

# Hanover (Scotland) Housing Association Limited



## Financial statements for the year ended 31 March 2017

# Hanover (Scotland) Housing Association Limited

**Registered Address and Head Office:**  
Hanover (Scotland) Housing Association  
95 McDonald Road  
EDINBURGH  
EH7 4NS

**Bankers:**  
The Royal Bank of Scotland PLC  
Scotland Corporate Service Centre  
Drummond House  
PO Box 1727  
EDINBURGH  
EH12 9JN

**External Auditors:**  
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Third Floor, Centenary House  
69 Wellington Street  
GLASGOW  
G2 6HG

**Internal Auditors:**  
BDO LLP  
4 Atlantic Quay  
York Street  
Glasgow  
G2 8JX

**Solicitors:**  
TC Young  
7 West George Street  
GLASGOW  
G2 1BA

**Registered Housing Association No. 124**  
**Financial Conduct Authority No. 1983 R (S)**  
**Scottish Charity Registration SC014738**  
**Registered Property Factor No PF000340**

# Hanover (Scotland) Housing Association Limited

**Financial Statements** for the year ended 31 March 2017

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## Hanover (Scotland) Housing Association Limited

### The Board Members

**Michael Martin** (Chairperson)

**Ann MacDonald** MCIH

**Gary Devlin** ACA CPFA

**Prof Sir Geoffrey Palmer** Kt OBE DSc

**Derek Fothergill**

**Prof Alison Petch**

**Oonagh Gil** MRTPI

**Neil Rennick** BArch (Hons)

**Susan Hamilton** MBA CPFA CIRM

**Alan Savage** (Vice Chairperson)

**Anne Hendry** MB ChB FRCP (resigned 26 May 2016)

**Catherine Wyllie** BA CA

### Officers

**Helen Murdoch** MBA FCIH MRICS ACIPD  
Chief Executive

**Christopher Milburn** MBA MBCS  
Director of Customer Services

**Adam Curry** BA (Hons) ACIPD  
Director of Organisational Services (appointed 4 May 2016,  
previously was Acting Director of Organisational Services)

**David Reid** LLB ACIS  
Company Secretary (retired 21 April 2016)

**Mark Farey** BA (Hons) CIHCM MRICS  
Director of Asset Management

**Claire Kennedy** LLB (Hons) DipLP  
Company Secretary (appointed 12 September 2016)

**Karen McIntosh** FCCA

Director of Strategic Finance

Was also Acting Company Secretary 22 April 2016 to 11 September 2016

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Report of Committee of Management incorporating the Strategic Report for the period ended 31 March 2017

#### Structure and Activities

Hanover (Scotland) Housing Association Limited (HSHA) (the Association) is a registered society in terms of the Co-operative and Community Benefit Societies Act 2014. A Scottish charity and registered social landlord (RSL), the Association is focused on providing housing and related services, mainly, to older people. Since the Association was founded in 1979, it has expanded, organically, to become a national organisation that manages, on behalf of itself and others, over 5,300 properties across 24 Scottish local authorities.

#### Governance and the Board

The Association is regulated by the Scottish Housing Regulator and managed by an elected Board of Management. The Association has 317 (2016: 340) members, each of whom holds a single fully-paid £1 share. It is from this number, its governing body, the Board is elected and members who served on it in the year are listed at page 1. The Board brings together a broad range of skills, experience and strengths to ensure good governance.

The Board has overall responsibility for managing the Association and is supported by the Audit Committee, which has specific responsibility for overseeing the integrity of the financial and non financial controls and reporting, including internal and external audit and risk management. This structure strengthens the Board and the control of Hanover's strategic direction and provides a more focused, flexible, streamlined and efficient structure.

All new members undergo induction training. Additional training is provided, both internally and external, on specific topics as they arise.

#### Strategy and objectives

The strategic business plan for 2016-19 was approved by the Board in May 2016. Our purpose is "to provide simple solutions for life, helping older people feel safe and secure at home and to lead fulfilling and independent lives". At the heart of all corporate objectives are our key principles to: put the customer first in all models of delivery; and engage employees, customers and partners in the development of a hub and spoke concept. This is underpinned by the key strategic objectives of:

1. People; *'To help our customers to live the lives they want by providing them with modern and safe accommodation and supporting services. To promote their wellbeing, enabling them to live as healthy, independent and secure lives as possible and encourage and assist their participation and involvement as they choose in their communities.'*
2. Housing; *'To provide quality, well maintained, safe, sustainable and affordable housing for people wishing to live in the rented or owner-occupied sectors.'*
3. Support Services; *'To provide a range of quality, innovative, flexible and affordable support and care services to reflect what our customers want and need, to achieve best value and independent living.'*

The overall ambition of the Association is to grow in order to meet the increasing needs of older people and those in need of our

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2017

services. Most of our current developments are either Sheltered or Enhanced housing where residents live independently with support and assurance provided locally. We are also a leading provider of Very Sheltered housing which provides a greater degree of support, care and catering for residents with greater support needs. Both these forms of housing are extremely popular among our residents and are supported by our Telecare responder service that is available to all residents 24 hours a day.

The external operating environment remains challenging and we recognise the importance of providing innovative and cost effective homes and services that meet our ambitions and at the same time ensuring the long term financial sustainability of the business.

In order to measure progress towards the priority actions in the strategic business plan, a new Corporate Performance Framework has been developed. The reporting mechanism will not only report on progress on our Strategic Objectives but will provide benchmarking of our key performance compared to other providers in the sector.

### **Market**

Scotland's older population is growing and the number of people of pensionable age is projected to increase by 28% compared to 2014 figures, reaching 1.36 million by 2039. In particular, the fastest increases will be in those aged 75+ who are the most intensive users of health and care services. By 2039 there could be over 800,000 people aged 75+ living in Scotland, an 85% increase over the 25 year period from 2014 – housing for the elderly is a major target market for the Association. The coming

decade will also see an increase in the numbers of old people with multiple conditions such as dementia and learning difficulties.

The 2015 Scottish Government publication "Joint Housing Delivery Plan for Scotland" articulated the national housing policy ambitions for supported independent living in old age. These included the need to:

- expand the range of affordable and easy to adapt mainstream and specialist housing options;
- improve the provision of housing adaptations, support and other low level preventative housing related services; and
- enable the take up of technologies that help older people to live safely and comfortable at home and improve their wellbeing.

Consequently, we are committed to helping to meet the demand for services that cater for the specific needs of frail, older people including those with dementia and we believe that much more innovative housing solutions need to be provided for this group.

### **Housing**

We are considering new and innovative ways of providing housing and associated services. This, together with a robust asset management strategy of remodelling and/or re-provisioning of our housing stock and re-design of housing support services will ensure that the future needs and aspirations of customers continue to be met.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Care at Home and Integrated Services

The Association continues to provide a Care at Home Service which offers customers assistance with personal care, domestic

tasks, shopping, companionship and short breaks from caring. Our services are flexible and adaptable to individuals' changing needs. The contracting environment for care and support remains challenging but despite this the Association secured contract extensions and new contracts for care and support activities, generating income of £935k in 2016-17. We plan to expand Care at Home and integrated care services in 2017 and beyond, as suitable and financially sustainable opportunities arise.

### Hanover Telecare

The Telecare service is provided from two monitoring control centres, in Edinburgh and Glasgow. This allows the Association to proactively market various additional services, for example, an Out of Hours Repairs service and Lone Worker monitoring, in addition to being able to demonstrate a more resilient Telecare service, for both individual and corporate customers.

The Association now has the expertise and technology to develop new services, allowing us to enter new markets and strengthen our brand.

### Marketing Strategy

In order to ensure that our customers and potential customers are fully aware of the range of services we provide, a Marketing Strategy was implemented that aligned with our overall business plan and focused on improving awareness and brand recognition

of the Association in the market and of the services it provides. Of a recent poll of 2,000 members of the Scottish public, 21% were aware of Hanover.

