

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Registered Housing Association No. HCB 187

Financial Conduct Authority No. 1865R(S)

Charity No. SC 030635

BAKER TILLY UK AUDIT LLP

Chartered Accountants

Glasgow

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 1865R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HCB 187
Scottish Charities	Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC 030635

Auditors

Baker Tilly UK Audit LLP
274 Sauchiehall Street
Glasgow
G2 3EH

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

Bankers

Clydesdale Bank
30 St Vincent Place
Glasgow
G1 2HL

Funders

Dunfermline Building Society	THFC
Caledonia House	4 TH Floor
Carnegie Avenue	107 Cannon Street
Dunfermline	London
KY11 8PJ	EC4N 5AF

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

31 MARCH 2014

The Board presents their report and audited financial statements for the year ended 31 March 2014.

Principal activity

The principal activity of the Association is the provision of housing for let at rents affordable to the client group for whom it intends to provide.

The Association is registered with the Financial Conduct Authority as a Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association is primarily regulated by the Scottish Housing Regulator.

Our Strategic Aims

The Association has within its Strategic Aims:

- Dedication to offering housing solutions and routes into social inclusion by building, managing and maintaining a range of affordable housing, and providing support for varying needs
- Contributing to community sustainability and regeneration, through innovation and relationships built on trust with our customers and partners
- Ensure we are an employer of choice, and that we deliver quality service and standards throughout our activities including customer involvement
- Ensure that the Association is financially and operationally viable
- Respect for diversity, and ensuring accountability, openness, integrity and compliance in the governance of our activities.

Our vision is one of diverse communities in which people can expand their opportunities, exercise choice and maximise their potential. To help achieve this, we want to help to drive innovation and quality in accessible housing and support in Scotland. Some of the main objectives which we think can help achieve this aim include:

- demonstrating innovation in housing design, where possible influencing the practice of others and helping to raise standards generally
- achieving continuous improvement in all the services we deliver, and achieving and maintaining high standards of business efficiency and effectiveness
- creating opportunities for significant levels of user involvement in what we do
- being recognised by regulators and strategic partners as delivering excellent performance

We see these as significant objectives, which challenge the way we deliver our core services of housing, housing support, advice, and consultancy. We seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

Going Concern

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

31 MARCH 2014

(Continued)

Corporate Governance

The Association has a Board who are elected by the members of the Association (as listed on page 10). It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Board are unpaid.

The Executive Team of the Association (as listed on page 10) are responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Board, which is responsible to the wider membership. Board members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

Achievements and performance

The growth and success of North Glasgow Housing Association (NGHA) over the past 38 years has been a remarkable story. Since its formation in 1976 to save a block of condemned tenements in Springburn from demolition, the Association has evolved to become a major economic player in the north of the city. Serving the Springburn and Possilpark areas of Glasgow, the Association is now responsible for the management of almost 5,500 homes. The continued success of the business has been based on two key factors, planned growth and continuous improvement. This has been another eventful year for the Association during which progress has been made on many fronts.

The Association believes that we will only make our communities better by working in partnership with others. As we also believe in improving the whole community and not just the housing in it, we are very active in wider action work as can be seen throughout this report. We are continually looking at new initiatives to improve our communities.

The Association faces many challenges in the years ahead. We have a strong staff and Board and we look forward to continuing to work with them and all of our customers to ensure that we carry on improving as an organisation. If you have access to the internet we would encourage you to look at our website www.nghomes.net, which is regularly updated with Association news.

We are continuously striving to improve our performance and provide the best possible customer service. If you have any comments on our work, please contact our offices or email: info@nghomes.net

This report details issues that have arisen during the year relating to the activities undertaken by the Association.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

31 MARCH 2014

(Continued)

Investment Activities

Development and maintenance review

The Association's development and planned maintenance programme has continued to deliver for tenants and communities in the north of the city. This year the Association spent almost £2.7 million on acquisition of houses and capitalised investment in upgrading properties. During the year no new developments were started on site.

The Association is committed to ensuring all its homes are maintained to a good standard and as such operates a rolling programme to improve properties through, for example, the installation of central heating and kitchens in tenants' homes. A major investment in the year was the £2.15m programme of work to improve the water tanks, landings, environmental appearance and entranceways of the Wellfield and Balgrayhill multis.

Scottish Housing Quality Standard

All Registered Social Landlords are required to comply with the Scottish Housing Quality Standards (SHQS) by the year 2015 in relation to ensuring that all housing stock complies with standards in energy efficiency, modern facilities/services and healthy, safe and secure properties. The Association is progressing with the work necessary to meet the standards. At March 2014 99.8% of the stock met the standards.

Home Ownership

In 2003 Communities Scotland, with funding from the Scottish Executive, launched a Mortgage to Rent scheme, aimed at helping those under threat of repossession as a result of mortgage arrears. This scheme has been expanded by the Scottish Government with the difficulties being encountered in the current financial environment. The Association is committed to the scheme, which allows the owner to become a tenant, avoiding the upheaval of removing families from their existing support networks, and the costs of housing homeless families. In the year ended 31 March 2014 we completed one mortgage to rent purchase. The Association also completed three buybacks of shared ownership properties in the year. In addition there were thirteen open market purchases in the year.

Five properties were sold under right to buy in the year.

Best use of resources

We have continued with the programme of major investment in our housing stock, which is by far our most valuable asset. This includes both carrying out major repairs, and also considering whether any of our housing should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information through specific asset management models for each area of our stock to ensure that our long-term financial planning reflects our future investment requirements. We continue to look for efficiencies and economies in the way that we carry out business processes.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

31 MARCH 2014

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Housing review

Rent collection, allocations and voids

The overall rent collection rate was 98% (2013 - 93.1%) and the outstanding non technical current arrears at the year end represents 4.46% (2013 - 4.19%) of the total rent roll. The arrears and tenancy sustainment teams working together with welfare rights advisers aim to reduce this total. With welfare changes and delays in benefit administration it is a challenging environment in which to keep arrears low. Future welfare changes and the continuing difficult economic environment will add to the problems in this area. Despite this the number of evictions reduced from nine in 2013 to eight in the current year.

The Association let 563 (2013 - 442) properties during the year. The Association continues to allocate relets and new lets as quickly as possible, to ensure that we maximize our effectiveness in housing people in need and minimise our costs. The average time taken to re-let or let a new property was just 8.1 days (2013 - 6 days). This is a good performance and work will continue to maintain this figure over the coming year. The rent loss due to empty properties was £58k (2013 - £36k).

During the year the Association allocated 94 lets (2013 - 128 lets) to Section 5 homelessness referrals, representing 17% (2013 - 29%) of the lets made in the year. In addition to the homeless there is still significant unmet demand with 3,021 (2013 - 3,683) on the waiting list with 944 (2013 - 1,104) new applications added in the year.

Customer Services

The Association is committed to a high standard of customer service in all its activities. The principal point of contact for customer enquiries is with the housing management and maintenance staff. The quality and customer satisfaction of these services is closely monitored, and steps are taken to improve them further on an ongoing basis.

Accreditation

The Association continues to enjoy the benefits of both Investors in People and Customer Service Excellence accreditation in recognition of its commitment to staff training and development and excellent customer service. The Association now has IIP Gold level status. The Association also has a Healthy Working Lives Bronze award and retained our Positive about Disabled People status.

The Association was pleased to be named Housing Support Provider of the Year at the 2014 Scottish Care Awards. The awards which were facilitated by Scottish Care narrowed the finalists down from over 200 entries. The Housing Support service within the Association is made up of five sheltered complexes and one very sheltered complex providing a housing support service to 170 tenants across the north of Glasgow. To win the award, the Association demonstrated how it managed staff training and development, flexible working arrangements, equality and diversity and how the service is making a difference to the people it supports.

