

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

**Registered Housing Association No. HCB 187**

**Financial Conduct Authority No. 1865R(S)**

**Charity No. SC 030635**

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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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 2014 Registered Number HCB 187
Scottish Charities	Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC 030635

### **Auditors**

Wylie & Bisset LLP  
168 Bath Street  
Glasgow  
G2 4TP

### **Solicitors**

T C Young  
7 West George Street  
Glasgow  
G2 1BA

### **Bankers**

Clydesdale Bank  
30 St Vincent Place  
Glasgow  
G1 2HL

### **Funders**

Nationwide Building Society	THFC
Kings Park Road	4 <sup>TH</sup> Floor
Moulton Park	107 Cannon Street
Northampton	London
NN3 6NW	EC4N 5AF

# **NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD AND STRATEGIC REPORT**

**31 MARCH 2017**

The Board presents their report and audited financial statements for the year ended 31 March 2017.

### **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.

### **STRATEGIC REPORT**

#### **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; and
- 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 AND STRATEGIC REPORT

31 MARCH 2017

(Continued)

### Corporate Governance

The Association has a Board who are elected by the members of the Association (as listed on page 11). 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 11) 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 forty one 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 over 5,400 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](http://www.nghomes.net), which is regularly updated with Association news.

Above all people remain at the heart of what we do – our tenants and customers, our staff and our board. We have listened to tenants and customers views during rent consultations, tenant conferences and our tenant scrutiny panel as well as in the course of our daily contact with the people who live in our properties.

Our financial position is strong and we will continue to ensure that robust financial planning underpins all of our decision-making. Especially with regard to new build proposals and investments. This is complemented by our asset management strategy which is currently being reshaped for the future using intelligence from an ongoing stock condition survey of all of our stock to be completed by 31 March 2018.

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](mailto: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 AND STRATEGIC REPORT**

**31 MARCH 2017**

(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 £4.2m million on acquisition of houses and capitalised investment in upgrading properties. In addition a further £3.8m was spent on planned and cyclical maintenance programmes. 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. Major investment in the year included programmes of work to improve the carparks at the Viewpoint and Balgrayhill multistories, lift replacements at the Wellfield and Balgrayhill multistories, window replacements, close and stairwell painting, door entry and lighting upgrades and environmental upgrades across the stock.

#### **Home Ownership**

The Mortgage to Rent scheme is 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 2017 we completed one mortgage to rent purchase. In addition there were five open market purchases in the year. Eighteen 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.

### **Housing review**

#### **Rent collection, allocations and voids**

The overall rent collection rate was 99.04% (2016 – 98.48%) and the outstanding non technical current arrears at the year end represents 4.1% (2016 – 3.1%) of the total rent roll. Gross rent arrears was 5.54% compared to 5.45% in the previous year. Housing services teams are working together with welfare rights advisers (GEMAP) and Scotcash to aim to reduce the total arrears and ensure our tenants are in receipt of the maximum benefits due.

The number of evictions increased from thirteen in 2015/16 to seventeen in the current year.

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. To help assist our tenants with these changes we have increased the availability of GEMAP welfare rights advisers.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2017

(Continued)

The Association let 457 (2016 - 502) properties during the year. We continue to allocate relets and new lets as quickly as possible, to ensure that we maximise our effectiveness in housing people in need and minimise our costs. The average time taken to re-let or let a new property was 19.2 days (2016 – 13 days). The performance was affected by a higher level of properties being held back to undergo full renovation before relet. The rent loss due to empty properties was £116k (2016 - £99k).

During the year the Association allocated 71 lets (2016 - 42 lets) to Section 5 homelessness referrals, representing 15.5% (2016 - 8%) of the lets made in the year. In addition to the homeless there is still significant unmet demand with 2,412 (2016 – 1,965) on the waiting list with 889 (2016 - 752) 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 has IIP Gold level status. The Association also has a Healthy Working Lives Bronze award and retained our Positive about Disabled People status.

### **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, social media 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.

### **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.

We have made significant headway in cultural integration through our Regeneration Department with the development of robust partnerships with organisations such as; Confederation of Chinese Association, Confederation of Fujian Association, African Challenge Scotland and Glasgow Afghan United.

### **Other areas**

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

- Continuation of the 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 ensures that there is cover in the event of a serious incident for those who generally don't have any cover in place.

# **NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD AND STRATEGIC REPORT**

**31 MARCH 2017**

(Continued)

### **Performance and our peer group**

We pride ourselves on our performance in the sector, notably from the 2015/16 benchmarking data:

- 94.7% of our tenants were satisfied with the overall service compared to an RSL average of 90%
- 98.3% of our tenants feel we are good at keeping them informed about their services and outcomes compared to an RSL average of 90.6%
- 97.7% of our tenants are satisfied with the opportunities given to them to participate in their landlord's decision-making processes compared to an RSL average of 81.3%
- 92.3% of our existing tenants are satisfied with the quality of their home compared to an RSL average of 86.5%.
- 90.8% of our tenants feel that the rent for their property represents good value for money compared to an RSL average of 79.0%.
- 99.5% of stock meeting the Scottish Housing Quality Standard compared to an RSL average of 92.8%
- 90.9% of our tenants who have had repairs or maintenance carried out in last 12 months satisfied with the repairs and maintenance service compared to an RSL average of 89.9%.