### Partnering

We continue to work constructively with others where this can improve our efficiency and effectiveness and help us to achieve our strategic objectives. Therefore, partnership working might take place across the range of our activities including: construction of new properties; modernisation and/or remodelling of existing developments; management of our properties; delivery of key services, including factoring services and the development of new services, including Telecare initiatives and Care at Home.

We have already put in place a number of joint initiatives with Bield, Trust and other Housing Associations. This has allowed us to pool resources, reduce costs and lead the field in innovation.

The Public Bodies (Joint Working) Scotland Act 2014 was designed to integrate adult health and social care services and it is hoped that housing will be recognised as a key contributor to the health and wellbeing of the people of Scotland and this may be the beginning of a potentially organic process in the development of new transformational models. Initial meetings have been held with several Integrated Joint Boards (IJBs) who have acknowledged the role that housing will play in the delivery of integrated care and support and further discussions are planned over the next year.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Housing Support

Local Authorities remain under severe financial pressure and we have seen Housing Support funding being reduced and in some local authority areas completely withdrawn. There is a strong likelihood, with increasing pressure on care budgets, that other local authorities will follow this lead. Following an options appraisal in 2015, we have made the decision to proactively, in consultation with residents and in collaboration with local authorities, withdraw housing support services by 2020 across our sheltered housing stock. In those local authorities where housing support has been withdrawn, a new enhanced housing management service has been introduced and to date has been running smoothly.

### Financial and Non Financial Performance

The purpose of this section is to provide an appropriate assessment of the performance of the Association over 2016-17.

The Associations key strategic objectives include remaining financially viable, delivering value for money and achieving a financial surplus to meet our long term commitments. The Board is pleased to report, that despite the ongoing economic challenges, the Association's performance remained strong and returned an operating surplus for the year of £11.9m (2016: £3.8m).

It should be noted that £7.4m is attributable to the re-measurement of the provision on the SHAPS past service. This is as a result of the triennial actuarial valuation as at 30 September 2015. The surplus due to operating activities was £4.5m. We have continued to invest in both our existing housing stock and in new opportunities for development.

The funds available to meet interest due on loans were more than adequate and all interest cover covenants have been met. The surplus for the year, after interest charges on loans, was £3.3m.

The Statement of Financial Position continues to show a position of overall strength, including an increase in reserves.

Liquidity is measured in terms of cash available to meet short term liabilities and this was considered adequate at 31 March 2017. Gearing is measured in terms of net debt compared with net assets and including capital grants received. The current position, at 17.8% (2016: 15%), provides considerable comfort in terms of ability to continue borrowing to fund future developments.

The cash inflow in 2016/17 was just over £3.1m, £4.8m more than the outflow in 2015/16. The cash inflow of £6.6m from operating activities is £2m more than the figure for the prior year.

The Board considers the financial results of the Association for the year ended 31 March 2017 to be very positive and demonstrate the financial strength of the organisation.



# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Performance Headlines - 3 year summary

	2017	2016	2015
	£'000	£'000	£'000
<b>Statement of Comprehensive Income</b>			
Turnover	35,269	33,706	32,820
Operating Surplus	4,525	3,805	3,888
Adjusted Operating Surplus <sup>1</sup>	2,648	2,351	1,256
Interest Payable (inc capitalised interest)	1,116	939	888
Net surplus	3,312	2,452	2,593

### Statement of Financial Position

Total Fixed Assets net of depreciation	158,756	149,896	142,699
Housing Association Grant	83,706	83,390	81,453
Total Pension Liabilities	7,668	16,262	17,623
Total Loan Debt (pre deferred charges netted off)	28,641	20,271	17,887
Total Reserves	41,476	30,537	27,646

### Statistical Performance

	2017	2016	2015
Adjusted Operating Surplus as % of Turnover	7.5%	7.0%	3.8%
Interest Cover	237.3%	250.4%	141.4%
Net surplus as a % of turnover	9.4%	7.3%	7.9%
Gearing (debt less cash as % of reserves plus grant)	17.8%	15.0%	11.9%

<sup>1</sup> Adjusted operating surplus includes expenditure on capitalised maintenance and net of property depreciation and grant amortisation

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2017

### Performance Management

A strong performance management framework is in place and is directly linked to our strategic objectives. All parts of the business work to key performance indicators and these are detailed along with departmental objectives in the Association's Business Plan. The senior management team has developed a series of key performance indicators some of which are noted in the table below.

Summary of Performance Objectives	2016-17	2015-16
<b>Housing and Repairs Services</b>		
Average time to relet properties - days	30.0	52.0
Void loss as % of rental and service charge income	1.5%	2.2%
Arrears as a % of rent and service charge income (net of HB)	0.49%	0.58%
Emergency Repairs - Average time to Complete - hours	3.3	6.0
Non Emergency Repairs - Average time to Complete - Days	4.7	5.5
Repairs carried out right first time	95.7%	94.2%
<b>Complaints Handling</b>		
Stage 1 complaints resolved in SPSO timescale	87.7%	79.3%
Stage 2 complaints resolved in SPSO timescale	94.2%	78.0%
<b>Employee Performance</b>		
% of staff turnover	11.5%	11.1%
% of days lost through staff sickness	4.5%	3.5%

The Association is a member of the Housemark benchmarking club which provides the Association with benchmarking and value

for money reporting using a balanced scorecard that compares overall effectiveness of the services provided compared to a comparator peer group.

The Housemark results demonstrated that the organisation is in the top quartile in overall value for money.

### Housing Management

The average void re-let period this year was 30 days against a target of 48 days (2016: 52 days) with a void rent and service charge loss of £422k (2016: £599k).

### Maintenance

The Association seeks to maintain its properties to the highest standard. Reactive maintenance is carried out in accordance with our published response targets. There were 15,592 (2016: 15,312) reactive repairs carried out in the year with 95.7% (2016: 94.2%) completed right first time against a target of 93.5%. This equates to an average of 3.83 (2016: 3.85) repairs per property at an average cost of £167 (2016: £168) per reactive repair.

### Housing Assets

The Association manages over 5,300 properties, of which we own over 4,100. The remainder is managed on behalf of individual owners. Note 21 of the Financial Statements sets out the number of units that are both owned and managed. The updated business strategy document provides details of the proposed asset management programme from 2016 – 2019. The undernoted table provides detail on the age profile of our stock. It is clear that the majority of our stock is between 25 and 35 years old, resulting in a

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## Review by the Board

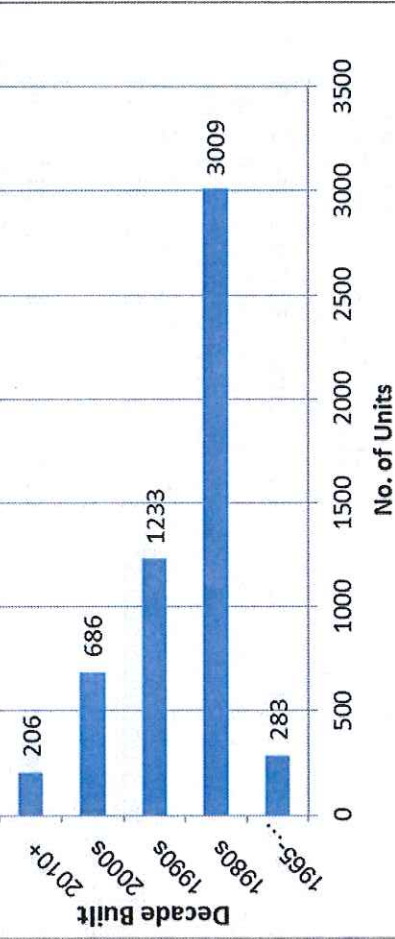
Year ended 31 March 2017

significant asset management programme of our existing stock. Over the next five years, the Association is planning to invest £30 million on major repairs and component replacement in its stock.

