 02/08/2017

Chairperson 

J. McLARDIE

Secretary 

E. KLEIN

Treasurer 

K. KINTREA

The notes on pages 14 to 35 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 March 2017

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	Notes	2017 £	2016 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	2,923,460	2,298,232
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(7,357,656)	(6,625,245)
Improvements to housing properties		(2,578,438)	(3,793,628)
Purchase of other fixed assets		(22,034)	(396,295)
Social housing grants received		7,281,538	5,900,040
Proceeds of disposals of housing properties		546,754	183,185
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(2,129,836)	(4,731,943)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING		793,624	(2,433,711)
FINANCING ACTIVITIES			
Issue of ordinary share capital		19	8
Loan advances received		0	3,000,000
Interest received		1,164	2,026
Interest paid		(366,269)	(354,365)
Loan principal repayments		(680,445)	(247,845)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING		(1,045,531)	2,399,824
(DECREASE) IN CASH		(251,907)	(33,887)
OPENING CASH AND CASH EQUIVALENTS		3,354,892	3,388,779
CLOSING CASH AND CASH EQUIVALENTS		3,102,985	3,354,892

The notes on pages 14 to 35 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

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	<i>Share Capital</i>	<i>Restricted Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£
<i>Balance as at 1 April 2016</i>	1,279	16,900	23,140,231	23,158,410
<i>Issue of Shares</i>	19	-	-	19
<i>Surplus for the year</i>	-	-	1,469,529	1,469,529
<i>Other comprehensive income</i>	-	-	1,400,000	1,400,000
<i>Balance as at 31 March 2017</i>	<u>1,298</u>	<u>16,900</u>	<u>26,009,760</u>	<u>26,027,958</u>

	<i>Share Capital</i>	<i>Restricted Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£
<i>Balance as at 1 April 2015</i>	1,271	16,900	21,526,967	21,545,138
<i>Issue of Shares</i>	8	-	-	8
<i>Surplus for the year</i>	-	-	1,448,264	1,448,264
<i>Other comprehensive income</i>	-	-	165,000	165,000
<i>Balance as at 31 March 2016</i>	<u>1,279</u>	<u>16,900</u>	<u>23,140,231</u>	<u>23,158,410</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2017

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1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102 and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

Going Concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Association, its long term financial forecasts and the certainty of cash flow from rental of social housing stock.

Revenue

Revenue represents rental and service charge income receivable, fees receivable, income from the sale of properties, fees and revenue based grants receivable from the Scottish Government, local authorities and other agencies.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits 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.

At the time of Second Stage Transfer the Association took on employees who are members of the Strathclyde Pension Scheme. In accordance with FRS 102, the operating and financing costs of pension and post Retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

Mortgages

Mortgage loans are advanced by local authorities, the Scottish Government or private lending institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Social Housing Grant by the Scottish Government.

Stock and work in progress

Stock and work in progress comprises the costs to the balance sheet date of:

- *properties being developed for sale under the New Supply Shared Equity Scheme; and*
- *other stocks of postage, stationery and maintenance materials.*

Restricted Reserves

Other

This reserve was created from charitable donations to finance hostel assets and will be used for the replacement of these assets, at the discretion of the management committee, as the need arises.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2017

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1. ACCOUNTING POLICIES (continued)

Valuation of Housing Properties

Housing Properties are stated at cost 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 13. 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>
<i>Kitchens</i>	<i>15 years</i>
<i>Bathrooms</i>	<i>20 years</i>
<i>Central Heating</i>	<i>20 years</i>
<i>External Windows</i>	<i>30 years</i>
<i>Door entry systems</i>	<i>15 years</i>
<i>Lifts</i>	<i>30 years</i>
<i>Roofs</i>	<i>50 years</i>
<i>Structure</i>	<i>50 years</i>

Depreciation and Impairment of Other Non-Current Assets

Non-Current 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:-

<i>Computer Equipment</i>	<i>- 33 ⅓% Straight Line</i>
<i>Office Equipment</i>	<i>- 20%-33 ⅓% Straight Line</i>
<i>Hostel Equipment</i>	<i>- 20% Straight Line</i>
<i>Motor Vehicles</i>	<i>- 20% Straight Line</i>

The carrying value of non-current assets is reviewed for impairment at the end of each reporting year.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same year 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.

Development Administration Costs

Development administration costs relating to development activities and improvement of properties are capitalised based on the time spent by staff on this activity.