### **Homelessness**

We support the homelessness initiative via Glasgow and West of Scotland Forum (GWSF), aimed at improved joint working with Glasgow City Council (GCC) on homelessness referrals. This involves part-funding a GWSF post to work with GCC Housing Access Team and RSLs across the city, aiming to tackle homelessness more effectively.

### **Common Housing Register**

The Association' is participating in a North West Glasgow Common Housing Register pilot project, aimed at creating a shared database across a group of local RSLs which should achieve a more efficient allocations process. It may also assist assessment of demand for our stock. The pilot has been live since April 2017 and early signs are encouraging.

### **Health and Social Care Integration**

Health and social care integration and related proposals to switch care from acute hospital services to support in the community. A significant proportion of our tenants are elderly, and ng homes, if properly resourced, can make a positive contribution to delivering the Government's integration aims in Glasgow.eg in our multi storey flats where we have a 24/7 Concierge service.

### **Welfare Reform**

We monitor UK/Scottish Government Policy on this key issue.ng homes will take action to mitigate impacts on tenants and our business. We are already experiencing complexities of Universal Credit and the direct payments of Housing Benefit to tenants. We currently have about one hundred tenants in receipt of Universal Credit. We are assessing the situation closely, along with potential implications in changes to other welfare changes.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2017

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### Regeneration 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 eighty 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. We have been particularly successful in progressing young people and those from the vulnerable group into employment through Community Jobs Scotland (Scottish Council for Voluntary Organisations).
- 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.
- Thriving Places has been developing relationships with residents and partners in Possilpark and Ruchill to further identify areas for action. As the host organisation and in partnership with Glasgow Community Planning Partnerships we have delivered many events and community consultations that bring together local people and partners to discuss local issues, identify needs and priorities that support community-led solutions.
- Funded by the Scottish Government's Community Choices Fund the 'Your Voice Young Choice' project put the decision-making responsibility in the hands of thirty-seven 10-16 year olds, who dreamed up concepts and projects which could promote positive change and social inclusion in their communities. Projects included; creative spaces, athletic and sports clubs, gardening and food workshops, music, drama and arts clubs, even a young person's gym. Over 600 votes were placed on eleven local projects, resulting in a total of £57,943 in grants being allocated. The legacy of the project will be the creation of a Youth Forum that continues to allow young people's voice to be heard.
- The Pitstops Project supported by the Big Lottery Fund with a £453k grant over a three year period continued during the year. The project is a personal development course with a difference. The eight-week course is based around learning a contact sport, as well as receiving new qualifications and getting support to take steps towards finding paid or voluntary work, going to college or other positive destinations. Pitstops is targeted at people who feel they require support or advice in taking positive steps forward in life. The project involves collaboration with the School of Hard Knocks who have seconded a staff member to support the project across its three year period.



# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD AND STRATEGIC REPORT

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(Continued)

### Community Regeneration (cont.)

- The Active Early Years health and wellbeing programme was funded by Scottish Government and delivered in partnership with Winning Scotland and Education Services. The project supported and complemented Physical Education in three nursery and seven primary schools in North Glasgow. The project encouraged more children to get active including increasing and improving their physical and mental health, confidence and skills. Through the provision of physical activities, education and training of nursery and primary school teachers and staff, volunteers (parents/carers) and providing supporting resources have supported the sustainability of this project.
- Our sport, health and education programmes continued to work in partnership with many local and national organisations, governing bodies, clubs and associations. Our approach supported and complemented local and national strategies, existing provision, as well as introducing many innovative programmes in North Glasgow including; rowing, tennis, golf, rugby, mixed martial arts, judo, athletics, football and much more.
- With the support of £119k from the Climate Challenge Fund environmental programmes continued during the year. As a result of the ongoing work and due to other projects North Glasgow was awarded the Programme of the Year Award for 2016 By Keep Scotland Beautiful for the success of its work in developing initiatives and strategies to provide cleaner neighbourhoods.
- 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.
- The Scottish Government through the People and Communities Fund provided £106k for the Bridge, Build and Bond Project. The project was about engaging the people in North Glasgow to be part of addressing the needs they themselves identify. The 3 B's programme provided a comprehensive asset based community development approach to various projects with the aim of creating a sustainable programme and so build on community resilience and enhancing the social capital of individuals and groups through 'building, bonding and bridging' approaches
- Funding of £271k from the Big Lottery Fund for the Glasgow Big Partnership for Welfare Project (EPIC 360). This is part of a three year grant award totaling £857,033 for the Project. This will support people throughout Glasgow to get help and support to improve their financial skills.

### Financial Review

The results for the year are shown in the statement of comprehensive income.