Programmes of cyclical repairs and planned maintenance are carried out to deal with our long term programme of planned maintenance and covers replacement or repairs to the component parts of our properties which have come to the end of their economic lives. This programme also includes works required by legislation, such as the Energy Efficiency Standards for Social Housing (EESH) which has a target date for compliance by 2020.

results in our residents benefitting from new kitchens, bathrooms, doors, windows and heating.

We received further Scottish Government grants of £355k (2016: £331k) for the adaptation of 139 (2016: 161) existing properties to meet the needs of tenants as they become more frail. The Scottish Government has continued to provide the same level of funding as last year. The Association has, through previous research on Social Return on Investment (SROI), demonstrated the value of adaptations where for every £1 spent there is a total return on investment of between £5.50 and £6.00. We will continue to work with others to demonstrate the benefits of this funding in an effort to persuade the Scottish Government not to reduce this valuable resource.



Total expenditure on revenue repairs and maintenance in the year was £5.0m (2016: £5.7m), with a further £3.9m of expenditure on our capital investment programme (2016: £3.6m). This investment

## Development Grant

The Association continues to consider development opportunities on a case by case basis where there are strong strategic links underpinned by a robust business plan. A key issue for the viability and sustainability of individual development opportunities remains the availability and level of capital grant funding. We are well placed to manage a modest development programme due to the low level of debt as a percentage of the value of the business.

## New Development

The strong Statement of Financial Position and growing asset base are key factors that enabled us to raise additional funding in October 2015 through the private placement market of £20m to support our current property development plans. The number of units and the value of our housing stock have generally increased over the past five years, driven mainly by organic growth.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

During the 12 months ended 31 March 2017, the Association completed 3 new developments totaling 73 new units. Of these, the Association delivered an innovative development of 33 flats with high quality services including Dementia and Extra Care. The development also has 5 accentuated care units that will enable earlier hospital discharge to a homely environment. Currently work is underway on 5 further developments providing 127 new units; with 3 developments, 61 units due for completion before the end of 2017.

The Board welcomes the increase in the level of grant funding announced by the Scottish Government that should enable the growth in the delivery of new homes. However, the proposal to cap social housing rent and service charges to the Local Housing Allowance is likely to present significant challenges in the revenue funding of specialist housing and therefore impact on our future development plans. This means that it will be more important to appraise each development on a case by case basis, ensuring that it will not impact on the long term viability of the Association.

These housing assets are included on the Statement of Financial Position (SOPF) at £152.7 million (2016: £143.7 million), which is gross historical cost less depreciation. Housing Association Grant is included as deferred income and stands at £83.7 million (2016: £83.4 million).

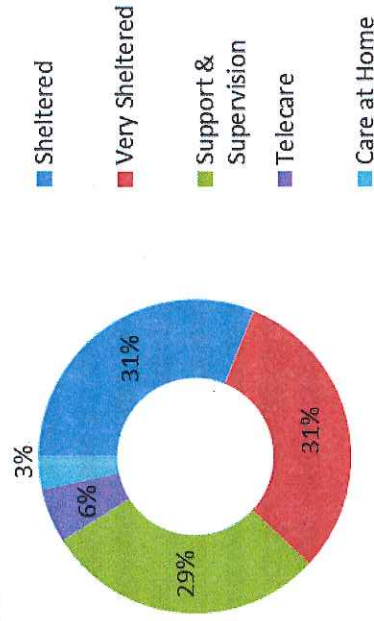
Details of fixed assets are set out in Note 9.

## Employees

Without a devoted, motivated and well trained workforce we would not be able to meet the needs of our customers. The Association continues to benchmark its working environment to ensure that it provides competitive terms and conditions and a number of additional non financial benefits have been introduced as part of our HR policies. This was in evidence by the Association completing a Job Evaluation and Market Comparability exercise during 2016-17 with a marginal impact on staff costs.

During 2016/17, the average number of staff employed by the Association was 540 (2015/16: 512), a full-time equivalent of 400 (2015/16: 382). The split of staff employed across the services is as shown below.

Figure 1



We have again been awarded Bronze from Healthy Working Lives. We also retained our Investors in People (IIP) Bronze Award and our Investors in Diversity (IID) Stage2. These

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## Review by the Board

Year ended 31 March 2017

schemes recognise organisations that have achieved outstanding effectiveness in HR and people excellence.

### **Pension Strategy**

In November 2015, the Board agreed a Pension Strategy with short, medium and long term outcomes. The overarching principle is a pension provision that is fair and equitable to all staff across the Association and the long term outcome is one pension scheme for all. The short term outcome was a review of the SHAPS due to the further escalating costs that had a bearing on the affordability to both the organisation and employees. The Board made the decision that from 1 April 2016 the scheme would be closed and all participating staff would be moved to the Defined Contribution option. In May 2016, the Board agreed to close the Lothian Pension Fund to new entrants. The default pension scheme for all new staff is the SHAPS Defined Contribution scheme or the Scottish Widows Group Personal Pension for auto enrolment to meet the Association's legislative requirements for pension provision.

### **Customer Engagement**

Hanover's Board approved a new Customer Engagement Strategy in December 2016. This will relaunch our customer engagement and scrutiny activities to ensure that the customer's voice is heard and that customers have opportunities to participate in a variety of ways. This includes improved opportunities for customers to engage with Hanover's Board. Alongside this we have launched volunteering and fundraising activities to maximise the benefits to our customers in a cost effective and sustainable way.

### **Information and Communications Technology (ICT)**

The ICT section at the Association plays a crucial role in supporting the organisation. The primary focus of the ICT team is the delivery of the ICT Strategy to support the delivery of the strategic objectives of the Association. The ICT team has recently received additional resources to improve the project management of new ICT initiatives. The ICT Strategy is focused on 'Digital by Default' initiatives to ensure that wherever possible the Association leverages the benefits of the use of ICT alongside improved 'Digital Inclusion' for both customers and staff. This will ensure that the engagement of stakeholders with Hanover is facilitated and barriers are removed.

### **Employee Involvement and Health and Safety**

The Association is fully aware of its responsibilities relating to Health and Safety and encourages employee involvement in all major initiatives. The Association has detailed policies on health and safety including evacuation plans for our offices and developments and provides staff training on these areas.

### **Equality and Diversity**

The Association has a legal and moral obligation as a good and socially responsible service provider and employer to be fair and equitable in the treatment of its customers, employees and others. With an increasingly diverse market place we are firmly committed to providing equal access to service and employment opportunities. Our policies, procedures and practices ensure that no one is disadvantaged.

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2017

### Accounting Policies

The principal accounting policies are covered in detail in Note 1 of the Financial Statements on pages 25 to 30.

### Revenue Reserves

The revenue reserve represents our accumulated surpluses. In light of the new Accounting Standard FRS102 the target is to increase the revenue reserve each year by at least 10% to ensure that the level is adequate to cover both known and unforeseen risks. Where possible, the potential cost of known risks is quantified to inform the annual review of the reserves policy. The Statement of Changes to Reserves are provided on page 21.

It should be noted that these reserves are not fully cash backed as this would be considered an inefficient use of resources.

### Treasury Management

The Association has an active treasury management function which operates in accordance with the Treasury Management Policy. The Policy aims to manage liquidity, funding, investment and the Association's financial risk, including risk from volatility in interest rates and counterparty credit risk. The objective is to manage risk on a cost effective basis.

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. The Association has £11m undrawn loan facilities to finance the new build and asset management programme.

The Association manages interest rate risk by utilising a high proportion of fixed interest debt. At 31 March 2017 58% of the debt portfolio was at a fixed rate (2016: 85%).

### Creditor Payment Policy

This policy's intention is to comply with the Confederation of British Industry guidelines, 30 days.

### Going Concern

The Board has reviewed the results for this year and has also reviewed the projections for the next five years.

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review on pages 2 - 16. The financial position of the Association, its cash flows, liquidity position and borrowing facilities are described on pages 22 - 24 and notes 11 - 13 to the financial statements.