Capitalisation of Interest

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2017

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1. ACCOUNTING POLICIES (continued)

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to revenue 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 non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Goodwill

Negative goodwill arose on the acquisition of housing assets and the related rent arrears from Glasgow Housing Association as part of a Second Stage Transfer. The fair value of the assets acquired exceeded the consideration paid by the Association. Negative goodwill is written back to the Statement of Comprehensive Income in equal instalments over a period of 50 years.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Obligations under SHAPS and Strathclyde Pension Fund Schemes

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2017

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1. ACCOUNTING POLICIES (continued)

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of Cash Generating Units

The Association considers its cash-generating units to be 2,636 for asset management purposes.

Financial Instruments – Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

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2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)

2017

	Note	Revenue £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	12,511,889	(11,224,993)	1,286,896
Other activities	4	1,909,594	(1,867,510)	42,084
Total		14,421,483	(13,092,503)	1,328,980

2016

	Note	Revenue £	Operating costs £	Operating surplus/ (deficit) £
Affordable letting activities	3	11,306,288	(9,675,211)	1,631,077
Other activities	4	1,809,091	(1,800,916)	8,175
Total		13,115,379	(11,476,127)	1,639,252

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Social Housing Accommodation	Shared Ownership Housing	Other Shared Equity Housing	2017 Total	2016 Total
	£	£	£	£	£	£
Revenue from lettings						
Rent receivable net of identifiable service charges	9,785,531	395,612	0	6,652	10,187,795	9,718,305
Service charges receivable	200,551	15,630	0	926	217,107	211,269
Gross rents receivable	9,986,082	411,242	0	7,578	10,404,902	9,929,574
Less rent losses from voids	(273,032)	0	0	0	(273,032)	(248,034)
Net rents receivable	9,713,050	411,242	0	7,578	10,131,870	9,681,540
Amortisation of Social Housing & Other Grants	1,636,290	0	0	0	1,636,290	1,517,142
Revenue grants from local authorities and other agencies	743,729	0	0	0	743,729	107,606
Other Revenue grants	0	0	0	0	0	0
Total income from social letting	12,093,069	411,242	0	7,578	12,511,889	11,306,288
Expenditure on social letting activities						
Management and maintenance						
administration costs	(3,293,856)	(22,959)	0	(5,210)	(3,322,025)	(3,112,618)
Service costs	(196,884)	0	0	(926)	(197,810)	(190,733)
Planned and cyclical maintenance including						
major repairs	(3,015,751)	(75,132)	0	0	(3,090,883)	(2,456,358)
Reactive maintenance	(1,432,009)	(69,713)	0	(2,375)	(1,504,097)	(1,169,008)
Bad debts - rents and service charges	(13,862)	0	0	0	(13,862)	(24,127)
Depreciation of social housing	(3,096,316)	0	0	0	(3,096,316)	(2,722,367)
Impairment of affordable let properties	0	0	0	0	0	0
Operating costs of social letting	(11,048,678)	(167,804)	0	(8,511)	(11,224,993)	(9,675,211)
Operating surplus / (deficit) on social letting activities	1,044,391	243,438	0	(933)	1,286,896	1,631,077
2016	1,448,314	189,914	0	(7,151)	1,631,077	

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 (write off)/ recovery £	Other operating costs £	Operating surplus or (deficit) 2017 £	Operating surplus or (deficit) 2016 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	816,481	35,425	0	0	851,906	0	(872,833)	(20,927)	(12,753)
Care and repair	0	0	0	0	0	0	0	0	0
Investment property activities	0	0	0	0	0	0	0	0	0
Factoring	0	0	0	865,367	865,367	(36,880)	(871,615)	(43,128)	52,322
Uncapitalised development administration costs	0	0	0	0	0	11,555	0	11,555	12,072
Support activities	0	0	0	0	0	0	0	0	0
Care activities	0	0	0	0	0	0	0	0	0
Contracted out services undertaken for registered social landlords	0	0	0	0	0	0	0	0	0
Contracted out services undertaken for other organisations	0	0	0	0	0	0	0	0	0
Developments for sale to registered social landlords	0	0	0	0	0	0	0	0	0
Developments and improvements for sale to other organisations	0	0	0	0	0	0	0	0	0
Amortisation of grant on other tangible assets	0	0	0	108,275	108,275	0	0	108,275	16,702
Other activities									
- Management expenses charged to subsidiary companies	0	0	0	74,372	74,372	0	(74,372)	0	0
- Rental of commercial property	0	0	0	7,277	7,277	0	(23,365)	(16,088)	(63,474)
- Hire of conference hall	0	0	0	2,377	2,377	0	0	2,377	3,256
- Sale of other fixed assets	0	0	0	0	0	0	0	0	0
- Donation received	0	0	0	20	20	0	0	20	50
TOTAL FROM OTHER ACTIVITIES	816,481	35,425	0	1,057,688	1,909,594	(25,325)	(1,842,185)	42,084	8,175
TOTAL FROM OTHER ACTIVITIES FOR 2016	887,596	99,381	0	822,114	1,809,091	(18,027)	(1,782,889)	8,175	