For 2016/17 there was an increase in getting major repairs contracts on site. Major investment in the year included programmes of work including, lift replacements at the Wellfield and Balgrayhill multis, kitchen bathroom and rewire programmes, close and stairwell painting, door entry and lighting upgrades and environmental upgrades across the stock. Efficiencies made and increased revenues helped to achieve the result for the year. The Association also benefitted from movements in the valuations of the pension schemes which resulted in a £1.46m credit to this year's surplus compared with a £1.16m credit in the previous year.

With the surplus the Association is in a better financial position with in excess of £19m 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 stock. Cash surpluses will continue to be made, subject to our planned maintenance programme over the next few years.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2017

(Continued)

### **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 2017 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 3.90% (2016 – 3.89%).

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 (SHAPS) 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 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 has had to deal with a substantial increase in pension contributions in their future plans. The Association closed off entry to the final salary element of the SHAPS scheme back in 2011 and is considering further changes to the scheme options.

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 Association's element of the SPF is at a better funding level compared to the SHAPS scheme, an active review of the financing and options relating to the SPF continues to be undertaken.

The Association has in place pension arrangements that satisfy the requirements under auto enrolment legislation.

### **FRS 102 accounts transition**

The Association transitioned from previously extant UK GAAP to FRS 102 for the year ended 31 March 2016. One of the key changes was the adoption by the Association of deemed cost transitional relief and to account for its housing property assets at deemed cost. Implementation of this resulted in an increase in reserves at 31 March 2015 of £40m.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2017

(Continued)

### **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; and
- 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 revenue reserves increased from £22.7m to £28.7m

While this is welcome in future years there will be significant expenditure required to upgrade the stock. The Association's maintenance life cycle plan has resulted in the Association running through a period of years where there has been lower planned maintenance expenditure. The years ahead will require significant expenditure and further increases 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.

#### **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.

# **NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD AND STRATEGIC REPORT**

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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 the SORP. The Association applies 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.

### **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 2016/17 16% (2015/16 14%) of the Association lets were to households of ethnic minority background and 18% (2015/16 16%) 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 640 days training (2016 – 557) which equated to an average of 5.2 days (2016 – 6.3 days) for each member of the core staff.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2017

(Continued)

### Board and Executive team

#### Members of the Board

The Members of the Board of the Association during the year to 31 March 2017 were as follows:

J Fury (Chairperson)	C Rossine
W Rossine (Secretary)	Professor J Sommerville (resigned 10 <sup>th</sup> May 2016)
Bailie A Stewart	J Berrington
I Cross	A Wilson
J Thorburn (Vice-Chair)	M Thomson
J Egan (resigned 29 <sup>th</sup> November 2016)	T Dow
R Porter	R Maguire (Co-opted 7 <sup>th</sup> June 2016)
B Saunders (resigned 13 <sup>th</sup> September 2016)	G Satti (appointed 13 <sup>th</sup> September 2016)

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.

#### Executive Team – key management personnel

R Tamburrini – Chief Executive Officer  
A Devlin – Deputy Chief Executive Officer  
L Anderson – Director of Corporate Services (resigned 24th June 2016)  
R Hartness – Director of Finance  
J Devine – Director of Regeneration  
T Sweeney – Head of Corporate Services  
L Cooper – Assistant Director (Housing Services)

The remuneration of all staff in the Association is calculated in relation to the salary scales set by Employers in Voluntary Housing.

#### 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.

#### 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.

# **NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD AND STRATEGIC REPORT**

**31 MARCH 2017**

(Continued)

### **Other issues**

#### **Group Structure**

The Association has four wholly owned subsidiaries. NG Property (Scotland) Limited whose 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 £7.3 million in 2017/18.
- Community and regeneration development in Possilpark.
- Consideration of a new housing development in the Springburn area. Further construction projects are also being prepared for approval.

**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.**

#### **Legislation and branding**

Under The Co-operative and Community Benefit Societies Act 2014 the Association is a Community Benefit Society.

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.

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**REPORT OF THE BOARD AND STRATEGIC REPORT**

**31 MARCH 2017**

(Continued)

**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**

Wylie & Bisset LLP has indicated its willingness to continue in office.

On behalf of the Board



W Rossine  
Secretary

50 Reidhouse Street  
Glasgow  
G21 4LS

Date: 1st August 2017

# 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.

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 and FRS 102;
- 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 2014 and the Determination of Accounting Requirements – 2014;
- 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 2017 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.

On behalf of the Board



W Rossine  
Secretary

Date: 1st August 2017

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF NORTH GLASGOW HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROLS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Wylie & Bisset LLP, Statutory Auditor  
Chartered Accountants  
168 Bath Street  
Glasgow  
G2 4TP

Date: 1 August 2017

# **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 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the Board and auditor**

As explained more fully in the Board's Responsibilities Statement set out on page 14, the Board are responsible for the preparation of the Financial Statements that give a true and fair view. Our responsibility is to audit and express an opinion 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been properly prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

## NORTH GLASGOW HOUSING ASSOCIATION LIMITED

### Independent auditors' report to the members of North Glasgow Housing Association Limited (Continued)


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

In light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified any material misstatements in the Report of the Board.