The Association has considerable financial resources together with long-term income from its customers. The Association also has undrawn loan facilities to finance the new build and asset management programme.

As a consequence, the Board believe that the Association is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Outlook

The Association continues to meet the challenges of reductions in public sector spending combined with sustained maintenance expenditure. On the basis of the assumptions used in the projections of income and expenditure, longer term plans over the next 30 years offer a satisfactory picture of viability. The Association believes it is well placed to meet future challenges and that the future investment in ESSH will ensure that our homes will remain modern, warm and comfortable places to live, which are affordable by our residents.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Risks

The Association recognises the critical importance of monitoring and assessing the changes taking place in our operating environment and our risk map helps us assess the level of the main risks facing our organisation. Risk management is a continuous process and risks are regularly reviewed by Chief Officers and our Board. Key risks currently facing the Association are:

### Key Risks – identified as High Risk

Key Risks Identified	Action being taken
<p><b>Failure to comply with General Data Protection Regulation (GDPR)</b> If the Association fails in compliance with the new GDPR Regulations coming into force in May 2018 then this could have a significant reputational and financial impact on the Association.</p>	<ul style="list-style-type: none"> <li>• Ensuring key decision makers and staff are aware of the changes in the law</li> <li>• Carrying out an information audit across the organisation</li> <li>• Awareness and training sessions with Data Protection specialists to identify any changes required in current procedures, practices and processes</li> <li>• Create an action plan and implement by then end of the year</li> </ul>
<p><b>Reduction in income or increased costs outwith the Association's control</b> If there is a reduction in income as a result of: Welfare Reforms creating affordability issues for our customers; Supported Housing not being exempt from capping of Housing Benefit; reductions in Housing Support from Local authorities; or increased costs, then this could increase pressure on the Association's viability.</p>	<ul style="list-style-type: none"> <li>• Provide a Welfare Benefits Service to ensure customers access full benefit entitlements</li> <li>• Pro-active lobbying for exemption of supported housing for welfare benefits</li> <li>• Understanding the potential impact via financial modelling of the Local Housing Allowance cap</li> <li>• Review and redesign service models to ensure we respond to changes in expectation, demand and affordability</li> <li>• Housing Support exit strategy in place</li> <li>• Maximise income generation</li> <li>• Efficiency review – reduce costs and improve procurement</li> </ul>
<p><b>Failure to protect the Association against Cyber crime / Ransomware</b> If Hanover failed to protect itself in the use of Information and Communications Technology then the Association may be at risk from the loss of data and/or systems that could have a significant reputational and financial impact.</p>	<ul style="list-style-type: none"> <li>• ICT systems and data are regularly backed up and copied offsite</li> <li>• Anti-virus, firewalls and email filtering software in place and updated regularly</li> <li>• Penetration testing of our internet footprint to provide assurance on the security and accessibility from external sources</li> <li>• Mandatory staff training and awareness of ICT security across the organisation</li> <li>• Implementation of ICT audit recommendations</li> </ul>



# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

### Statement of Responsibilities of the Board

The Co-operative and Community Benefit Societies Act 2014 require the Board to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and 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 being disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business; and
- ensure a statement on Internal Financial Controls is prepared.

The Board is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Housing (Scotland) Act

2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is 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 that the Association's suppliers are paid promptly.

The members of the Board at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

### Statement on Internal Financial Controls

1. The Board 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; and
- the safeguarding of assets against unauthorised use or disposition.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2017

2. It is the Board'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 or failure to meet objectives. 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 the Association's assets;
    - experienced and suitably qualified staff take responsibility for the 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 Board to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
    - monthly management accounts 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 Board;
  - the Audit Committee receives reports from management and from the 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;
  - formal procedures have been established for instituting appropriate action to correct any weakness identified through internal and external audit reports;
  - and significant risks are identified, evaluated and managed, as previously outlined on page 13 of this review.
3. The Association's internal auditor was appointed in 2015 and the second year of the programme of work, based on the Audit Needs Assessment and an internal risk review, is complete. In addition to individual reports resulting from the ongoing programme of work, the internal auditor prepares an annual report for the Audit Committee each year. These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Regulatory

# Hanover (Scotland) Housing Association Limited

**Review by the Board**  
Year ended 31 March 2017

Advice Note: Internal Financial Controls and Regulatory Standards September 2014.

4. The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

## **Auditors**

A resolution for the reappointment of RSM UK Audit LLP, as auditors of the Association, will be proposed at the Annual General meeting.

## **On behalf of the Board**

**Board Member: Michael Martin**



**Date: 6 July 2017**

# Hanover (Scotland) Housing Association Limited

## Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited

### Opinion on financial statements

We have audited the financial statements of Hanover (Scotland) Housing Association for the year ended 31 March 2017 on pages 20 to 47. 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".

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 income and expenditure for the year then ended; and
- have been 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 Determination of Accounting Requirements – December 2014.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; 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.

### Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 14, the Board are 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.

## Hanover (Scotland) Housing Association Limited

This report is made solely to the Association's members as a body, in accordance with Part 7 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.

*RSM UK Audit LLP*

**RSM UK Audit LLP**  
Statutory Auditor  
Chartered Accountants  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 11/7/17.

# Hanover (Scotland) Housing Association Limited

## Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 14 - 16 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs 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 to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 pages 14 - 16 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs 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.



**RSM UK Audit LLP**  
**Statutory Auditors**  
**Chartered Accountants**  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 11/7/17

# Hanover (Scotland) Housing Association Limited

## Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	35,269	33,706
Less: Operating Costs	2	(30,744)	(29,901)
SHAPS Remeasurement of provision	15	7,360	-
<b>Operating Surplus</b>		<b>11,885</b>	<b>3,805</b>
Surplus / (Loss) on disposal of assets		69	(64)
Interest receivable and other income	7	19	52
Interest payable and financing costs	8	(1,297)	(1,335)
<b>Surplus before taxation</b>		<b>10,676</b>	<b>2,458</b>
Taxation	20	(4)	(6)
<b>Surplus for the year</b>		<b>10,672</b>	<b>2,452</b>
Actuarial Gain / (Loss) on pension obligations	19	267	439
<b>Total comprehensive income for the year</b>		<b>10,939</b>	<b>2,891</b>

The results for the year relate wholly to continuing activities.

The notes on pages 25 to 47 form part of these financial statements.

# Hanover (Scotland) Housing Association Limited

## Statement of Changes in Reserves

	£'000
<b>Income and Expenditure Reserve</b>	
<b>Balance at 1 April 2015</b>	27,646
Surplus from the Statement of Comprehensive Income	2,452
Actuarial gain in respect of Pension Liability	439
<b>Balance as at 31 March 2016</b>	<u>30,537</u>
Surplus from the Statement of Comprehensive Income	10,672
Actuarial gain in respect of Pension Liability	267
<b>Balance at 31 March 2017</b>	<u>41,476</u>



# Hanover (Scotland) Housing Association Limited

## Statement of Financial Position at 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed Assets</b>			
<b>Non-Current Assets:</b>			
Intangible assets	9	791	833
Housing properties: Cost less depreciation	9	152,732	143,716
Other tangible fixed assets	9	5,233	5,347
<b>Current Assets</b>		158,756	149,896
Trade and other debtors	10	1,649	2,912
Cash and cash equivalents	11	6,299	3,183
		7,948	6,095
<b>Current Liabilities</b>		(8,259)	(8,451)
Creditors: Amounts falling due within one year	12		(2,356)
<b>Net Current Liabilities</b>		(311)	(2,356)
<b>Total Assets less Current Liabilities</b>		158,445	147,540
Creditors: Amounts falling due after more than one year	13	(109,301)	(100,741)
Provisions	15	(6,284)	(14,558)
Pension Liability	19	(1,384)	(1,704)
<b>Total Net Assets</b>		41,476	30,537
<b>Capital and Reserves</b>			
Share Capital	14	-	-
Income and Expenditure Reserve		41,476	30,537
<b>Total Reserves</b>		41,476	30,537

The Board approved and authorised the financial statements for issue on 6 July 2017 and are signed on its behalf by:

**Chairperson:**   
**Mike Martin**

**Board Member:**   
**Gary Devlin**

**Company Secretary:**   
**Claire Kennedy**

The notes on pages 25 to 47 form part of these financial statements.