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5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

The officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, the executive officers and employees of the Association reporting directly to the chief executive or the Management Committee.

No emoluments have been paid to any member of the Management Committee.

5 officers of the Association received emoluments greater than £60,000.

	2017 £	2016 £
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	354,289	266,843
Pension contributions paid on behalf of officers with emoluments greater than £60,000	23,105	23,031
Emoluments payable to the director (excluding pension contributions)	78,223	77,448
Pension contributions paid on behalf of the director	9,621	9,526
	Number	Number
Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:	2017	2016
£60,001 - £70,000	3	3
£70,001 - £80,000	1	1
£80,001 - £90,000	1	0
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax: Management Committee	662	1,550

6. EMPLOYEE INFORMATION

	2017 £	2016 £
Staff costs during the year:		
Wages and salaries	2,267,533	2,041,834
Social security costs	222,800	167,952
Other pension costs	271,960	214,430
	2,762,293	2,424,216
Compensation payments made during the year were £25,682.		
	Number	Number
The average number of full time equivalent persons employed during the year was	64	62
The average total number of employees employed during the year was	77	88

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7. GAIN ON SALE OF HOUSING STOCK

	2017 £	2016 £
Net proceeds of disposals of housing properties	546,754	183,185
Net book value of housing property disposals	(111,244)	(26,013)
Gain on sale of housing stock	435,510	157,172

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2017 £	2016 £
Bank loans and overdrafts	366,269	354,364
Other loans repayable within five years	0	0
	366,269	354,364

9. OTHER FINANCE CHARGES

	2017 £	2016 £
Unwinding of discounted liabilities	93,828	98,964

10. SURPLUS FOR THE YEAR

	2017 £	2016 £
Surplus is stated after charging:		
Depreciation of tangible owned fixed assets	3,391,414	2,971,928
Auditors' remuneration - audit services	16,361	11,880
- other services	600	600

11. TAXATION

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

12. HOUSING STOCK

	2017 Number	2016 Number
The number of units of accommodation in management at the year end was:		
General needs - new build	208	208
- rehabilitation	2,325	2,243
Supported housing	99	99
Shared equity	4	4
	2,636	2,554

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13(a). NON CURRENT ASSETS

Housing Properties

	<i>Housing properties held for letting</i>	<i>Housing properties in the course of construction</i>	<i>Shared equity properties held for letting</i>	<i>2017 Total</i>
	£	£	£	£
COST				
<i>At start of year</i>	118,693,184	779,052	187,681	119,659,917
<i>Additions</i>	8,974,942	961,152	0	9,936,094
<i>Disposals</i>	(121,578)	0	0	(121,578)
<i>Transfers to stock</i>	0	0	0	0
<i>Schemes completed in the year</i>	0	0	0	0
<i>At end of year</i>	127,546,548	1,740,204	187,681	129,474,433
DEPRECIATION				
<i>At start of year</i>	29,502,347	0	187,681	29,690,028
<i>Charged during year</i>	3,096,316	0	0	3,096,316
<i>Eliminated on disposal</i>	(10,334)	0	0	(10,334)
<i>At end of year</i>	32,588,329	0	187,681	32,776,010
NET BOOK VALUE				
<i>At end of year</i>	94,958,219	1,740,204	0	96,698,423
<i>At start of year</i>	89,190,837	779,052	0	89,969,889

Development administration costs capitalised amounted to £520,284 (2016 - £356,718) for which Social Housing Grants amounting to £0 (2016 - £0) were received in the year.

Capitalised major repairs costs amounted to £2,578,438 (2016 - £3,793,628)

The properties acquired at Second Stage transfer on 31 January 2011 were included at fair value using the EUV-SH basis of valuation.

The Association would not be able to sell the properties at these values without also repaying Social Housing Grant from the proceeds of sale, but Social Housing Grant would be subordinated behind any private loans charged on these properties. Other grants received are repayable under certain circumstances.