We are required to report to you under The Co-operative and Community Benefit Societies Act 2014 if, in our opinion:

- The information given in the Report of the Board is inconsistent with the Financial Statements;
- Proper books of accounts have not been kept by the Association in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirement of the legislation;
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

  
Wylie & Bisset LLP, Statutory Auditor  
Chartered Accountants  
168 Bath Street  
Glasgow  
G2 4TP

Date: 1 August 2017

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017	2016
		£	£
<b>Revenue</b>	2	24,117,794	23,817,695
<b>Operating costs</b>	2	(19,799,320)	(20,290,716)
<b>Operating surplus</b>		<u>4,318,474</u>	<u>3,526,979</u>
Gain on sale of housing stock	4	226,798	275,638
Interest receivable and other income		121,060	130,067
Interest payable and other charges	5	(1,099,571)	(1,134,677)
Other Finance Charges		<u>(192,491)</u>	<u>(222,392)</u>
<b>Surplus for year</b>		<u>3,374,270</u>	<u>2,575,615</u>
Gift aid		20,000	-
Actuarial gain/(loss) in respect of pension schemes		1,458,654	1,162,011
<b>Total Comprehensive Income</b>		<u><u>4,852,924</u></u>	<u><u>3,737,626</u></u>

All amounts relate to continuing operations. The notes on pages 23 – 47 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 1st August 2017 and signed on their behalf by:

Secretary: W Rossine

*William Rossine*

Board member: J Thorburn

*John Thorburn*

Board member: M Thomson

*Mgt Thomson*

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2017

	Notes	£	2017 £	£	2016 £
<b>Tangible Fixed Assets</b>					
<b>Housing properties</b>					
Depreciated cost	8		91,981,216		91,716,332
<b>Other non current assets</b>	<b>10</b>		<u>1,537,186</u>		<u>1,776,485</u>
			93,518,402		93,492,817
<b>Investments – subsidiaries</b>			<u>1,300</u>		<u>1,300</u>
			93,519,702		93,494,117
<b>Current Assets</b>					
Debtors	11	2,137,848		2,195,066	
Cash at hand and in bank		<u>19,096,091</u>		<u>17,682,642</u>	
		21,233,939		19,877,708	
<b>Current Liabilities</b>					
Creditors due within one year	12	<u>(4,161,969)</u>		<u>(4,042,084)</u>	
<b>Net Current Assets</b>			<u>17,071,970</u>		<u>15,835,624</u>
<b>Total Assets less Current Liabilities</b>			110,591,672		109,329,741
<b>Creditors due after more than one year</b>	<b>13</b>		<u>(27,865,071)</u>		<u>(33,183,970)</u>
			82,726,601		76,145,771
<b>Deferred income</b>	<b>16</b>		<u>(3,905,930)</u>		<u>(3,896,059)</u>
<b>Provision for pension liability</b>	<b>25</b>		<u>(3,389,000)</u>		<u>(1,671,000)</u>
			<u>75,431,671</u>		<u>70,578,712</u>
<b>Capital and Reserves</b>					
Share Capital	17		114		79
Revenue Reserves			28,677,055		22,704,208
Revaluation Reserve			<u>46,754,502</u>		<u>47,874,425</u>
			<u>75,431,671</u>		<u>70,578,712</u>

These financial statements were approved and authorised for issue by the Board on 1<sup>st</sup> August 2017 and signed on their behalf by:

Secretary: W Rossine *William Rossine*

Member: J Thorburn *John Thorburn*

Member: M Thomson *M Thomson*

The notes on pages 23 – 47 form part of these financial statements.

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR TO 31 MARCH 2017**

		<b>2017</b>		<b>2016</b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Net cash inflow from operating activities</b>	<b>18</b>	7,749,477		<u>6,462,306</u>
<b>Investing activities</b>				
Cash paid for construction and purchases		(4,171,053)		(2,344,953)
Housing association grant received		400,807		565,579
Housing association grant repaid		-		(50,668)
Sales of housing properties		449,214		695,839
Purchase of other fixed assets		(91,624)		(43,146)
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(3,412,656)</u>		<u>(1,177,349)</u>
<b>Financing</b>				
Interest received on cash and cash equivalents		121,060		130,067
Interest paid		(1,099,571)		(1,134,677)
Loan principal repayments		(1,944,907)		(2,034,850)
Share capital issued		46		5
<b>Net cash outflow from financing</b>		<u>(2,923,372)</u>		<u>(3,039,455)</u>
<b>Increase in cash</b>		<u>1,413,449</u>		<u>2,245,502</u>
<b>Opening cash and cash equivalents</b>		<u>17,682,642</u>		<u>15,437,140</u>
<b>Closing cash and cash equivalents</b>		<u><u>19,096,091</u></u>		<u><u>17,682,642</u></u>

The notes on pages 23 – 47 form part of these financial statements.