# Hanover (Scotland) Housing Association Limited

## Cash Flow Statement

For the year ended 31 March 2017

	2017	2016
	£'000	£'000
<b>Net cash generated from operating activities</b>	6,596	4,641
<b>Cash Flow from Investing Activities</b>		
Purchase of tangible fixed assets	(14,289)	(12,900)
Proceeds from sale of tangible fixed assets	148	68
Grants received	3,249	5,051
HAG repaid	(54)	(30)
Interest received	19	52
<b>Net cash used in investing activities</b>	<u>(10,927)</u>	<u>(7,759)</u>
<b>Cash Flow from Financing Activities</b>		
Interest paid	(922)	(998)
New loans	9,000	3,000
Repayments of borrowings	(631)	(616)
<b>Net cash from / (used in) financing activities</b>	<u>7,447</u>	<u>1,386</u>
<b>Net Increase / (Decrease) in cash</b>	3,116	(1,732)
<b>Opening cash at beginning of year</b>	3,183	4,915
<b>Closing cash at end of year</b>	<u>6,299</u>	<u>3,183</u>

Notes

(i)

## Hanover (Scotland) Housing Association Limited

### Notes to the Cash Flow Statement for the year ended 31 March 2017

Reconciliation of surplus to net cash generated from/(used in) operations

(i)

	2017	2016
	£'000	£'000
Surplus	10,672	2,452
Depreciation on Housing Properties	4,915	4,671
Depreciation on Other Fixed Assets	255	399
Amortisation on Intangible Fixed Assets	203	27
Amortisation of Capital Grants	(2,899)	(2,613)
Loss/(surplus) on disposal of assets	(69)	64
Changes in resident's funds	(80)	108
SHAPS Remeasurement	(7,360)	(42)
(Decrease)/Increase in pension provision	(109)	(7)
Unwinding of discounted liabilities	319	330
Pension Past Service Deficit paid in year (inc Growth Plan)	(1,233)	(1,198)
Interest receivable	(19)	(52)
Interest paid	978	998
Taxation paid	4	6
	<b>5,577</b>	<b>5,143</b>
<b>Operating cash flows before movement in working capital</b>		
Decrease /(increase) in trade and other debtors	1,264	(1,487)
(Decrease)/increase in trade and other creditors	(245)	985
	<b>6,596</b>	<b>4,641</b>
<b>Cash generated from operations</b>		

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

### 1 Accounting Policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014, is registered in Scotland with the Financial Conduct Authority and is classed as a public benefit entity under FRS102. The Association's registered housing association number is 124 and it's registered office is 95 McDonald Road, Edinburgh EH7 4NS.

#### a) Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Determination of Accounting Requirements 2014, and under the historical cost convention.

The financial statements are prepared in £ sterling and are rounded to the nearest £'000.

b) Accounting judgements and estimations of accounting Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Management reviews its estimates of the useful lives of depreciable assets at each reporting date, using both internal and external advice. See note e)v for depreciation information.

Judgements have been made in determining the Association's share of the underlying assets and liabilities of the Lothian Pension Fund (LPF), the valuation prepared by the Scheme actuary includes estimations in relation to life expectancy, salary growth, inflation and the discount rate on corporate bonds (details as per note 19). The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS total deficit contributions, of £1.225m per annum for the next 5 years has been discounted at a rate of 1.06%, amounting to a net present value of £6.225m at 31 March 2017. Our commitment to the SHAPS Growth Plan, of £7k per annum over the next 8.5 years has been discounted at a rate of 1.32%, amounting to a net present value of £59k.

#### c) Turnover and Revenue Recognition

Turnover represents rental and service charge income receivable in the period, income from sale of housing properties, fees and revenue based grants receivable from Local Authorities and the Scottish Government, and charges to users of the Hanover Telecare service.

#### d) Social Housing Grant and Other Grants

For developments under the terms of the Housing (Scotland) Act 2010, Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

components of the structure (excluding land) under the accruals model. These are held as deferred capital grants.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

Other grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

- e) Housing properties and depreciation
  - i) Housing properties are properties for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development expenditure and interest charged on the funds used to finance housing projects in the development period less depreciation.
  - ii) Works to existing properties will generally be capitalised under the following circumstances: where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or where the subsequent expenditure provides an enhancement of the

economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to operating costs within the Statement of Comprehensive Income.

- iii) The major components are deemed to be: Land, Structure, Roof Structure and Coverings, Bathrooms, Kitchens, Doors, Windows, Lifts, Intercom/Door Entry, Radiators/Pipework, Storage Heating and Boilers. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note e)v.
- iv) Reviews for impairment indicators of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. Indicators of impairment can be: contamination of land; a change in government policy that has a material impact on the net income; a change in demand with a material increase in the level of voids; or obsolescence of a property. If there is an indication of impairment, the carrying amount of the asset should be compared to the recoverable amount. If the recoverable amount is lower than the carrying value, the Association will need to record an impairment. The recoverable amount is the higher of value in use of the

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

asset, based on its service potential, and fair value less costs to sell.

v) Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property, not including land, as land is not depreciated, as follows:

Component	Useful Economic Life
Structure	60 years
Roof Structure	60 years
Roof Covering	35 years
Bathrooms	30 years
Radiators/Pipework	30 years
Windows	30 years
Kitchens	20 years
Lifts	20 years
Biomass Boilers	20 years
Intercom/Door Entry	15 years
Doors	15 years
Storage Heating	15 years
Boilers	15 years

vi) The Shared Equity properties reflect the Association's 30% interest share in three shared equity developments. This 30% share reflects the value of the Housing Association Grant received from the then Scottish Office and remains the property of the Association in perpetuity. The properties are stated at cost less accumulated depreciation. Shared Equity and Shared Ownership properties are depreciated over 60 years.

vii) Strictly attributable development staff and administration costs relating to development activities are capitalised based on an apportionment of staff time spent on this activity.

viii) Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

### f) Other fixed assets

Other fixed assets purchased that are over the value of £1,000 are capitalised.

Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over the expected useful lives at the following rates:

Office premises	2% - 15%
Garages	7%
Equipment	20% - 25%

### g) Intangible Fixed Assets

All intangible assets are considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but can be shorter depending on the period over which the entity expects to use

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

the assets. Generally intangible assets are depreciated on a straight line basis at 20% per annum. This depreciation charge is included within the Association's operating costs.

- h) Fund for replacement of scheme equipment – owner occupiers

Transfers are made from the service charge to replace items of scheme equipment based on current replacement costs and estimated lives. The fund is included in deferred income and is split into amounts falling due within one year and after more than one year, based on budgeted figures for the following year.

- i) Fund for repairs and replacement equipment – owner occupiers

Transfers are made from the service charge to meet the cost of future repairs on owner occupied developments based on current repairs and replacement costs and estimated lives. The fund is included in deferred income and is split into amounts falling due within one year and after more than one year, based on budgeted figures for the following year.

- j) Reserves Policy

The Association will build up sufficient reserves to keep it financially viable to enable it to achieve its overall aims. This requirement is reviewed annually. The Association will maintain any risk reserve which is considered necessary in accordance with the policy on risk management.

- i) Income and Expenditure Reserve

The reserve, which is not cash backed, is held to meet any unforeseen risks encountered by the Association. The Board

regularly considers the target level on a risk management basis and the future expected use of this reserve (see page 21).

- k) Operating Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

- l) Taxation Policy

The Association pays corporation tax on its non-charitable activities. As a Registered Social Landlord, the Association is exempt from payment of corporation tax on its social letting activities.