Tenant Consultation/Communications

Tenant consultation is vital to the continued success of the Association. The Association's desire to ensure that we communicate effectively with as many tenants as possible has resulted in the Association producing information in a variety of formats including quarterly newspaper, patch newsletters, the website and on plasma screens in reception areas. Regular customer surveys on service performance were also carried out. We have continued to encourage tenants to get involved in the formulation of our policies and procedures through consultations. Examples of this are the use of focus groups to discuss and prioritise issues and action areas of concern.

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Diversity

The Association is firmly committed to providing flexible services to our increasingly diverse society. Equality and fairness underpin our whole business philosophy. We take a positive approach to promoting our services to all communities. The Association has in place resources through interpreters and the Happy to Translate multi language resource to aid communication to all our tenants.

Other areas

Other areas of note within housing management during the year included:

- The arrears team contributed significantly to keeping the level of arrears down.
- Development and implementation of a Welfare Reform Action Plan, including tenant surveys.
- Work continued on upgrading the IT systems within housing management and ensuring that the systems were used more efficiently and effectively.
- Continuing free cover of £15,000 of contents insurance for tenants who are over sixty. This is helping promote financial social inclusion and ensuring that there is cover in the event of a serious incident for those who generally don't have any cover in place.

Wider Action Activities

Partnerships with other agencies

Effective partnerships with agencies, which provide a range of services and support to tenants were developed. These agencies include among others the Scottish Government, The Big Lottery Fund, Glasgow Life, Winning Scotland Foundation, Keep Scotland Beautiful and Glasgow City Council.

Community Regeneration

The Association has continued to impact on the wider regeneration of the north of the city through a variety of different projects.

- The Association set up in 2010 a social economy company NG 2 Limited to encourage local employment and training opportunities. This has resulted in direct employment within the company of over eighty staff all of whom are paid at the Glasgow minimum wage and above. The company now carries out among other activities close cleaning, bulk uplift, close maintenance, void electrical and joinery work and general environmental improvement activities. The accompanying partnership training and employability programme funded in part by the Scottish Government and the Association has resulted so far in over sixty trainees receiving intensive and quality training together with six months work experience to improve their employability. A significant number of the trainees have progressed on to continuing employment.
- A Community Transport Scheme provided residents of pension age or with a disability with transport to local or city centre shops on a regular and scheduled basis.
- In conjunction with Inspiring Scotland an initiative to improve community involvement continued in the year under the Link Up banner. This was to develop existing and facilitate new 'links' that bring people in the community together to undertake mutually beneficial activities, using this experience to increase the number of social connections and therefore social capital in the community as well as the confidence and capacity of the individuals involved.

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- A wide range of community development and sporting projects were undertaken in the year. Also programmes of work were undertaken with secondary schools to develop interschool relationships.
- A waste management strategy was implemented in the year in conjunction with Zero Waste Scotland.
- An environmental programme started in 2013 after a successful application to the Climate Challenge fund that resulted in an award of £292,635 for three year funding of the programme.
- The Associations Springburn office provided office space to Scotcash who act as a lender to the most economically disadvantaged at interest rates that are substantially lower than other providers. Welfare and financial advice is also provided as part of the service.
- Funding from Glasgow Life and Winning Scotland Foundation assists in providing a Commonwealth Games Legacy sports facilitator post to promote sport in the north of the city.
- Support from the Big Lottery Fund to assist with the setting up of ng homes Food for Thought project. This project will support people experiencing severe hardship through the provision of a food bank and by enhancing existing starter packs to include clothing and furniture. In addition to providing these emergency supplies, the project will also offer family and community workshops focusing on healthy eating on a budget.
- Support from the Scottish Government's People and Communities Fund to help provide training and job placement support for fifteen unemployed people in the North Glasgow area during July 2013 to March 2015. Seven of the initial ten trainees have already obtained employment positions after the training period.

Financial Review

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account. The surplus of £2,770,950 (2013 – surplus of £2,920,263) has been dealt with as follows:

	£
Transfer from Major Repairs reserve	2,000,000
Surplus for year	<u>2,770,950</u>
Transfer to general reserve	<u>4,770,950</u>

For 2013/14 there was an increase in getting major repairs contracts on site. A £2.15m programme of work to improve the water, landings and entrances in the Wellfield, Balgrayhill and Viewpoint multis was undertaken in the year.

The Association reviewed its staff compliment during the year and offered a voluntary severance scheme with the aims of improving business efficiency and improving staff progression and skills mix. A total of twelve staff took up the offer in the year and severance and pension costs of £594k have been charged to this year's expenditure. This will result in reduced costs in future years. With the surplus the Association is in a better financial position with in excess of £10m deposited as cash funds, at the year end. The Association continues to have a significant major repair investment programme due to our commitments to keep the properties to a good standard and the long term promises for improvements to the transferred stock. Cash surpluses will continue to be made, subject to our planned maintenance programme over the next few years.

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Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2014 the Association has a mix of fixed and variable rate finance which it considers appropriate at this time.

The Association constantly keeps its loan portfolio under review and seeks to manage its variable rate loans at the historically low rates that are currently available. The average interest rate on the loans in the year was 4.25% (2013 – 4.24%). Due to fixes ending after the year end the average interest rate is currently about 3.5%.

Under the terms of the loan agreements, there are a number of financial and operational covenants that limit the Association's operating and financial flexibility. A failure to comply with any of these covenants could result in default under the agreement and an acceleration of repayment of the debt outstanding. As far as the Board are aware the terms of all covenants were met during the year.

Payment to creditors

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association aims to pay its creditors within their credit terms and prioritises payments to its smaller suppliers.

Pensions

The Association has staff in both the Scottish Housing Association Pension Scheme (SHAP) and Strathclyde Pension Fund (SPF). An active review of both existing pension schemes continued in the year together with consideration of other pension issues such as auto enrolment.

The recent actuarial review of the Scottish Housing Associations' Pensions Scheme showed that the scheme deficit had risen to £304m from £160m in the three years to 30 September 2012. Most RSLs in Scotland are members of this scheme.

The Scottish Housing Regulator has urged registered social landlords (RSLs) to adopt a candid and realistic approach to resolving the issues arising from the historic under-funding of pension liabilities. The RSL sector will have to deal with a substantial increase in pension contributions in their future plans. The Association had already updated its long term business plan by including substantial payments to cover its share of the deficit. The Association closed off entry to the final salary element of the SHAP scheme back in 2011 and is considering further changes to the scheme options. The revised Statement of Recommended Practice (based on Financial Reporting Standard 102) is almost ready for publication and comes into force for the 2015/16 accounts. Included in such will be the requirement to bring into the balance sheet the liability based on the deficit payments to the SHAP scheme. The Association intends to bring this liability into the 2014/15 accounts. The calculated value of this liability is just under £6.8 million.

The membership in the SPF scheme arose as a result of staff that came into the Association as part of the stock transfer in 2011. The membership in the scheme is on a closed basis and only those staff that came across have the right to join the SPF. As a result active membership is declining as staff leave the Association. While the Associations element of the SPF is at a much better funding level compared to the SHAPs scheme, an active review of the financing and options relating to the SPF continues to be done.

The Association had a staging date of May 2014 for putting in place pension arrangements that satisfied the requirements under auto enrolment legislation. A scheme was put in place by that date.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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31 MARCH 2014

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Policies and procedures

Risk Management Policy

The Board have a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Board have reviewed the adequacy of the Association's current internal controls.

The Board have set policies on internal controls which cover the following:

- Consideration of the type of risks the Association faces;
- The level of risks which they regard as acceptable;
- The likelihood of the risks concerned materialising;
- The Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained;
- Clarified the responsibility of management to implement the Board's policies and identify and to evaluate risks for their consideration;
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- Embedded the control system so that it becomes part of the culture of the Association;
- Developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment;
- Included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

General Reserves Policy

The Board members have previously reviewed the reserves of the Association in conjunction with the long term maintenance plans. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that to allow the Association to be managed efficiently and to provide a buffer for uninterrupted services, reserves equivalent to at least one year's operating costs should be maintained. During the year the Association's reserves increased from £21.77m to £24.28m.