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**AS AT 31 MARCH 2017**

	<b>Share Capital</b>	<b>Revenue Reserves</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	£	£	£	£
Balance at 1 April 2016	79	22,704,208	47,874,425	70,578,712
Issue of shares	46	-	-	46
Cancellation of shares	(11)	-	-	(11)
Surplus for year	-	3,374,270	-	3,374,270
Gift aid	-	20,000	-	20,000
Actuarial gain/(loss) in respect of pension schemes	-	1,458,654	-	1,458,654
Transfer between reserves	-	1,119,923	(1,119,923)	-
Balance as at 31 <sup>st</sup> March 2017	<u>114</u>	<u>28,677,055</u>	<u>46,754,502</u>	<u>75,431,671</u>

The notes on pages 23 – 47 form part of these financial statements.



# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

### 1. Accounting Policies

#### (a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (r) below. These financial statements were prepared in accordance with Financial Reporting Standard 102 – ‘The Financial Standard applicable in the UK and the Republic of Ireland’ and the Statement of Recommended Practice for Social Housing Providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102. The Association is registered under the Co-operative and Community Benefit Societies Act 2014.

This is the second year in which the financial statements have been prepared under FRS 102.

#### (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 2017

(Continued)

(f) **Non current 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 major components of the Associations housing properties are 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).

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

The amount of grants received is shown separately on the statement of financial position. Housing Association Grant received in respect of revenue expenditure is credited to the statement of comprehensive income in the same period as the expenditure to which it relates.

Housing Association Grant may 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.

(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.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

(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 non current 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 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) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the statement of comprehensive income 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.

(k) **Value added tax**

The Association is VAT registered and has a Group VAT structure. However, a large proportion of NGHA's 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.

**Turnover**

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

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

(m) **Pensions**

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

The Association, as a result of staff transferring during the GHA stock transfer, is 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.

North Glasgow Housing Association accounts for its participation in the Fund in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid price rather than their mid-market value.

The Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Glasgow Housing Association's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and in the statement of comprehensive income under actuarial gain or loss on pension schemes.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

(n) **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.

(o) **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.

(p) **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.

(q) **Financial Instruments**

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

(r) **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 2017**  
(Continued)

2.	Particulars of revenue, operating costs, operating surplus or deficit	Note	2017		2016			
			Turnover £	Operating Costs £	Operating Surplus/ (deficit) £	Turnover £	Operating Costs £	Operating Surplus/ (deficit) £
	<b>Social lettings</b>	3a	22,780,178	(18,358,429)	4,421,749	22,623,387	(18,975,141)	3,648,246
	<b>Other activities</b>	3b	1,337,616	(1,440,891)	(103,275)	1,194,308	(1,315,575)	(121,267)
	<b>Total</b>		<u>24,117,794</u>	<u>(19,799,320)</u>	<u>4,318,474</u>	<u>23,817,695</u>	<u>(20,290,716)</u>	<u>3,526,979</u>

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2017 (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 2017 £	2016 £
<b>Income from lettings</b>					
Rent receivable net of service charges	21,400,574	89,664	771,027	22,261,265	21,966,158
Service charges	77,952	-	236,052	314,004	335,809
Gross income from rents and service charges	21,478,526	89,664	1,007,079	22,575,269	22,301,967
Less: Voids	116,426	179	-	116,605	98,769
<b>Net Income from rents and service charges</b>	21,362,100	89,485	1,007,079	22,458,664	22,203,198
Amortisation of Social Housing and other grants	270,773	50,741	-	321,514	252,095
Grants from the Scottish Ministers	-	-	-	-	155,594
Grants from local authorities and other agencies	-	-	-	-	12,500
<b>Total turnover from social letting activities</b>	21,632,873	140,226	1,007,079	22,780,178	22,623,387
Management and maintenance administration costs	6,185,191	43,323	402,661	6,631,175	6,496,856
Service costs	1,597,451	-	136,929	1,734,380	1,597,183
Planned and Cyclical maintenance	3,909,805	-	59,007	3,968,812	5,207,414
Reactive maintenance costs	2,124,633	-	84,292	2,208,925	1,999,384
Bad debts -- rents and service charges	162,470	-	3,636	166,106	267,310
Depreciation of social housing	3,498,043	66,488	84,500	3,649,031	3,406,994
<b>Operating costs for social letting activities</b>	17,477,593	109,811	771,025	18,358,429	18,975,141
<b>Operating surplus for social lettings</b>	4,155,280	30,415	236,054	4,421,749	3,648,246
<b>2016</b>	3,434,743	33,067	180,436	3,648,246	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £201,825 (2016- £201,825).

The total amount of major repairs expenditure incurred in the year was £5,943,853 (2016 - £5,394,670). Component expenditure of £3,261,553 (2016 - £1,442,024) was capitalised in the year. Of this total £3,261,553 (2016 £1,442,024) was for component replacement and £nil (2016 £nil) was for improvements.