- m) Value Added Tax

The Association is VAT registered. However, a large proportion of the income, namely rents and service charges, are exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

- n) Retirement Benefits

The Association participates in two funded multi-employer defined benefits pension schemes, the Scottish Housing Association Pension Scheme (SHAPS) and the Lothian Pension Fund (LPF). Retirement benefits to employees are funded by contributions from employers and employees in the schemes.

For the SHAPS, contributions are recognised in the statement of comprehensive income in the period to which they relate as there is insufficient information available to use defined benefit

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Association will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

22 employees (2016: 22 employees) are members of the LPF administered by The City of Edinburgh Council. For the LPF, the cost of providing benefits is determined using the projected unit credit method. The net defined benefit liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

The expected cost to the Association of pensions is charged to the Statement of Comprehensive Income to enable the cost of pensions to be spread over the service lives of the employees.

For defined contribution schemes the amount charged to the Statement of Comprehensive Income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

### o) Financial Instruments

The Association has elected to apply the provisions of Section 11 “Basic Financial Instruments” and section 12 “Other Financial Instruments Issues” of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legal enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### *Financial Assets - Debtors*

Debtors, which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument. A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was



# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

recognised, are recognised immediately in income and expenditure.

## *Financial Liabilities – Trade Creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

## *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges. Commitments to receive a loan are measured at cost less impairment.

## *Cash and Cash Equivalents*

Cash and cash equivalents includes cash at bank and in hand and short term deposits maturing within one year.

## p) Provisions

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation

can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 2 Turnover, Operating Costs and Operating Surplus

		2017		2016	
	Notes	Turnover £'000	Operating costs £'000	Operating surplus £'000	Operating surplus £'000
Social Lettings	3a	28,319	(24,405)	3,914	2,780
Other Activities	3b	6,950	(6,339)	611	1,025
<b>Total for 2017</b>		<b>35,269</b>	<b>(30,744)</b>	<b>4,525</b>	<b>3,805</b>
<b>Total for 2016</b>		<b>33,706</b>	<b>(29,901)</b>	<b>3,805</b>	

3a Income and Expenditure from Affordable Letting Activities

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

	General Needs Housing		Supported Housing Accommodation		Equity & Ownership Accommodation		Shared		Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	2016	2017
Rent receivable net of Identifiable Service Charges	789	15,150	38						15,338	
Service Charges receivable	82	9,281	-						9,082	
Gross income from rents & service charges	871	24,431	38						24,420	
Less: Voids	(9)	(413)	-						(599)	
<b>Net income from rents &amp; service charges</b>	<b>862</b>	<b>24,018</b>	<b>38</b>						<b>23,821</b>	
Other Revenue Grants	-	502	-						506	
Revenue Grants from Scottish Ministers	-	-	-						-	
Grant released from deferred income	138	2,740	21						2,612	
<b>Total turnover from affordable letting activities</b>	<b>1,000</b>	<b>27,260</b>	<b>59</b>						<b>26,939</b>	
Management & maintenance administration costs	190	4,604	6						4,319	
Service costs	73	9,649	-						9,387	
Planned and cyclical maintenance including major repairs costs	71	2,278	-						3,167	
Reactive maintenance costs	69	2,534	-						2,571	
Bad debts - rents and service charges	-	16	-						43	
Depreciation of affordable housing	234	4,657	24						4,672	
Impairment of affordable housing	-	-	-						-	
<b>Operating Costs for affordable letting activities</b>	<b>637</b>	<b>23,738</b>	<b>30</b>						<b>24,159</b>	
<b>Operating Surplus for affordable letting</b>	<b>363</b>	<b>3,522</b>	<b>29</b>						<b>2,780</b>	
Operating Surplus for affordable letting for previous period of account	299	2,461	20							

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 3b Turnover, Operating Costs and Operating Surplus/(Deficit) from Other Activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs bad debts	Other operating costs	2017 Surplus/(deficit) for the year	2016 Surplus/(deficit) for the year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider Role Activities	-	-	-	-	-	-	-	-	-
Care & Repair of Property	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	2,050	2,050	-	(2,050)	-	-
Support Activities	-	-	2,021	-	2,021	-	(1,856)	165	322
Care Activities	-	-	-	935	935	-	(906)	29	119
Contracted out services for RSLs	-	-	-	-	-	-	-	-	-
Contracted out services for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments & improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Telecare	-	-	-	1,135	1,135	-	(896)	239	185
Stage 3 Adaptations	-	355	-	-	355	-	(355)	-	-
Other Activities*	-	-	-	454	454	-	(276)	178	399
<b>Total from Other Activities</b>	-	<b>355</b>	<b>2,021</b>	<b>4,574</b>	<b>6,950</b>	-	<b>(6,339)</b>	<b>611</b>	<b>1,025</b>
<b>Total from other activities for year ended 31 March 2016</b>	-	<b>331</b>	<b>2,384</b>	<b>4,052</b>	<b>6,767</b>	-	<b>(5,742)</b>	<b>1,025</b>	<b>1,025</b>

\* Under other activities – no single activity exceeds £250k or 5% of turnover.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

### 4 Key Managements' Emoluments

Key management personnel are defined as the members of the Board, the directors, the Chief Executive and any other person reporting directly to the directors or the Board whose total emoluments exceed £60,000 per annum.

	2017 £'000	2016 £'000
Total emoluments for the above key management personnel (excluding pension contributions and benefits in kind):	304	362
The emoluments (excluding pension contributions) of the Chief Executive amounted to:	106	104
The total emoluments payable to the highest paid member of the key management personnel amounted to:	130	124

The Association made pension contributions of £50,563 (2016: £44,247) on behalf of those key management personnel whose total emoluments, excluding pension contributions, are in excess of £60,000 per annum, including £23,334 to the highest paid.

The Board had a membership of 11 as at 31 March 2017 and a maximum of 12 members during the year. No payment of fees or other remuneration was made to the members during the year.

	2017 £'000	2016 £'000
Total expenses reimbursed to the Chief Executive insofar as not chargeable to UK Income Tax:	1	1

Total expenses incurred on behalf of Board Members who were neither officers nor employees of the Association amounted to:

	2	2
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The number of key management personnel, who received emoluments (excluding pension contributions) in excess of £60,000 were within the following ranges:

	No. of Key Mgt Personnel	No. of Key Mgt Personnel
£60,001 to £70,000	1	2
£70,001 to £80,000	2	2
£80,001 to £90,000	-	-
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1

### 5 Employee Information

The average monthly FTE number of persons (including key management personnel) employed in the year was:

	2017 No.	2016 No.
	400	382

The average number of persons (including key management personnel) employed in the year was:

	540	512
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# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 5 Employee Information (continued)

	2017	2016
	£'000	£'000
Staff costs (including key management personnel emoluments)	10,202	9,561
Wages and salaries	786	628
Social security costs	594	601
Pension costs	10	8
BUFA	11,592	10,798

Payments to the value of £18,309 in respect of redundancy costs are included within the totals for staff costs.