13(b).	2017	2016
	£	£
<i>Housing properties comprise:</i>		
<i>Heritable</i>	96,698,423	89,969,889

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13(c). NON CURRENT ASSETS

<i>Other Tangible Assets</i>	<i>Heritable office property £</i>	<i>Computer and office equipment £</i>	<i>Hostels equipment £</i>	<i>Commercial premises £</i>	<i>2017 Total £</i>
COST					
<i>At start of year</i>	3,422,438	745,914	34,275	81,990	4,284,617
<i>Transfers</i>	0	0	0	0	0
<i>Additions</i>	2,995	19,039	0	0	22,034
<i>Disposals</i>	0	0	0	0	0
<i>At end of year</i>	3,425,433	764,953	34,275	81,990	4,306,651
DEPRECIATION					
<i>At start of year</i>	622,212	453,776	34,275	11,934	1,122,197
<i>Charged during year</i>	156,155	137,759	0	1,184	295,098
<i>Disposals</i>	0	0	0	0	0
<i>At end of year</i>	778,367	591,535	34,275	13,118	1,417,295
NET BOOK VALUE					
<i>At end of year</i>	2,647,066	173,418	0	68,872	2,889,356
<i>At start of year</i>	2,800,226	292,138	0	70,056	3,162,420

Grants received to fund the acquisition and development of commercial premises are repayable in certain circumstances. Where this arises from the sale of properties, repayment of the grant would be subordinated behind any private loan charged on these properties.

13(d).	<i>Company 2017 £</i>	<i>2016 £</i>
<i>Commercial premises comprise:</i>		
<i>Heritable</i>	68,872	70,056

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14. INVESTMENT

	2017	2016
	£	£
At start of year	100	100
New investment	0	0
At end of year	100	100

This represents: a 100% shareholding Govanhill Housing Association Limited has in its subsidiary company, Govanhill Community Development Trust Limited, a company registered in Scotland; and GREAT Gardens a charitable company limited by guarantee, registered in Scotland and controlled by the Management Committee of Govanhill Housing Association Limited.

The results and net assets of the subsidiary companies at 31 March 2017 are as follows:

	2017	2016
	£	£
Govanhill Community Development Trust Limited:		
(Loss) / Profit for the year after tax	(15,145)	10,860
Net Assets	897,427	914,302
GREAT Gardens Limited:		
Net Movement in Funds	(57,748)	6,878
Net Assets	93,269	151,017

15. NEGATIVE GOODWILL

	2017	2016
	£	£
At start of year	3,727,426	3,830,568
Amortised in the year	(163,972)	(103,142)
At end of year	3,563,454	3,727,426

16. STOCK AND WORK IN PROGRESS

	2017	2016
	£	£
Postage, stationery and maintenance stock	3,811	3,839

17. DEBTORS

	2017	2016
	£	£
Amounts falling due within one year:		
Rental debtors - housing benefit	77,066	60,539
- other	390,491	411,768
Less: provision for bad debts	(276,294)	(306,376)
Amounts due by subsidiary companies	43,636	25,030
Capital grants receivable	788,719	330,170
Corporation tax	0	0
Other debtors	191,258	297,880
Prepayments and accrued income	295,106	285,904
	1,509,982	1,104,915

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18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Housing loans (note 19a)	681,731	680,818
SHAPS pension scheme deficit	282,000	280,000
Amounts due to subsidiary company	17,334	25,610
Bank overdraft	390,140	78,316
Trade payables	1,991,558	935,626
Liability for past service contribution arrangements	23,540	23,621
Other taxation and social security costs	57,027	50,530
Social Housing Grant repayable	62,555	62,555
Other creditors	351,193	868,300
Accruals and deferred income	243,139	227,461
Rent deposits	0	0
Rent in advance	478,487	436,316
Factoring in advance	36,414	33,678
Pensions creditor	34,891	32,852
	4,650,009	3,735,683

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Housing loans	10,177,747	10,859,105
Non-housing loans	0	0
Liability for past service contribution arrangements	1,222,000	3,028,000
	11,399,747	13,887,105

Included within housing loans is £84,750 of monies held on behalf of sharing owners who participated in the shared equity scheme.