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**NOTES TO THE STATEMENTS**

Year ended 31 March 2017

(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	509,327	359,874	-	-	869,201	-	(1,149,385)	(280,184)	(398,143)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	-	-	-	-	-	-	-	-	-
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	-	-	-	468,415	468,415	-	(291,506)	176,909	276,876
<b>Total from other activities</b>	<b>509,327</b>	<b>359,874</b>	<b>-</b>	<b>468,415</b>	<b>1,337,616</b>	<b>-</b>	<b>(1,440,891)</b>	<b>(103,275)</b>	<b>(121,267)</b>

**2016**

243,023    384,928    -    566,357    1,194,308    -    (1,315,575)    (121,267)

The total for other activities includes £147,264 (2016 - £344,595) for recovery of input VAT due to a VAT shelter agreement and £86,939 (2016 - £92,045) from rental of radio masts.

Further details on projects and funding from partners are given in note 27. 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 2017  
(Continued)

### 4. Profit on sale of fixed assets

	2017	2016
	£	£
Sale proceeds	506,721	738,050
Cost of sales	<u>(279,923)</u>	<u>(462,412)</u>
Gain on sale of housing properties	<u>226,798</u>	<u>275,638</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 eighteen such sales occurred but after the necessary calculations no repayment was due on any of these sales.

### 5. Interest payable and Other Charges

	2017	2016
	£	£
Loan interest on housing properties	1,047,718	1,082,824
Other interest	<u>51,853</u>	<u>51,853</u>
	1,099,571	1,134,677
Less: loan interest capitalised	<u>-</u>	<u>-</u>
	<u>1,099,571</u>	<u>1,134,677</u>

Interest rates charged on loans during the year ranged from 0.74% to 5.27% (2016: 0.91% to 5.27%). 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. Surplus for the year

	2017	2016
	£	£
Surplus for the year is stated after charging:-		
Depreciation – Housing Properties	3,649,032	3,406,994
Depreciation – Other Tangible Assets	<u>330,923</u>	<u>386,617</u>
	3,979,955	3,793,611
External Auditors Remuneration – Audit Services	10,495	10,495
External Auditors Remuneration – Other services	-	-
Operating Lease Rentals – Land & Buildings	<u>109,024</u>	<u>109,024</u>

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2017**

(Continued)

**8. Non Current Assets – Housing properties**

	<b>Housing properties held for letting £</b>	<b>Housing properties in course of construction £</b>	<b>Completed shared ownership properties £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2016	96,173,864	-	2,400,983	98,574,847
Additions	4,171,053	-	-	4,171,053
Disposals	(257,137)	-	-	(257,137)
Transfers	-	-	-	-
At 31 March 2017	<u>100,087,780</u>	<u>-</u>	<u>2,400,983</u>	<u>102,488,763</u>
<b>Depreciation and impairment</b>				
At 1 April 2016	6,475,860	-	382,655	6,858,515
Charge in year	3,582,544	-	66,488	3,649,032
Transfers	-	-	-	-
At 31 March 2017	<u>10,058,404</u>	<u>-</u>	<u>449,143</u>	<u>10,507,547</u>
<b>Net book value</b>				
As at 31 March 2017	<u>90,029,376</u>	<u>-</u>	<u>1,951,840</u>	<u>91,981,216</u>
As at 1 April 2016	<u>89,698,004</u>	<u>-</u>	<u>2,018,328</u>	<u>91,716,332</u>

Development administration costs capitalised amounted to £Nil (2016 - £Nil) for which development allowances amounting to £Nil (2016 - £Nil) were recorded in the year. Interest capitalised or added to WIP during the year amounted to £Nil (2016 - £Nil). None of the Associations land or property is held under a lease.

Housing properties held for letting are stated at deemed cost at 1 April 2014, as amended by subsequent additions and disposals, as part of the transitional changes allowed under FRS 102. The deemed cost was calculated from the Existing Use Value – Social Housing (EUV- SH) of the housing letting stock at 1 April 2014 by Jones Lang Lasalle in line with the RICS Valuation Professional Standards required by the RICS “Red Book”.

**9. Investments**

	<b>2017 £</b>	<b>2016 £</b>
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 2017

(Continued)

**10. Non Current Assets – Other Tangible Assets**

	Office Accommodation £	Furniture & Equipment £	Computer Hardware £	Sheltered Fixtures & Fittings £	Total £
<b>Cost</b>					
At 1 April 2016	1,750,009	1,237,856	809,608	47,944	3,845,417
Additions during year	-	11,582	80,042	-	91,624
At 31 March 2017	<u>1,750,009</u>	<u>1,249,438</u>	<u>889,650</u>	<u>47,944</u>	<u>3,937,041</u>
<b>Depreciation</b>					
At 1 April 2016	296,947	1,005,302	730,533	36,150	2,068,932
Charge for the year	130,523	141,442	54,057	4,901	330,923
At 31 March 2017	<u>427,470</u>	<u>1,146,744</u>	<u>784,590</u>	<u>41,051</u>	<u>2,399,855</u>
<b>Net Book Value</b>					
As at 31 March 2017	<u>1,322,539</u>	<u>102,694</u>	<u>105,060</u>	<u>6,893</u>	<u>1,537,186</u>
As at 1 April 2016	<u>1,453,062</u>	<u>232,554</u>	<u>79,075</u>	<u>11,794</u>	<u>1,776,485</u>