While this is welcome in future years there will be significant expenditure required to upgrade the stock that has been transferred. The Association's maintenance life cycle plan has resulted in the Association running through a period of years where there has been significant planned maintenance expenditure. The transferring stock still requires significant expenditure in the immediate years and further increase in reserves may be delayed. Also it is clear that future building of new stock will be done with considerably lower grant levels than in the past. The Association will need to generate higher levels of internal reserves to fund future stock replacement as present grant levels result in stock that does not generate enough income without significant and long lasting cross subsidy by the Association.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

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In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of the repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in SORP 2010. The Association is now applying component accounting and the cost of replacement of major components will be capitalised and any remaining net book value of the original component will be written off to the Income and Expenditure account.

Rental Income

The Association's general Rent Policy is based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations of properties. This policy follows the generally accepted practice/principles of the Housing Association Sector. Some elements of the stock are covered by pre-existing agreements. The Association is re-structuring its rents as re-lets arise to bring all properties onto a standard basis.

Employees with disabilities

Applications for employment by people with disabilities are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. The Association's policy is that training, career development and promotion opportunities should be available to all employees. During the year the Association continued to support the PAIH initiative and Glasgow Centre for Inclusive Living, providing places for two trainees.

Employee Involvement and Health & Safety

The Association takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests. The Association benchmarks staff turnover levels, sickness absence, ethnic mix, gender and age profile against available statistics on a regular basis. The Health & Safety Management Group, comprising a mix of staff and Board members, reviews the Association's activities and prepares regular reports on health & safety to the Staffing Sub-Committee. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Equality

The Association takes a positive approach to promoting its services to the Black and Minority Ethnic (BME) communities and has employed a succession of trainees sourced from Positive Action in Housing (PATH). During 2013/14 10% (2012/13 12%) of the Association lets were to households of ethnic minority background and 11% (2012/13 13%) of the waiting list applicants at the year end were of ethnic minority background.

Staff training

The Association provides staff with access to training on courses relevant to their employment. In the year there was a total of 509 days training (2013 – 673) which equated to an average of 6 days (2013 – 6 days) for each member of the core staff.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

31 MARCH 2014

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Board and Executive team

Members of the Board

The Members of the Board of the Association during the year to 31 March 2014 were as follows:

J Fury (Chairperson)	M Willis (resigned 1/10/13)
W Rossine (Vice-Chair)	Professor J Sommerville
F Miller (deceased 25/10/13)	E Hurcombe
P Kenna (deceased 25/10/13)	Bailie A Stewart
R Rodden (deceased 18/3/14)	I Cross
J Thorburn	M Thomson
C Rossine	J Egan (Co-opted 3/12/13)
A Wilson (Co-opted 3/12/13)	R Porter (Co-opted 3/12/13)

Each member of the Board holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Board.

During the year three long serving tenant board members died. Numerous comments of their long service and commitment to their community have been made during the year, but the board wish once again to record their appreciation of the commitment and service that they gave to the Association and the other community groups with which they were involved.

Executive Team

R Tamburrini – Chief Executive Officer
A Devlin – Deputy Chief Executive Officer
L Anderson – Director of Corporate Services, Secretary
R Hartness – Finance Director
A McCann – Director of Estate and Property Services (resigned 12 July 2013)
J Devine – Director of Investment

Recruitment and training of Board members

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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Related parties

Various members of the Board and area committees are tenants, sharing owners or Councillors. The tenancies are on the Association's normal tenancy terms and they could not use their position to their advantage. Sharing owners have lease agreements and these are also on the Housing Associations normal terms. City Councillors who are members of the Board declare their interests relating to relevant decisions taken by the Association or the City Council.

Other issues

Group Structure

The Association has four wholly owned subsidiaries. NG Property (Scotland) Limited objective is to provide factoring services and other activities that the Association cannot due to its charitable status. Design Services Glasgow Limited (DSGL) handles the development activities of the Association and acts as its main contractor. This arrangement ensures that the development activities are carried out in the most VAT efficient manner.

NG 2 Limited carries out social economy activities. As noted earlier in the report NG 2 continues to have a significant impact in providing employment and training. The Association has a dormant subsidiary NG 3 Limited.

The Association will continue to review whether the group structure is appropriate.

Future developments

The Association intends to continue with its policy of improving the quality of housing working with its existing and new partners. The Association in conjunction with Glasgow City Council and the Scottish Government has a programme of agreed and proposed regeneration activities. The Association will continue to explore opportunities for the provision of new housing with both public and private sector bodies. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before the Association commits to a development. Specific projects include:

- Planned maintenance investment of £6 million in 2014/15.
- Community and regeneration development in Possilpark.
- Consideration of a new housing development in the Springburn area.

Throughout all of the Association's and its partner's activities we will strive to make New North Glasgow a great place to live, learn, work, visit and invest in.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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Legislation and branding

With the passing of The Co-operative and Community Benefit Societies Act 2014 there has been a change to the description of the legislation which affects the Association and its general activities. All references to Industrial and Provident Societies legislation have been renamed to refer to Co-operative and Community Benefit Societies. The Association will no longer be an Industrial and Provident Society and has adopted the description of a Community Benefit Society. We welcome this change as it more accurately reflects what the Association actually does do.

The Association will remain formally titled as North Glasgow Housing Association Limited but a shorter description of NG Homes has been adopted to reflect the range of its activities in most of its communications.

Post Balance Sheet Events

There have been no important events since the financial year end that have had an impact on the financial position of the Association.

Information for auditors

As far as the Board members are aware there is no relevant audit information of which the auditors are unaware and the Board members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Board

Linda Anderson
Secretary

50 Reidhouse Street
Glasgow
G21 4LS

Date: 12 / 8 / 14

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD RESPONSIBILITIES

The Board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under the legislation relating to Co-operative and Community Benefit Societies the Board are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association of that period. In preparing those financial statements the Board are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the RSL SORP;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the RSL and enable them to ensure that the financial statements comply with the the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012;
- safeguarding the Association's assets; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Board's Statement on Internal Financial Control

The Board acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

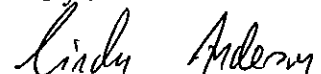
- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Board members and others.
- the Board reviews reports from management, from the Chief Executive Officer, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2014 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Board



Date: 12/8/14

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Independent auditors' report to the members of North Glasgow Housing Association Limited

We have audited the financial statements of North Glasgow Housing Association Limited for the year ended 31 March 2014 on pages 16 to 46. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 13, 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.

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>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 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 the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor, Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date 19/8/14

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014	2013
		£	£
Turnover	2	21,776,247	19,903,453
Less: Operating costs	2	(17,951,349)	(15,665,229)
Operating surplus		<u>3,824,898</u>	<u>4,238,224</u>
Profit on sale of fixed assets	2,4	37,019	85,340
Interest receivable and other income		88,465	132,872
Interest payable and other charges	5	<u>(1,179,432)</u>	<u>(1,536,173)</u>
		2,770,950	2,920,263
Gift aid donations received		-	-
Surplus on ordinary activities for year	7	<u><u>2,770,950</u></u>	<u><u>2,920,263</u></u>

The results for 2014 and 2013 relate wholly to continuing activities.