19(a). Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest on instalments due as follows:

	2017 £	2016 £
In one year or less (note 18)	681,731	680,818
Between one and two years	636,001	635,088
Between two and five years	1,916,009	1,913,272
In five years or more	7,625,737	8,310,745
	10,859,478	11,539,923

20. PROVISION FOR LIABILITIES

	2017 £	2016 £
Retirement benefit scheme deficit - SPF	535,000	283,000

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21.DEFERRED INCOME	2017	2016
	£	£
<i>Social Housing Grants</i>		
Balance at start of year	49,949,830	45,552,411
Additions in year	7,281,538	5,888,654
Released/Repaid as a result of property disposal	0	0
Amortisation in year	(1,701,499)	(1,491,235)
Balance at end of year	55,529,869	49,949,830

Other Grants

Balance at start of year	2,932,915	2,965,688
Additions in year	0	11,384
Released/Repaid as a result of property disposal	0	0
Amortisation in year	(44,157)	(44,157)
Balance at end of year	2,888,758	2,932,915

22. SHARE CAPITAL	2017	2016
	£	£
<i>Shares of £1 each fully paid and issued:</i>		
At start of year	375	377
Shares issued during year	19	8
Shares forfeited during year	(29)	(10)
At end of year	365	375
<i>Forfeited shares:</i>		
At start of year	904	894
Transferred from share capital during year	29	10
At end of year	933	904
<i>Total share capital:</i>		
At start of year	1,279	1,271
At end of year	1,298	1,279

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends 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.

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23. RESTRICTED RESERVES

	2017 £	2016 £
OTHER		
Charitable reserve at start of year	16,900	16,900
Transferred in year	0	0
Donations received	0	0
Charitable reserve at end of year	16,900	16,900

24. REVENUE RESERVE

	2017 £
At beginning of year	23,140,231
Retained surplus for the year	1,469,529
Actuarial gain recognised in the retirement benefit scheme	(241,000)
SHAPS pension adjustment	1,641,000
At end of year	26,009,760

25. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March

	2017 £	2016 £
Operating surplus	1,328,980	1,639,252
Depreciation charges	3,391,414	2,971,928
Amortisation of grants	(1,745,656)	(1,535,392)
Decrease / (increase) in stock	28	(269)
(Increase) in debtors	(405,067)	(9,544)
Increase / (Decrease) in creditors	599,589	(480,780)
Unwinding of discount on pension liability	(93,828)	(98,963)
Movement in pension liability	(152,000)	(188,000)
Net cash inflow from operating activities	2,923,460	2,298,232

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26. Related Party Transactions

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102

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

- Members are tenants of the Association
- Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members are as follows:

Rent received from tenants on the Committee:	£36,358
At the year end total rent arrears owed by the tenant members of the Committee were:	nil
Charges received from factored owners on the Committee:	£961
At the year end total factors arrears owed by the owner members of the Committee were:	nil

Transactions between the Association and its subsidiaries are as follows:

	2017 £		2016 £	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Govanhill Community Development Trust Limited	97,924	61,914	95,798	41,867
GREAT Gardens Limited	74,379	27,333	84,280	30,564
	<u>Amounts due to:</u>	<u>Amounts due by:</u>	<u>Amounts due to:</u>	<u>Amounts due by:</u>
Govanhill Community Development Trust Limited	0	13,032	0	1,971
GREAT Gardens Limited	0	13,270	2,552	0

All transactions were carried out under normal commercial terms.

27. Details of Association

The Association is a Registered Society registered within the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in Glasgow.

28. Group Accounts Exemption.

From the period commencing 1 April 2015 the Association gained exemption from the Financial Conduct Authority for providing Group Accounts. This was obtained under Section 99 of the Co-operative and Community Benefit Societies Act 2014 and had the agreement of the Auditor.

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29. CAPITAL COMMITMENTS

	2017	2016
	£	£
<i>Expenditure contracted less certified</i>	<u>6,112,000</u>	<u>810,000</u>
<i>Funded by:</i>		
<i>Social Housing Grant</i>	1,330,000	0
<i>Other grants and contributions</i>	29,000	110,000
<i>Reserves</i>	<u>4,753,000</u>	<u>700,000</u>
	<u>6,112,000</u>	<u>810,000</u>
 <i>Expenditure authorised by the management committee not contracted for</i>		
	<u>13,160,000</u>	<u>11,430,000</u>
 <i>Funded by:</i>		
<i>Social Housing Grant</i>	8,250,000	6,220,000
<i>Other grants and contributions</i>	165,000	410,000
<i>Reserves</i>	<u>4,745,000</u>	<u>4,800,000</u>
	<u>13,160,000</u>	<u>11,430,000</u>

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2017.