**11. Debtors: Amounts falling due within one year**

	2017 £	2016 £
Rents in arrears	1,228,182	1,340,151
Less: bad debt provision	<u>(753,105)</u>	<u>(907,931)</u>
	475,077	432,220
Trade debtors	11,984	60,700
Amounts due from group companies	107,734	106,142
Prepayments and accrued income	541,960	581,031
Other debtors	<u>1,001,093</u>	<u>1,014,973</u>
	<u>2,137,848</u>	<u>2,195,066</u>

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 12. Creditors due within one year

	2017	2016
	£	£
Loans (note 15)	456,041	534,850
Trade creditors	311,981	728,502
Other Taxation and Social Security	5,550	117,872
Other Creditors	648,734	514,731
Balance due to group companies	404,692	141,616
Accruals	731,893	508,779
Deferred income (note 16)	321,515	252,094
Liability for past service contributions (note 14)	513,638	514,561
Rents in advance	<u>767,925</u>	<u>729,079</u>
	<u>4,161,969</u>	<u>4,042,084</u>

### 13. Creditors due after more than one year

	2017	2016
	£	£
Liability for past service contributions (note 14)	2,105,100	5,557,901
Loans (note 15)	<u>25,759,971</u>	<u>27,626,069</u>
	<u>27,865,071</u>	<u>33,183,970</u>

### 14. Liability for past service contributions

The Association has staff in three pension schemes that are defined as a defined benefit scheme. Strathclyde Pension Fund (SPF) has been reported as a liability on the statement of financial position in previous years. The Scottish Housing Association Pension Scheme and the Pension Trust Growth Plan were only reported in the notes to the financial statements due to insufficient information to allocate the assets and liabilities of the scheme. As a result of adopting FRS102 the net present value of the deficit payments was brought into the balance sheet for these schemes.

	SHAPS	Growth Plan	2017	2016
	£	£	£	£
At 1 April 2016	6,047,000	25,462	6,072,462	6,454,973
Unwinding of discount factor	133,000	491	133,491	137,392
Deficit contribution paid	(512,000)	(2,561)	(514,561)	(499,892)
Remeasurements in assumptions	(3,073,000)	346	(3,072,654)	(20,011)
At 31 March 2017	<u>2,595,000</u>	<u>23,738</u>	<u>2,618,738</u>	<u>6,072,462</u>
Due in under one year			513,638	514,561
Due in over one year			<u>2,105,100</u>	<u>5,557,901</u>
			<u>2,618,738</u>	<u>6,072,462</u>

The liability for past service contributions for SHAPS and the Growth Plan has been accounted for in accordance with FRS 102 Para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted for SHAPS at a rate of 1.06% (2016 2.29%) and for Growth Plan at a rate of 1.32% (2016 – 2.07%).

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 15. Loans

Loans are secured by specific charges on the Association's properties. Loans are repayable at varying rates of interest of 0.74% to 5.27% (2016 – 0.91% to 5.27%) in instalments due as follows:

	2017	2016
	£	£
In one year or less (note 12)	456,041	534,850
Between one and two years	465,162	545,547
Between two and five years	4,031,321	2,631,618
In five years or more	<u>21,263,488</u>	<u>24,448,904</u>
	<u>26,216,012</u>	<u>28,160,919</u>

The Association has a number of long term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest rate	Maturity	Variable/ Fixed
Nationwide	Standard security	5.02%	2034	Fixed
Nationwide	Standard security	5.03%	2034	Fixed
Nationwide	Standard security	5.27%	2034	Fixed
Nationwide	Standard security	5.51%	2034	Fixed
Nationwide	Standard security	Libor + 0.37%	2034	Variable
Nationwide	Standard security 195 properties	Libor + 0.75%	2034	Variable
THFC	Standard security 185 properties	4.395%	2030	Fixed

The Nationwide Building Society holds a standard security over 1,192 properties for its first facility. These properties secure the loans in the first five lines above. The fixes end at dates before the final loan maturity date.

### 16. Deferred income

	2017	2016
	£	£
<b>Social Housing and other Grant</b>		
Balance at 1 April 2016	4,148,153	3,885,337
Additions in year	400,807	565,579
Released/repaid as a result of property disposal	-	(50,668)
Amortisation in year	<u>(321,515)</u>	<u>(252,095)</u>
	<u>4,227,445</u>	<u>4,148,153</u>
Due in under one year	321,515	252,094
Due in over one year	<u>3,905,930</u>	<u>3,896,059</u>
	<u>4,227,445</u>	<u>4,148,153</u>

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

17. Share Capital	2017	2016
	£	£
Shares of £1 fully paid and issued at 1 April	79	84
Shares issued during year	46	5
Shares cancelled in year	<u>(11)</u>	<u>(10)</u>
Shares issued at 31 March	<u>114</u>	<u>79</u>