Statement of Total Recognised Deficits and Surpluses for the year ended 31 March 2014

		2014	2013
		£	£
Surplus on ordinary activities for year		2,770,950	2,920,263
Actuarial deficit on pension scheme	24	(262,000)	(444,000)
Total Surplus recognised since the last annual report		<u><u>2,508,950</u></u>	<u><u>2,476,263</u></u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2014

		2014		2013	
	Notes	£	£	£	£
Tangible Fixed Assets					
Housing properties					
Gross cost less depreciation	8		133,771,129		133,347,036
Less: HAG	8		<u>(90,235,629)</u>		<u>(90,013,281)</u>
			43,535,500		43,333,755
Investments					
LIFT Loan	9	490,382		490,382	
LIFT Grant	9	<u>(490,382)</u>		<u>(490,382)</u>	
			-		-
Other Fixed Assets	10		<u>4,444,482</u>		<u>4,456,254</u>
			47,979,982		47,790,009
Investments – subsidiaries			1,300		1,300
			<u>47,981,282</u>		<u>47,791,309</u>
Current Assets					
Debtors	11	1,883,146		2,289,033	
Cash at hand and in bank		<u>10,300,438</u>		<u>9,412,229</u>	
			12,183,584		11,701,262
Current Liabilities					
Creditors due within one year	12	<u>(3,386,103)</u>		<u>(5,004,703)</u>	
Net Current Assets			<u>8,797,481</u>		<u>6,696,559</u>
			56,778,763		54,487,868
Creditors due after more than one year	13		<u>(31,387,328)</u>		<u>(31,869,383)</u>
			25,391,435		22,618,485
Net assets excluding pension liability					
Pension liability	24		<u>(1,115,000)</u>		<u>(851,000)</u>
			<u>24,276,435</u>		<u>21,767,485</u>
Capital and Reserves					
Share Capital	16		91		91
Designated Reserves	7		16,731,476		18,731,476
Revenue Reserves	7		7,544,868		3,035,918
			<u>24,276,435</u>		<u>21,767,485</u>

These financial statements were approved and authorised for issue by the Board on 12 August 2014 and signed on their behalf by:

Secretary: *Linda Anderson*
 Member: *John King*
 Member: *William Ross*

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2014

		2014		2013
	Note	£	£	£
Net cash inflow from operating activities	17a		5,637,179	<u>8,290,514</u>
Returns on investments and servicing of finances				
Interest received		88,465		132,872
Interest paid		<u>(1,179,432)</u>		<u>(1,536,173)</u>
			(1,090,967)	<u>(1,403,301)</u>
Investing activities				
Cash paid for construction and purchases		(2,703,824)		(5,478,834)
Housing association grant received		236,156		133,734
Sales of housing properties		72,968		132,073
Purchase of other fixed assets		(577,333)		(643,585)
Sale of other fixed assets		-		112,600
Net cash (outflow) from investing activities			<u>(2,972,033)</u>	<u>(5,744,012)</u>
Net cash inflow before financing			1,574,179	1,143,201
Financing				
Loans received		-		-
Loan principal repayments		(677,680)		(873,305)
Increase in share capital		8		4
Net cash outflow from financing			<u>(677,672)</u>	<u>(873,301)</u>
Increase in cash	17b		<u>896,507</u>	<u>269,900</u>

Further details are given in note 17.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (s) below. These financial statements are prepared under the historical cost convention and are based on the Determination of Accounting Requirements – April 2012 and the Statement of Recommended Practice "Accounting by Registered Social Housing Providers" Update 2010 and applicable Accounting Standards. The Association is registered under the Co-operative and Community Benefit Societies Act 2014.

(b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(c) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments, which have been given approval for Housing Association Grant by Glasgow City Council.

(d) Housing Association Grants

Housing Association Grants (HAG) are made by Glasgow City Council and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by the grant awarding body and are advanced as grants by Glasgow City Council. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

(f) **Fixed assets - Housing land and buildings (note 8)**

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure including attributable overheads
- (iii) Interest charged on the loans raised to finance the scheme to date of completion.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) 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
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard performance. Such enhancement can occur if 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 the Income and Expenditure account.

The adoption of component accounting in the previous year represented a change in accounting policy. Previously major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be land, structure, kitchens, central heating and boiler systems, bathrooms and windows. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note (h). The new accounting policy was deemed to be more appropriate as it better reflects the actual major components of the Association's housing properties and their individual remaining useful lives.

Shared ownership properties are included in housing properties at cost, less any provisions needed for depreciation or impairment.

Where developments have been financed wholly or partly by Housing Association Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet. Housing Association Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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

Interest on the loan financing the development is capitalised up to the relevant date of completion.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

(g) **Low Cost Initiatives for First Time buyers (LIFT)**

LIFT transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset. As from 1 April 2008 the Scottish Government has taken security over completed sales and North Glasgow no longer includes the grants and related loans to the owner on the balance sheet.

(h) **Depreciation
Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing properties have been split between their land and structure costs and a specific set of major components which require periodic replacement. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties structure being 30 years for Rehabilitation and 50 years for New Build properties. No depreciation is charged on the cost of land. Other components are depreciated as follows:

Kitchens	over 15 years
Central heating system and boilers	over 20 years
Bathroom	over 30 years
Windows	over 30 years

Other fixed assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office premises	-	over 25 years
Furniture & equipment	-	over 5 years
Computer hardware	-	over 5 years
Sheltered fixtures & fittings	-	over 8 years

Depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(i) **Sale of fixed asset housing properties**

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

(j) **Reserves for major repairs (note 7)**

Major repairs expenditure, being the Association's commitment to undertake a planned programme of major repairs to its properties, is set aside in a designated reserve to the extent required by the Associations long term plans.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

(k) Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the Income and Expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

(l) Value added tax

The Association is VAT registered and has a Group VAT structure. However, a large proportion of NGHAs income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT

(m) Turnover

Turnover represents rental and service charge income receivable from tenants, development administration, properties developed for sale and other income.

(n) Pensions

The Association participates in the centralised Scottish Housing Associations Pension Scheme (formerly the Scottish Federation of Housing Association's defined benefits pension scheme) and retirement benefits to some employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association, as a result of staff transferring during the GHA stock transfer, is now an admitted member of Strathclyde Pension Fund (SPF). The basis of admittance is that of a closed scheme and only transferred employees who already are or wish to join can be a member of this scheme. Retirement benefits to these employees are funded by the contributions from all participating employers and employees in the Fund. Payments are made to the independently administered Fund in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating member employers. As a closed scheme a slightly higher calculated rate is payable by the Association to reflect the limited future membership of the scheme.

The Association has fully adopted accounting standard FRS17 'Retirement Benefits' for the SPF Scheme. The impact of this standard has been reflected throughout the financial statements.

The SPF Scheme is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

For defined benefit schemes the amount charged to the Income and Expenditure account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

(n) **Pensions (continued)**

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

(o) **Consolidation**

The Association and its subsidiary undertakings comprise a group. The FCA has granted exemption from preparing group financial statements. The financial statements represent the results of the Association and not of the group. The Board is of the opinion that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in the group accounts, because the business of the Association and that of the subsidiaries are so different they cannot be treated as a single undertaking.

(p) **Impairment of fixed assets**

Reviews for impairment 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 income and Expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the Income and Expenditure account.

(q) **Work in progress**

Completed properties and property under construction for outright sale are valued at the lower of costs and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

(r) **Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, or financial liabilities.