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30. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Govanhill 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.

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 year under FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £197 million, equivalent to a past service funding level of 76%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £810 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £210 million, equivalent to a past service funding level of 79%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £1,504,000 (2016 - £3,308,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.06%.

The Association made payments totalling £475,490 (2016: £474,262) to the pension scheme, inclusive of deficit payments of £280,000, during the year. The reduction in the deficit repayment period resulted in an adjustment to Other Comprehensive Income of £1,641,000.

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were paid at a rate of 12.3%.

As at the balance sheet date there were 48 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,499,530.

Govanhill Housing Association Limited continues to offer membership of the Scheme to its employees.

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

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 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.

Govanhill Housing Association Limited has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for Govanhill Housing Association Limited was £11,241,102.

The Pensions Trust Growth Plan

Govanhill Housing Association Limited participates in TPT Retirement Solutions Growth Plan (the Plan). The Plan is funded and is a multi-employer pension plan.

Contributions paid into the 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 Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if 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 Plan every three years. The purpose of the actuarial valuation is to determine the funding 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 Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by 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.

Govanhill Housing Association Limited paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 28.9% during the accounting period.

As at the balance sheet date there were 3 active members of the Plan employed by Govanhill Housing Association Limited. Govanhill Housing Association Limited continues to offer membership of the Plan to its employees.

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 FRS102 represents the employer contribution payable.

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

The annual update as at 30 September 2016 was completed in April 2017. 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 £901 million and the Plan's Technical Provisions (i.e. past service liabilities) were £1,052 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £151 million, equivalent to a funding level of 85.7%.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan'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 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). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Govanhill Housing Association has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt for Govanhill Housing Association was £31,148.

Strathclyde Pension Fund

As a result of second stage transfer, 7 employees were transferred from Glasgow Housing Association Limited to Govanhill Housing Association Limited on 31 January 2011. Of these 7 employees, 5 are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 102 calculations are as follows:

	31 March 2017	31 March 2016
Assumptions as at:		
Pension increase rate	2.4%	2.2%
Salary increases	4.4%	4.2%
Expected return on assets	2.6 %	3.5 %
Discount rate	2.6%	3.5%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and a 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scheme Assets

The assets in the scheme and the expected rate of return were:

	Long term rate of return 31 March 2017	Value at 31 March 2017 £	Value at 31 March 2016 £
Equities	2.6%	1,015,000	801,000
Bonds	2.6%	167,000	178,000
Property	2.6%	139,000	133,000
Cash	2.6%	69,000	0
Total		1,390,000	1,112,000
 Present value of scheme liabilities		 (1,925,000)	 (1,395,000)
 Net pension liability		 (535,000)	 (283,000)

Reconciliation of defined benefit obligation

Year ended:	31 March 2017 £	31 March 2016 £
Opening defined benefit obligation	1,395,000	1,490,000
Current service cost	32,000	41,000
Interest cost	49,000	48,000
Contributions by members	9,000	9,000
Actuarial losses / (gains)	462,000	(171,000)
Past service costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(22,000)	(22,000)
Closing defined benefit obligation	1,925,000	1,395,000

Reconciliation of fair value of employer assets

Year ended:	31 March 2017 £	31 March 2016 £
Opening fair value of employer assets	1,112,000	1,064,000
Expected return on assets	221,000	(6,000)
Contributions by members	9,000	9,000
Contributions by the employer	31,000	33,000
Contributions in respect of unfunded benefits	-	-
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-
Interest Income on plan assets	39,000	34,000
Exchange differences	-	-
Estimated unfunded benefits paid	(22,000)	(22,000)
Estimated benefits paid	-	-
Closing fair value of employer assets	1,390,000	1,112,000
 Net pension liability	 (535,000)	 (283,000)

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Analysis of amounts included in Statement of Comprehensive Income

	2017	2016
	£	£
Current service cost	32,000	41,000
Interest cost	49,000	48,000
Expected return on employers assets	221,000	(6,000)
Past service cost	-	-
Losses / (gains) on curtailments and settlements	-	-
Charge to staff costs	302,000	83,000

Analysis of amount recognised in Statement of Comprehensive Income - Other Comprehensive Income

	2017	2016
	£	£
Actuarial (loss) / gain recognised in other comprehensive income	(241,000)	165,000

During the accounting period Govanhill Housing Association Limited paid contributions at the rates of 19.4% and 18.05% of pensionable salaries. Member contributions were paid at a rate of between 5.5% and 6.9%.