### Average FTE Employees per Month

Apr-16	384	Oct-16	408
May-16	387	Nov-16	408
Jun-16	390	Dec-16	408
Jul-16	392	Jan-17	405
Aug-16	393	Feb-17	405
Sep-16	406	Mar-17	409

## 6 Operating Surplus

Operating surplus is stated after charging/ (crediting) :	2017	2016
	£'000	£'000
Depreciation (exc Intangible Assets)	5,170	5,070
Amortisation on Intangible Assets	203	27
Grant amortisation	(2,899)	(2,613)

Repairs: cyclical, planned, day to day	4,952	5,738
Auditors' remuneration - external	21	24
Auditors' remuneration - internal	30	19
Hire of plant and machinery - rentals payable under operating leases	185	161

## 7 Interest receivable and other income

	2017	2016
	£'000	£'000
Interest receivable on bank deposits	19	52

## 8 Interest payable and similar charges

Housing loans:	2017	2016
	£'000	£'000
On loans from banks and building societies repayable in more than 5 years	912	929
Interest on owner occupier funds	10	10
Net return on pension assets	56	66
Unwinding of discounted liabilities-pension provisions	319	330
	1,297	1,335

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 9 Fixed Assets

	Social Housing Properties					WIP		Heritable Office Property		Computer & leased equipment		Total other		Intangible Fixed Assets	
	Held for letting	Shared Ownership	Shared Equity	Properties/Components	Total housing	Heritable Office Property	Computer & leased equipment	Total other	Intangible Fixed Assets						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>															
At 1 April 2016	210,496	448	1,059	10,625	222,628	6,720	1,070	7,790							1,098
Additions in the year	3,912	-	-	10,892	14,804	-	141	141							161
Transfers in the year	12,471	-	-	(12,471)	-	-	-	-							-
Disposals in the year	(2,874)	(64)	-	-	(2,938)	-	(472)	(472)							(83)
At 31 March 2017	224,005	384	1,059	9,046	234,494	6,720	739	7,459							1,176
<b>Depreciation</b>															
At 1 April 2016	78,222	163	527	-	78,912	1,574	869	2,443							265
Provided during the year	4,891	6	18	-	4,915	142	113	255							203
Disposals in the year	(2,039)	(26)	-	-	(2,065)	-	(472)	(472)							(83)
At 31 March 2017	81,074	143	545	-	81,762	1,716	510	2,226							385
<b>Net book value</b>															
at 31 March 2016	132,274	285	532	10,625	143,716	5,146	201	5,347							833
at 31 March 2017	142,931	241	514	9,046	152,732	5,004	229	5,233							791

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

### 9 Tangible Fixed Assets (continued)

- a) The Association has received £354,608 (2016: £330,932) in the year in respect of Housing Association Grant for Adaptations of which £354,608 (2016: £330,932) has been treated as revenue and £nil (2016: £nil) was capitalised in the Statement of Financial Position. No grants were received in the year for Major Repairs.
- b) Notwithstanding the Statement of Financial Position, the Association undertook a programme of property valuations in 2015. The average value of each unit was £26,300, using the existing use criteria. This compares to an average net book value of £15,584 per unit.
- c) For major repairs during the year the Association spent £4.75m (2016: £5.53m); £3.91m (2016: £3.56m) was capitalised for replacement components; and £1.32m (2016: £1.97m) was expensed through operating costs in the Statement of Comprehensive Income. A further £nil (2016: £nil) of additions relate to improvements.
- d) Development administration costs capitalised in the year amounted to £158,580 (2016: £159,292).
- e) Interest capitalised in the year amounted to £193,736 (2016: £nil). The interest capitalised was in respect of the interest paid on loans used specifically for new development expenditure.
- f) Shares were held at nil cost from Barclays plc. Market value of 104 shares at 31 March 2017 is £230 (2016: £155). Also

89 shares in Banco Santander were held at nil cost. The market value of these shares at 31 March 2017 is £428 (2016: £269).

- g) No Land or Buildings included in Fixed Assets are held on a lease or managed by other association bodies.
- h) Included in fixed assets is land of £18m, which is not depreciated.

### 10 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Rental debtors	378	451
Less: bad debt provision	-	-
HAG receivable	378	451
Owners service charge balances	316	1,390
Other debtors	51	54
Prepayments and accrued income	611	525
	293	492
	1,649	2,912

### 11 Cash and Cash Equivalents

Cash and cash equivalents	2017 £'000	2016 £'000
	6,299	3,183



# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

	12 Creditors: Amounts Falling Due Within One Year		13 Creditors: Amounts Falling Due After More Than One Year	
	2017 £'000	2016 £'000	Year	2016 £'000
Loan repayments: instalments of principal (see note 13)	689	621		
Deferred capital grants (see note 16)	2,669	2,723	Loans	19,399
Owners' funds (see note 13)	399	359	Deferred capital grants (see note 16)	80,667
Owners service charge balances	96	123	Owners' funds	623
Corporation Tax	4	6	Other	52
Other taxation and social security	253	217		
Development 'work in progress' accruals	337	212		
Accruals and deferred income	1,183	1,296		
Rent in advance	131	98		
Trade creditors	2,498	2,796		
	<u>8,259</u>	<u>8,451</u>		
			109,301	100,741

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 13 Creditors: Amounts Falling Due after More Than One Year (continued)

The Association's only debt constitutes the loans as below. Deferred finance costs of £243k (2016: £251k) have been offset against the loans. Loans are secured by fixed charges on the Association's properties and interest is repayable at:

- i. Fixed rates between 4.59% and 5.46%.
- ii. Residents funds receive interest of between 1% and 0.5% (2016: 1% and 0.5%).

	2017 £'000	2016 £'000
<b>Loan instalments are due as follows:</b>		
Within one year (note 12)	689	621
Between one and two years	764	698
Between two and five years	5,577	5,541
In over five years	21,368	13,160
	<u>28,398</u>	<u>20,020</u>

	Balance at 31/03/16 £'000	Expenditure in year £'000	Provided in year £'000	Balance at 31/03/17 £'000
<b>Owners' Funds</b>				
Owners replacement of scheme equipment	109	(15)	51	145
Owner occupier repairs	873	(766)	650	757
	<u>982</u>	<u>(781)</u>	<u>701</u>	<u>902</u>
Split as follows :				
Less than one year and included in note 12	<u>(359)</u>			<u>(399)</u>
More than one year	<u>623</u>			<u>503</u>

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 14 Share Capital

	2017	2016
	No.	No.
Opening share capital	340	320
Shares allocated during the year	38	38
Shares relinquished during the year	(61)	(18)
Closing share capital	<u>317</u>	<u>340</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. Shares are fully paid as at 31 March 2017.

## 15 b SHAPS Growth Plan Pension Provision

	2017	2016
	£'000	£'000
Balance at 1 April 2016	62	53
Utilised in the year	(6)	(6)
Remeasurement	2	14
Unwinding of discount	1	1
Balance at end of year	<u>59</u>	<u>62</u>

The amount held within this provision represents an estimate of the future liability in respect of the Past Service Deficit of the SHAPS Growth Plan Scheme payable over the next 8.5 years.

Total Provisions (a and b) 6,284 14,558

## 15 a SHAPS Past Service Deficit Provision

	2017	2016
	£'000	£'000
Balance at 1 April 2016	14,496	15,417
Utilised in the year	(1,227)	(1,192)
Remeasurement	(7,362)	(58)
Unwinding of discount	318	329
Balance at end of year	<u>6,225</u>	<u>14,496</u>

The amount held within this provision represents an estimate of the future liability in respect of the Past Service Deficit of the SHAPS Scheme payable over the next 5 years.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

### 16 Deferred Capital Grants

	2017 £'000
<b>Grant</b>	
As at 1 April 2016	145,620
Grant received in the year	3,628
Grant repaid / abated in the year	(1,387)
As at 31 March 2017	<u>147,861</u>

### Amortisation of Grant

As at 1 April 2016	62,230
Grant released during the year	2,639
Disposals / abatements	(714)
As at 31 March 2017	<u>64,155</u>

Net book value at 31 March 2016

83,390

Net book value at 31 March 2017

83,706

Shown as:

Amount to be released within one year

2,669

Amount to be released after more than one year

81,037

Note that in addition to the £2.639m grant released this year, an additional £260k grant was abated this year.

### 17 Capital Commitments

Housing expenditure contracted less certified at 31 March 2017 amounted to £4.12m (2016: £10.16m). Expenditure authorised by the Board but not contracted at 31 March 2017 amounted to

£9.75m (2016: nil). Furthermore, the Board has authorised expenditure on capitalised major repairs and replacement components amounting to £3.95m (2016: £3.8m).

In addition, the Board has authorised expenditure on other fixed assets amounting to £890k (2016: £507k), which includes the purchase of computer equipment and software.