(s) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

2. Particulars of turnover, operating costs, operating surplus or deficit by class of business

	Note	Turnover £	Operating Costs £	Operating Surplus/ (deficit) £	Gain on sale of fixed assets £	Interest Receivable £	Interest Payable £	Surplus before Taxation £	Operating Surplus 2013 £	Surplus before Taxation 2013 £
Social lettings	3a	20,709,114	(16,895,802)	3,813,312	-	-	(1,182,432)	2,630,880	4,444,686	2,881,513
Other activities	3b	1,067,133	(1,055,547)	11,586	-	-	-	11,586	(206,462)	(206,462)
Total		<u>21,776,247</u>	<u>(17,951,349)</u>	<u>3,824,898</u>	<u>-</u>	<u>-</u>	<u>(1,182,432)</u>	<u>2,642,466</u>	<u>4,238,224</u>	<u>2,675,051</u>
Sales of fixed assets				-	37,019	-	-	37,019	-	85,340
Investment Income				-	-	88,465	-	88,465	-	132,872
Other financing income				-	-	-	3,000	3,000	-	27,000
Interest payable and other charges				-	-	-	-	-	-	-
Total surplus before Taxation				<u>3,824,898</u>	<u>37,019</u>	<u>88,465</u>	<u>(1,179,432)</u>	<u>2,770,950</u>	<u>4,238,224</u>	<u>2,920,263</u>
2013		<u>19,903,453</u>	<u>(15,665,229)</u>	<u>4,238,224</u>	<u>85,340</u>	<u>132,872</u>	<u>(1,536,173)</u>	<u>2,920,263</u>		

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (Continued)

3a - Particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities

	General Needs Housing £	Shared Ownership Housing £	Supported Housing Accommodation £	Total 2014 £	2013 £
Income from lettings					
Rent receivable net of service charges	19,458,501	107,974	674,150	20,240,625	18,393,840
Service charges	163,770	-	363,660	527,430	1,078,320
Gross income from rents and service charges	<u>19,622,271</u>	<u>107,974</u>	<u>1,037,810</u>	<u>20,768,055</u>	<u>19,472,160</u>
Less: Voids	58,904	37	-	58,941	36,010
Net Income from rents and service charges	<u>19,563,367</u>	<u>107,937</u>	<u>1,037,810</u>	<u>20,709,114</u>	<u>19,436,150</u>
Grants from the Scottish Ministers	-	-	-	-	-
Total turnover from social letting activities	<u>19,563,367</u>	<u>107,937</u>	<u>1,037,810</u>	<u>20,709,114</u>	<u>19,436,150</u>
Management and maintenance administration costs	6,275,778	69,275	536,012	6,881,065	7,613,410
Service costs	1,441,057	-	147,412	1,588,469	1,688,786
Planned and Cyclical maintenance	3,468,134	-	29,489	3,497,623	1,086,464
Reactive maintenance costs	2,268,583	-	66,796	2,335,379	1,940,428
Bad debts – rents and service charges	350,485	-	-	350,485	295,890
Depreciation of social housing	2,173,866	-	68,915	2,242,781	2,366,486
Operating costs for social letting activities	<u>15,977,903</u>	<u>69,275</u>	<u>848,624</u>	<u>16,895,802</u>	<u>14,991,464</u>
Operating surplus for social lettings	<u>3,585,464</u>	<u>38,662</u>	<u>189,186</u>	<u>3,813,312</u>	<u>4,444,686</u>
2013	<u>4,072,729</u>	<u>3,750</u>	<u>368,207</u>	<u>4,444,686</u>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £335,107 (2013- £335,107).

The total amount of major repairs expenditure incurred in the year was £3,984,660 (2013 - £4,081,028). Major repairs amounting to £nil (2013 - £nil), which had been fully funded by grant, were capitalised in the year. Component expenditure of £1,235,450 (2013 - £3,684,033) was capitalised in the year.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE STATEMENTS

Year ended 31 March 2014
(Continued)

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus/(deficit)	Operating surplus/(deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider Action/wider role	235,750	127,541	-	6,034	369,325	-	(615,804)	(246,479)	(236,420)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	119,485	-	-	-	119,485	-	(112,935)	6,550	(145,820)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency services for RSL's	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSL's	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords, (including first tranche shared ownership sales)	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	578,323	578,323	-	(326,808)	251,515	175,778
Total from other activities	355,235	127,541	-	584,357	1,067,133	-	(1,055,547)	11,586	(206,462)

2013

11,906 71,225 - 384,172 467,303 - (673,765) (206,462)

The total for other activities includes £358,041 (2013 - £166,931) for recovery of input VAT due to a VAT shelter agreement and £92,056 (2013 - £97,579) from rental of radio masts.

Further details on projects and funding from partners are given in note 26. Particular thanks for their support and assistance across various different projects is given to the Big Lottery Fund.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

4. Profit on sale of fixed assets

	2014	2013
	£	£
Sale proceeds	89,480	254,100
Cost of sales	<u>52,461</u>	<u>168,760</u>
Gain on sale of housing properties	<u>37,019</u>	<u>85,340</u>

The sales of housing properties have occurred under the right to buy legislation and shared ownership tranches.

The Association is potentially liable to repay amounts on RTB sales arising from the stock transfer from Glasgow Housing Association. During the year four such sales occurred but after the necessary calculations no repayment was due on any of these sales.

5. Interest payable and Other Charges

	2014	2013
	£	£
Loan interest on housing properties	1,129,462	1,535,850
Net return on pension investment	(3,000)	(27,000)
Other interest	<u>52,970</u>	<u>27,323</u>
	1,179,432	1,536,173
Less: loan interest capitalised	<u>-</u>	<u>-</u>
	<u>1,179,432</u>	<u>1,536,173</u>

Interest rates charged on loans during the year ranged from 0.88% to 5.63% (2013: 0.88% to 5.63%). There was no deferred interest or interest charged on the late payment of taxation.

6. Taxation

The Association has charitable status and is no longer liable for tax on its ordinary activities.

7. Reserves

(a) Designated Reserves

	At 31 March	From/(to)	At 31 March
	2013	Income/Exp	2014
	£	£	£
Major repairs reserve	<u>18,731,476</u>	<u>(2,000,000)</u>	<u>16,731,476</u>

(b) Revenue reserve

	2014	2013
	£	£
Opening balance at 1 April 2013	3,035,918	2,559,655
Surplus for year	2,770,950	2,920,263
Actuarial (deficit) recognised	(262,000)	(444,000)
Transfer (to) designated reserves	<u>2,000,000</u>	<u>(2,000,000)</u>
Closing balance at 31 March 2014	<u>7,544,868</u>	<u>3,035,918</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

8. Tangible Fixed Assets

	Housing properties held for letting £	Housing properties in course of construction £	Completed shared ownership properties £	Total £
Cost				
At 1 April 2013	140,399,898	-	3,601,398	144,001,296
Additions	2,653,959	-	49,865	2,703,824
Disposals	(36,950)	-	-	(36,950)
At 31 March 2014	<u>143,016,907</u>	<u>-</u>	<u>3,651,263</u>	<u>146,668,170</u>
Depreciation				
At 1 April 2013	10,330,857	-	323,403	10,654,260
Charge in year	2,212,240	-	30,541	2,242,781
At 31 March 2014	<u>12,543,097</u>	<u>-</u>	<u>353,944</u>	<u>12,897,041</u>
Housing Association Grant				
At 1 April 2013	87,729,489	-	2,283,792	90,013,281
Additions during year	236,156	-	-	236,156
Disposals	(13,808)	-	-	(13,808)
At 31 March 2014	<u>87,951,837</u>	<u>-</u>	<u>2,283,792</u>	<u>90,235,629</u>
Net book value				
As at 31 March 2014	<u>42,521,973</u>	<u>-</u>	<u>1,013,527</u>	<u>43,535,500</u>
As at 31 March 2013	<u>42,339,552</u>	<u>-</u>	<u>994,203</u>	<u>43,333,755</u>

Development administration costs capitalised amounted to £Nil (2013 - £Nil) for which development allowances amounting to £Nil (2013 - £Nil) were recorded in the year. Interest capitalised or added to WIP during the year amounted to £Nil (2013 - £Nil). None of the Associations land or property is held under a lease.

9. Investments

	2014 £	2013 £
LIFT Loans made to owners	490,382	490,382
LIFT Grants	<u>(490,382)</u>	<u>(490,382)</u>
	<u>-</u>	<u>-</u>

These amounts represent the amount granted to the LIFT owner up to 1 April 2008 and the corresponding grant North Glasgow has received from Glasgow City Council. North Glasgow is responsible for the administration of these grants. As from 1 April 2008 the Scottish Government has taken security over completed sales and North Glasgow no longer includes the grants and related loans to the owner on the balance sheet.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

10. Other Fixed Assets

	Office Accommodation £	Furniture & Equipment £	Computer Hardware £	Sheltered Fixtures & Fittings £	Total £
Cost					
At 1 April 2013	4,771,666	900,271	689,608	42,451	6,403,996
Additions during year	284,788	219,292	67,761	5,492	577,333
Disposals during year	-	-	-	-	-
At 31 March 2014	<u>5,056,454</u>	<u>1,119,563</u>	<u>757,369</u>	<u>47,943</u>	<u>6,981,329</u>
Depreciation					
At 1 April 2013	1,203,861	367,904	358,509	17,468	1,947,742
Charge for the year	209,037	223,913	149,911	6,244	589,105
Disposals in the year	-	-	-	-	-
At 31 March 2014	<u>1,412,898</u>	<u>591,817</u>	<u>508,420</u>	<u>23,712</u>	<u>2,536,847</u>
Net Book Value					
As at 31 March 2014	<u>3,643,556</u>	<u>527,746</u>	<u>248,949</u>	<u>24,231</u>	<u>4,444,482</u>
As a 31 March 2013	<u>3,567,805</u>	<u>532,367</u>	<u>331,099</u>	<u>24,983</u>	<u>4,456,254</u>

11. Debtors: Amounts falling due within one year

	2014 £	2013 £
Rents in arrears	1,330,440	1,246,820
Less: bad debt provision	<u>(827,802)</u>	<u>(786,247)</u>
	502,638	460,573
Trade debtors	24,054	47,325
Amounts due from group companies	113,230	456,552
Prepayments and accrued income	536,590	496,415
Other debtors	<u>706,634</u>	<u>828,168</u>
	<u>1,883,146</u>	<u>2,289,033</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

12. Creditors due within one year	2014	2013
	£	£
Loans (note 13)	677,680	873,305
Bank overdraft	-	8,298
Trade creditors	917,713	561,553
Taxation and social security	123,700	238,208
Other creditors	596,311	2,193,762
Balance due to group companies	21,623	2,856
Accruals and deferred income	345,002	515,405
Rents in advance	<u>704,074</u>	<u>611,316</u>
	<u>3,386,103</u>	<u>5,004,703</u>

13. Creditors due after more than one year	2014	2013
	£	£
Loans	<u>31,387,328</u>	<u>31,869,383</u>

Loans are secured by specific charges on the Association's properties. Loans are repayable at varying rates of interest of 0.89% to 5.63% (2013 – 0.88% to 5.63%) in instalments due as follows:

	2014	2013
	£	£
In one year or less (note 12)	677,680	873,305
Between one and two years	691,234	890,771
Between two and five years	2,175,353	2,803,309
In five years or more	<u>28,520,741</u>	<u>28,175,303</u>
	<u>32,065,008</u>	<u>32,742,688</u>

The Dunfermline Building Society holds a standard security over 1,421 properties. The Housing Finance Corporation holds a security over 187 properties.

14 Auditors' Remuneration	2014	2013
	£	£
The remuneration of the external auditors (including expenses and VAT for the year)	13,448	13,845
Remuneration of the auditors in respect of services other than those of external auditors	<u>-</u>	<u>-</u>
	<u>13,448</u>	<u>13,845</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

	2014	2013
	£	£
15. Employees		
Staff costs during year		
Wages and salaries	3,998,656	4,096,432
Social security costs	295,513	310,019
Other pension costs	<u>625,174</u>	<u>701,787</u>
	<u>4,919,343</u>	<u>5,108,238</u>

The total above includes payments totalling £594,480 (2013 - £571,916) for twelve staff (2013 – eleven) who left during the year under a voluntary severance scheme. This total includes £109,717 (2013 - £154,701) due to Strathclyde Pension Fund for strain payments on the fund.

The number of persons employed

by the Association during the year were as follows:

- full time equivalent

No	No
<u>114</u>	<u>125</u>

Full time equivalent is based on a thirty five hour week as staff are employed on varying contracts ranging up to 42 hours per week.

The Directors are defined as the members of the Board, the Director and any other person reporting directly to the Board whose total emoluments excluding pension contributions exceed £60,000 per year.

	£	£
Aggregate emoluments payable to Directors (excluding pension contributions and benefits in kind, including severance of £79,728 (2013 - £nil))	<u>547,313</u>	<u>483,081</u>
Emoluments payable to Highest Paid Director (excluding pension contributions, including severance pay of £79,728 (2013 - £nil))	<u>123,460</u>	<u>110,541</u>
Emoluments payable to the CEO, (based on a forty hour week) (excluding pension contributions)	<u>112,645</u>	<u>110,541</u>

The Association's contributions to the pension scheme for the Director in the year amounted to £12,441 (2013 - £10,612).

Emoluments paid to Directors including pensions can be analysed as:

	No	No
£60,001 - £70,000	-	-
£70,001 - £80,000	1	2
£80,001 - £90,000	3	3
£90,001 - £100,000	-	-
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	<u>2</u>	<u>1</u>

No member of the Board received any emoluments in respect of their services to the Association.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

		2014	2013
		£	£
16.	Share Capital		
	Shares of £1 fully paid and issued at 1 April 2013	91	106
	Shares issued during year	8	4
	Shares cancelled in year	<u>(8)</u>	<u>(19)</u>
	Shares issued at 31 March 2014	<u>91</u>	<u>91</u>
	<p>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.</p>		
17.	Notes to the Cash Flow Statement		
(a)	Reconciliation of surplus to net cash inflow from operating activities	2014	2013
		£	£
	Surplus for the year	2,770,950	2,920,263
	Net interest payable	<u>1,090,967</u>	<u>1,403,301</u>
	Operating surplus for the year excluding interest and tax payable	3,861,917	4,323,564
	Depreciation	2,832,886	3,058,907
	Abortive contracts written off	-	145,820
	Decrease/(increase) in debtors	405,887	(448,712)
	Share capital cancelled	(8)	(19)
	(Gain) on disposal of fixed assets	(37,019)	(85,340)
	(Decrease)/increase in creditors	(1,428,484)	1,334,294
	Pension – employee costs difference	5,000	(11,000)
	Pension – other finance income	<u>(3,000)</u>	<u>(27,000)</u>
		<u>5,637,179</u>	<u>8,290,514</u>
(b)	Reconciliation of net cash flow to movement in net debt		
	Increase in cash for the year	896,507	269,900
	Loans received	-	-
	Loan repayments	<u>677,680</u>	<u>873,305</u>
	Change in net debt	1,574,187	1,143,205
	Net debt as at 1 April 2013	<u>(23,338,757)</u>	<u>(24,481,962)</u>
	Net debt as at 31 March 2014	<u>(21,764,570)</u>	<u>(23,338,757)</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

17 Notes to the Cash Flow Statement

(c) Analysis of Changes in net debt

	As at 31 March 2013	Cash Flow	Other Changes	As at 31 March 2014
	£	£	£	£
Cash at bank and in hand	9,412,229	888,209	-	10,300,438
Bank overdraft	(8,298)	8,298	-	-
Debt due within one year	(873,305)	-	195,625	(677,680)
Debt due after one year	<u>(31,869,383)</u>	<u>677,680</u>	<u>(195,625)</u>	<u>(31,387,328)</u>
	<u>(23,338,757)</u>	<u>1,574,187</u>	<u>-</u>	<u>(21,764,570)</u>

18. Capital Commitments

2014
£M

2013
£M

Expenditure authorised by the Board
contracted less certified

0.113

0.050

This will be funded by means of:

Housing Association Grant	-	-
Shared equity sales	-	-
Own resources	0.113	0.050
Loans	<u>-</u>	<u>-</u>
	<u>0.113</u>	<u>0.050</u>

19. Housing Stock

2014
No.

2013
No.

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

General needs housing	5,278	5,265
Supported housing accommodation	169	169
Shared ownership accommodation	<u>49</u>	<u>52</u>
	<u>5,496</u>	<u>5,486</u>

No units are under management by other bodies.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

20. Related Parties

Tenants, sharing owners and owners who are members of the Board are not treated differently to any other tenants or owners. City Councillors who are members of the Board declare their interests relating to relevant decisions taken by the Association or the City Council.