The Association has a loan facility with Lloyds Bank for £20m to finance the new build and asset management programme.

18 Leasing Commitments	2017 £'000	2016 £'000
Amounts due:		
Within one year	190	184
Between one and five years	129	-
	<u>319</u>	<u>184</u>

Amounts due:

Within one year

184

Between one and five years

129

319

184

All operating leases are in relation to the lease of company cars.

### 19 Pension Commitments

In 2016/17 certain employees have elected to contribute to the Scottish Housing Associations' Pension Scheme (SHAPS) or the Lothian Pension Fund (LPF), both of which are defined benefit schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Association and employer contributions to the schemes are charged to operating costs, so as to spread the costs of pensions

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

over employees' working lives with the Association.

The contributions are determined by a qualified actuary on the basis of triennial valuations.

The estimate of total contributions payable by the Association in 2017/18 is £1,616k to the SHAPS scheme and £388k to the LPF scheme.

### Scottish Housing Associations Pension Scheme

#### General

The Association participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is a defined benefit scheme in the UK.

It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of

the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation of the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m, and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme per annum of £25.74m to 28 February 2022, £727k to 30 June 2025, and £1.24m to 31 October 2026. These deficit contributions will be paid monthly and will increase by 3% each on 1<sup>st</sup> April. The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.06% (2016: 2.29%). The discount rate used is the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions. The unwinding of the discount rate is recognised as a finance cost. At 31 March 2017 the present value of the Association's share of the deficit funding was £6.23m. This is held within provisions in the SOPF. This liability will be paid over the next 5 years. The amount to be paid in 2017/18 is £1.23m.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

### Growth Plan

The Association participates in the Pensions Trust's Growth Plan (the Plan). This is a multi-employer scheme. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The Association offers the Plan as an AVC investment option for members of the SFHA Pension Scheme. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Plan.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this

funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme. The trustees and the participating employers have agreed that additional contributions of £12.95m will be paid to the scheme per annum to 30 September 2025 and £55k per annum to 30 September 2028. These deficit contributions will be paid monthly and will increase by 3% each on 1<sup>st</sup> April. The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

As at the balance sheet date there was 1 active member of the Plan employed by The Association. The Association continues to offer membership of the Plan to its employees.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.32% (2016: 2.07%). The discount rate used is the equivalent single discount rate which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions. The unwinding of the discount rate is recognised as a finance cost. At 31 March 2017 the present value of the Association's share of the deficit funding was £59k. This is held within provisions in the SOPF. This liability will be paid over the next 8.5 years. The amount to be paid in 2017/18 is £7k.

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## Lothian Pension Fund

The Association participates in the Lothian Pension Fund ("the Scheme") and had 22 active members at the balance sheet date (22 active members in 2016).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association paid contributions at the rate of 23.9% during the accounting period and individual members paid contributions between 5.5% and 9.8%.

The last formal valuation of the Association's share of the Scheme assets and liabilities was performed at 31 March 2014 by a professionally qualified actuary using the projected unit method. The results from that valuation have been projected forward to 31 March 2017 using approximate methods.

The figures used to determine the overall expected rate of return on assets were based on the actuaries recommended return assumptions which were derived from the HRAM model, the proprietary stochastic asset model developed and maintained by Hymans Robertson LLP.

## Principal actuarial assumptions at the balance sheet date

	2017	2016
	p.a.	p.a.
Pension increase rate	2.2%	2.1%
Salary increase rate	3.1%	4.1%
Expected return on assets	22.6%	4.9%
Discount rate	2.7%	3.4%

## Fair value of employer assets

	2017	2016
	£'000	£'000
Equities	3,764	2,972
Bonds	1,292	887
Property	393	399
Cash	169	177

## Total Estimated Employer Assets

	5,618	4,435
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## Movement in deficit during the year

	2017	2016
	£'000	£'000
Deficit in scheme at beginning of year	(1,704)	(2,151)

## Deficit in scheme at beginning of year

### Movements during the year:

Current service cost	(213)	(212)
Contributions paid	322	286
Other finance costs	(56)	(66)
Actuarial gain / (loss)	267	439

## Deficit at the year end

	<b>(1,384)</b>	<b>(1,704)</b>
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# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## The amounts recognised in the balance sheet are as follows:

	£'000	£'000
Present value of funded liabilities	(6,979)	(6,118)
Fair value of employer assets	5,618	4,435
Present value of unfunded liabilities	(1,361)	(1,683)
Deficit	(23)	(21)
Net Liability	(1,384)	(1,704)

## Expense recognised in the statement of comprehensive income

	2017 £'000	2016 £'000
Current service cost	(213)	(212)
Losses/(Gains) on Curtailments and Settlements	-	-
Net interest on net defined benefit obligations	(56)	(66)
	(269)	(278)

The expense is recognised in the following line items in the statement of comprehensive income

	2017 £'000	2016 £'000
Operating Costs	30,744	29,901
Interest payable and financing costs	1,310	1,335

## The total amount recognised in the statement of comprehensive income in respect of actuarial changes

	2017 £'000	2016 £'000
Actuarial gains / (losses)	267	439
<b>Movements in present value of defined benefit obligation</b>	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	6,139	6,249
Current service cost	213	212
Interest cost	209	195
Contributions by members	55	51
Actuarial (gains) / losses	600	(362)
Losses/ (gains) on curtailment	-	-
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(213)	(205)
<b>Closing defined benefit obligation</b>	<b>7,002</b>	<b>6,139</b>

## Movements in the fair value of plan assets are as follows:

	£'000	£'000
Opening fair value of employer assets	4,435	4,098
Expected return on assets	153	129
Contributions by members	55	51
Contributions by the employer	321	285
Contributions in respect of unfunded benefits	1	1
Actuarial gains/ (losses)	867	77
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(213)	(205)
<b>Closing fair value of employer assets</b>	<b>5,618</b>	<b>4,435</b>



# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2017

### 20 Taxation

#### UK Corporation Tax Charge

Based on the results for the year

#### Total Current tax

	2017	2016
	£000	£000
	4	6
	4	6

#### Factors affecting tax charge for the year

Surplus on ordinary activities before taxation

	3,303	2,458
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Expected tax charge at 20% (2016: 20%)

Exempt charitable activities

#### Current tax charge

	661	492
	(657)	(486)
	4	6

### 21 Housing Stock

The number of units in management as at 31 March 2017, was as follows:

	2017	2016
	No.	No.
Rented - General needs housing	203	181
Rented - Supported housing accommodation	3,945	3,894
Shared ownership	21	23
Shared equity	88	88
Owner occupied	1,098	1,096
Totals	5,355	5,282

The number of units in development as at 31 March 2017, was as follows:

	2017	2016
	No.	No.
Rented - General Needs housing	13	22
Rented - Supported housing accommodation	48	51
	61	73

### 22 Average Annual Scottish Secure Tenancy Rents

	2017	2016
	£	£
Average annual Scottish secure tenancy rents for housing accommodation	3,880	3,735

Percentage increase/(decrease) from previous year

	%	%
	3.5%	3.5%

Rented - General needs housing

Number of Scottish secure tenancies

Shared ownership

Shared equity

Owner occupied

Totals

	2017	2016
	No.	No.
	4,031	3,932

### 23 Group Structure

The Association is registered in Scotland and does not form part of a group.

# Hanover (Scotland) Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2017

## 24 Related Party Transactions

There were no related party transactions in the year.

## 25 Contingent Liabilities

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme (formerly the SFHA Pension Scheme) based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for The Association was £36,539,958. It has also been notified of the estimated employer debt on withdrawal from the Growth Plan as at 30 September 2015 was £93,600 based on the financial position of the Plan.

The Board is not aware of any other contingent liabilities as at 31 March 2017 and no other liabilities have emerged since.

## 26 Post Balance Sheet Events

The Board is not aware of any post balance sheet events, which affect the Association as at 31 March 2017.