Other related parties are detailed below:

Related Party	Relationship	Transactions	Amount £	Balance due (to)/from at 31/3/14 £
NG Property (Scotland) Limited	Subsidiary Company	Net balance transactions with subsidiary in year	12,072	(14,927)
Design Services Glasgow Limited	Subsidiary Company	Purchases from Payments to Interest charged Other net payments	42,954 42,954 2,762	113,230
NG 2 Limited	Subsidiary Company	Purchases from Recharges to Net funds received	2,161,801 1,804,148 469,113	(6,696)
NG 3 Limited	Subsidiary Company	None	Nil	(100)

Related party transactions in the previous year are listed below;

Related Party	Relationship	Transactions	Amount £	Balance due (to)/from at 31/3/13 £
NG Property (Scotland) Limited	Subsidiary Company	Net balance transactions with subsidiary in year	40,857	(2,855)
Design Services Glasgow Limited	Subsidiary Company	Purchases from Payments to Interest charged Other net payments	390,144 435,746 4,149 11,017	110,468
NG 2 Limited	Subsidiary Company	Payments to and costs charged	283,291	104,764
NG 3 Limited	Subsidiary Company	None	Nil	(100)

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

21. Subsidiary Companies

The Association has four subsidiary companies NG Property (Scotland) Limited (NGPS), Design Services Glasgow Limited (DSGL), NG 2 Limited and NG 3 Limited. All companies are companies limited by shares and are registered in Scotland

	% Holding	Class of shares	Country of Incorporation	Cost £
NGPS	100	Ordinary	Scotland	1,000
DSGL	100	Ordinary	Scotland	100
NG 2	100	Ordinary	Scotland	100
NG 3	100	Ordinary	Scotland	100

NGPS handles the factoring and other activities that the Association cannot undertake due to its charitable status. NGPS had capital and reserves of £125,221 (2013 capital and reserves of £121,621) and profits of £3,600 (2013 profit of £22,936) for the year ended 31 March 2014. The principal activity of the company is that of property management. Balance due to NGPS at year end was £14,927 (2013 – balance due to NGPS £2,855).

DSGL handles the development contracts for the group. DSGL has capital and reserves of £14,943 (2013 – £10,605) and profits of £4,338 for the year. (2013 – profit £3,508). The principal activity of the company is that of design services and contracting. Balance of £113,230 was owed from DSGL at the year end (2013 – owed by DSGL £110,468).

NG 2 was formed during 2010 to handle the Associations social economy activities and to encourage local employment and training opportunities. The third period end of the company was the year ended 31st March 2014 (fifteen month period to 31st March 2013). The results for the year was a profit of £47,730 (31/03/13 £49,051) and capital and reserves of £117,006 (31/03/13 - £69,276). Balance due from the Association at 31 March 2014 was £6,696 (31/03/13 – owed to £346,084).

NG 3 Limited was formed in 2010 and is a dormant company.

The Board is of the opinion that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in the group accounts, required to be prepared under Section 98 of the Co-operative and Community Benefit Societies Act 2014 for the year ended 31 March 2014, because the business of the Association and that of the subsidiaries are so different they cannot be treated as a single undertaking and there is no value to the members in preparing group accounts.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

22. Pension Fund – Scottish Housing Associations Pension Scheme

North Glasgow Housing Association participates in the Scottish Housing Associations' Pension Scheme. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted-in.
- Defined Contribution (DC) option.

An employer can elect to operate different defined benefit structures for their active members and their new entrants after giving a minimum of three months' prior notice.

North Glasgow Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2014 for members who joined before 31 March 2011 and the career average revalued earnings with a 1/80th accrual rate for members who joined since 1 April 2011.

During the accounting period North Glasgow Housing Association Limited paid contributions to the final salary scheme at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%. As at the balance sheet date there were nineteen active members of the final salary scheme employed by North Glasgow Housing Association Limited (2013 – 24). For the CARE 1/80th scheme the Association paid contributions to that scheme at the rate of 6.6% of pensionable salaries. Member contributions were 6.6%. As at the balance sheet date there were seven active members of the CARE 1/80th scheme employed by North Glasgow Housing Association Limited (2013 – eight).

The annual pensionable payroll in respect of these members was £1,125,064.

North Glasgow Housing Association Limited continues to offer membership of the CARE 1/80th Scheme to its employees.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

22. Pension Fund – Scottish Housing Associations Pension Scheme (continued)

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for Females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

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

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

22. Pension Fund – Scottish Housing Associations Pension Scheme (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

North Glasgow Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for North Glasgow Housing Association was £11,296,417 (30 September 2012 - £12,361,422).

North Glasgow Housing Association Limited has been notified by the Pensions Trust of the Scottish Housing Association Pension Scheme that past service deficit contributions payable for the year to 31 March 2015 is £499,761 (2013 £180,737) and will increase by 3% a year for the next 13.5 years. The calculated net present value of this contribution at 31 March 2014 using a 2.5% discount rate is £6,787,017 (2013 £6,967,754).

23. Pension Fund – Pensions Trust Growth Plan

North Glasgow Housing Association Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

23. Pension Fund – Pensions Trust Growth Plan (continued)

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

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

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

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

North Glasgow Housing Association Limited paid no contributions to the Growth Plan during the accounting period. Three employees (2013 – three) paid contributions into the scheme during the year. One member was still an active member of the plan at the year end. North Glasgow Housing Association continues to offer membership of the Plan to its employees.

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

The valuation results at 30 September 2011 were completed in 2013 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
- Investment return pre retirement	4.9
- Investment return post retirement	
Actives/deferreds	4.2
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Inflation – Retail Prices Index (RPI)	2.9
- Inflation – Consumer Prices Index (CPI)	2.4

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

23. Pension Fund – Pensions Trust Growth Plan (continued)

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

The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%. If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2013, as is required by legislation.

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

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

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

23. Pension Fund – Pensions Trust Growth Plan (continued)

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

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

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

North Glasgow Housing Association Limited has also been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2012. As of this date the estimated employer debt for North Glasgow Housing Association Limited including Series 3 liabilities was £78,091 (30/9/11 - £66,849). The estimated employer debt excluding Series 3 liabilities was £57,347. The Scheme actuary has estimated that the debt at 31 March 2014 would be 6% higher than the debts at 30 September 2012.

North Glasgow Housing Association Limited has been notified by the Pensions Trust of the Scottish Housing Association Pension Scheme that past service deficit contributions payable for the year to 31 March 2014 was £2,726. The deficit contribution will increase to £2,808 as from 1 April 2014 and will increase by 3% a year until April 2023. The calculated net present value of this contribution at 31 March 2014 using a 2.5% discount rate is £28,001 (2013 - £30,727).

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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AS AT 31 MARCH 2014

(Continued)

24. Pensions Fund – Strathclyde Pension Fund

Some of the Associations employees belong to the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association in investments under the overall supervision of the Fund Trustees. The last full actuarial valuation was carried out at 31 March 2012. The next full actuarial valuation is due as at 31 March 2015. The following information was updated for FRS 17 purposes to 31 March 2014 by a qualified independent actuary

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2014	2013	2012	2011
Discount rate	4.8%	4.5%	4.8%	5.5%
Expected rate of return on plan assets	6.0%	5.2%	5.8%	6.9%
Future salary increases	5.1%	5.1%	4.8%	5.1%
Pension increase rate	2.8%	2.8%	2.5%	2.8%

In valuing the liabilities of the pension fund at 31 March 2014, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.0 years (male), 23.4 years (female)
- Future retiree upon reaching 65: 23.3 years (male), 25.3 years (female).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The present value of the defined benefit obligation is as follows:

	2014	2013	2012	2011
Defined Benefit Plans	£000's	£000's	£000's	£000's
Opening defined benefit obligation	6,691	4,984	4,057	4,389
Current service cost	279	238	240	2
Past service cost	-	-	-	-
Interest cost	307	253	233	1
Loss on curtailment	61	292	57	-
Actuarial losses/(gains)	354	877	332	(336)
Contributions by members	66	71	75	1
Liabilities extinguished on settlements	-	-	-	-
Liabilities assumed in a business combination	-	-	-	-
Estimated benefits paid	(147)	(24)	(10)	-
Closing defined benefit obligation	7,611	6,691	4,984	4,057

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

24. Pensions Fund – Strathclyde Pension Fund (continued)

Movements in fair value of plan assets

Defined Benefit plans	2014 £000's	2013 £000's	2012 £000's	2011 £000's
Opening fair value of plan assets	5,840	4,539	3,866	3,838
Expected return on plan assets	310	280	279	2
Actuarial gains	92	433	16	23
Contributions by the employer	335	541	313	2
Contributions by the members	66	71	75	1
Assets distributed on settlements	-	-	-	-
Estimated benefits paid	(147)	(24)	(10)	-
Closing fair value of plan assets	6,496	5,840	4,539	3,866

Expense recognised in the income and expenditure account

	2014		2013		2012		2011	
	£000	% of Pay	£000	% of pay	£000	% of Pay	£000	% of pay
Current service cost	279	26.1	238	20.9	240	20	2	21
Losses on settlements or curtailments	61	5.7	292	25.7	57	4.7	-	-
Past service cost	-	-	-	-	-	-	-	-
Interest on defined benefit pension plan obligation	307	28.8	253	22.3	233	19.4	2	23.8
Expected return on defined benefit pension plan asset	(310)	(29.1)	(280)	(24.6)	(279)	(23.2)	(2)	26.3
	337	31.5	503	44.3	251	20.9	2	18.5
Actual return on plan assets	402		716		43		25	

Analysis of the amount credited to other finance income

	2014 £000	2013 £000	2012 £'000	2011 £'000
Expected return on employer assets	310	280	279	2
Interest on pension scheme liabilities	(307)	(253)	(233)	(2)
Net Return	3	27	46	-
Net revenue account cost	337	503	251	2

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is as follows:

	2014 £000	2013 £000's	2012 £000's	2011 £000's
Opening Actuarial (losses)/gains	(401)	43	359	-
Increase/(Decrease) in irrecoverable surplus from membership fall and other factors	-	-	-	-
Actuarial (Losses)/Gains recognised in STRGL	(262)	(444)	(316)	359
Cumulative Actuarial Gains and Losses	(663)	(401)	43	359

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

24. Pensions Fund – Strathclyde Pension Fund (continued)

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

	2014		2013		2012		2011	
	£000	%	£000	%	£000	%	£000	%
Equities	4,936	76	4,438	76	3,495	77	2,977	77
Corporate bonds	780	12	818	14	499	11	503	13
Property	455	7	409	7	318	7	232	6
Cash	325	5	175	3	227	5	154	4
	<u>6,496</u>		<u>5,840</u>		<u>4,539</u>		<u>3,866</u>	

Movement in surplus during the year

	2014 £000	2013 £'000	2012 £'000	2011 £'000
(Deficit) at beginning of year	(851)	(445)	(191)	(550)
Current service cost	(279)	(238)	(240)	(2)
Losses on settlements or curtailments	(61)	(292)	(57)	-
Employer contributions	335	541	313	2
Past service costs	-	-	-	-
Net return on assets	3	27	46	-
Actuarial (losses)/gain	(262)	(444)	(316)	359
(Deficit) at end of the year	<u>(1,115)</u>	<u>(851)</u>	<u>(445)</u>	<u>(191)</u>

History of experience of gains and losses

	2014	2013	2012	2011
Difference between expected and actual return on scheme assets - amount £000's	92	436	(236)	23
- % of scheme assets	1.42%	7.47%	5.19%	0.59%
Experience gain/(loss) arising on scheme - amount £000's	92	436	(236)	23
- % of scheme liabilities	1.21%	6.52%	4.73%	0.57%
Total amount of actuarial gain/(loss) - amount £000's	(262)	(444)	(316)	359
- % of scheme liabilities	3.44%	6.64%	6.34%	8.85%

The amounts recognised in the balance sheet are as follows:

	2014 £000	2013 £000	2012 £000	2011 £000
Present value of scheme liabilities	(7,611)	(6,691)	(4,984)	(4,057)
Fair value of scheme assets	6,496	5,840	4,539	3,866
Surplus/(deficit)	<u>(1,115)</u>	<u>(851)</u>	<u>(445)</u>	<u>(191)</u>

North Glasgow Housing Association Limited expects to contribute £219,000 (2013 - £297,000) to the Strathclyde Pension Fund in the coming year.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

25. Contingent liabilities

The Association is potentially liable to repay amounts on RTB sales arising from the stock transfer from Glasgow Housing Association.

At 31 March 2014 the Association had no other contingent liabilities (2013 -£Nil).

26. Funding from partners

Funding of £10k from Glasgow Life and £10k from Winning Scotland Foundation helped to provide a Commonwealth Games Legacy sports facilitator post to promote sport in the north of the city.

Funding of £35k from Glasgow City Council supported streetscape improvements.

In conjunction with Inspiring Scotland an initiative to improve community involvement continued in the year under the Link Up banner, to develop existing and facilitate new 'links' that bring people in the community together to undertake mutually beneficial activities.

Programmes of work were undertaken with secondary schools to develop pupil's capacities and to assist with their relationships with the wider area outside school. Thanks to the Celtic Foundation for partnering in a programme providing summer sport to local schools.

A waste management strategy was implemented in the year in conjunction with Zero Waste Scotland.

An environmental programme continued in the year after a successful application to the Climate Challenge fund run by Keep Scotland Beautiful in 2013 that resulted in an award of £292,635 for three year funding of the programme.

Support of £109,173 (of which £100,845 was received in the year) from the Scottish Government's People and Communities Fund to help provide training and job placement support for fifteen unemployed people in the North Glasgow area during July 2013 to March 2015. Seven of the initial ten trainees have already obtained employment positions after the training period.

Support of £285,664 (of which £108,830 was received in the year) from the Big Lottery Fund to assist with the setting up of ng homes Food for Thought project. This project will support people experiencing severe hardship through the provision of a food bank and by enhancing existing starter packs to include clothing and furniture. In addition to providing these emergency supplies, the project will also offer family and community workshops focusing on healthy eating on a budget.

Support from the Scottish Government and Glasgow City Council to assist with provision of community football as part of an anti sectarian programme.

Support of £10,000 from The Big Lottery and Scottish Swimming to help support a children and families swimming programme

The Association is grateful for the support given from all its funders and collaborative partners.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

27. Commitments under operating leases

At 31 March 2014 the Association had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	-	-	-
Within 2- 5 years	-	-	-	-
Over 5 years	29,040	-	26,400	-
	<u>29,040</u>	<u>-</u>	<u>26,400</u>	<u>-</u>