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

18. Statement of Cash Flow	2017	2016
	£	£
Reconciliation of operating surplus to balance as at 1 April 2016		
Operating surplus for year	4,318,474	3,526,979
Depreciation – housing properties	3,649,032	3,406,994
Depreciation – other assets	330,923	386,617
Amortisation of capital grants	(321,515)	(252,095)
Change in debtors	57,218	(285,603)
Change in creditors	(2,002,644)	636,424
Change in pension provision	1,718,000	(957,000)
Share capital cancelled	<u>(11)</u>	<u>(10)</u>
	<u>7,749,477</u>	<u>6,462,306</u>

19. Housing Stock	2017	2016
	No.	No.
The number of units in management at 31 March was as follows:		
General needs housing	5,247	5,259
Supported housing accommodation	169	169
Shared ownership accommodation	<u>41</u>	<u>41</u>
	<u>5,457</u>	<u>5,469</u>

No units are under management by other bodies.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

20. Employees	2017	2016
	£	£
Wages and salaries	3,745,787	3,607,701
Social security costs	351,955	249,221
Other pension costs	<u>541,926</u>	<u>600,213</u>
	<u>4,639,668</u>	<u>4,457,135</u>

The total above includes payments totalling £216,807 (2016 - £106,221) for four members of staff (2016 – four) who left during the year under a voluntary severance scheme. This total includes £nil (2016 - £17,774) 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:	No	No
- full time equivalent	<u>128</u>	<u>131</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 definition of key management personnel in the 2014 Determination includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. This includes governing body members. The aggregate amount of emoluments payable to or receivable by, the key management personnel and former key management personnel of the Association landlord whose total emoluments are £60,000 or more, excluding employer's pension contributions, during the reporting period is disclosed below.

	£	£
Emoluments payable to key management personnel earning over £60k	<u>520,738</u>	<u>469,424</u>
Emoluments payable to all key management personnel (without pension contributions)	<u>577,839</u>	<u>521,346</u>
Compensation paid to key management personnel for loss of office	<u>79,226</u>	<u>-</u>
Emoluments payable to the CEO, (based on a forty hour week)	100,688	97,555
Pension contributions for the CEO.	<u>36,574</u>	<u>36,283</u>
	<u>137,262</u>	<u>133,838</u>

Emoluments over £60,000 including pension contributions paid to key management personnel can be analysed as follows:

	No	No
£60,001 - £70,000	-	-
£70,001 - £80,000	2	1
£80,001 - £90,000	-	1
£90,001 - £100,000	3	3
£110,001 - £120,001	1	-
£130,001 - £140,000	<u>1</u>	<u>1</u>

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

Expenses paid to the Board	<u>2,914</u>	<u>3,254</u>
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The Association's contributions to the pension scheme for key management personnel earning over £60k in the year amounted to £108,224 (2016 - £106,223).

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 21. Related Parties

Members of the Board are related parties of the Association as defined by Financial Reporting Standard 102. Tenants, sharing owners and owners who are members of the Board are not treated differently to any other tenants or owners. City Councilors who are members of the Board declare their interests relating to relevant decisions taken by the Association or the City Council. Governing Board members cannot use their position to any advantage. Any transaction between the Association and any entity with which a Governing Body Member has a connection with is made at arms length and is under normal commercial terms.

The related party relationships of the members of the Board is that nine members are tenants of the Association, three members are factored owners and three members are neither tenants or factored owners.

Transactions with Governing Board Members in the year were £34,696 (2016 - £34,070) of rent was charged and £809 (2016 £854) of factoring charges. At the year end there were arrears of rent of £592 (2016 - £1,051) and factoring charges of £nil (2016 - £57).

The Association has taken advantage of the exemptions conferred by FRS102 in not disclosing transactions with wholly owned subsidiaries of the Association.



# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 22. 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

	<b>% Holding</b>	<b>Class of shares</b>	<b>Country of Incorporation</b>	<b>Cost £</b>
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 £153,301 (2016 capital and reserves of £152,699) and profits of £602 (2016 profit of £15,798) for the year ended 31 March 2017. The principal activity of the company is that of property management. Balance due to NGPS at year end was £113,123 (2016 – balance due to NGPS £108,774).

DSGL handles the development contracts for the group. DSGL has capital and reserves of £16,506 (2016 – £14,622) and profit of £1,884 for the year (2016 – loss £380). The principal activity of the company is that of design services and contracting. Balance of £107,734 was owed from DSGL at the year end (2016 – owed by DSGL £106,142).

NG 2 was formed during 2010 to handle the Associations social economy activities and to encourage local employment and training opportunities. The result for the year was a profit of £123,607 (2016 £41,858) and capital and reserves of £349,566 (2016 - £225,959). Balance due from the Association at 31 March 2017 was £291,570 (2016 – due from the Association £41,164).

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 2017, 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 2017

(Continued)

### 23. Pension Fund – Scottish Housing Associations Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

#### Deficit contributions

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From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
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A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

#### Deficit contributions

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From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
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From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
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From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2017**

**(Continued)**

**23. Pension Fund – Scottish Housing Associations Pension Scheme (contd)**

**PRESENT VALUES OF PROVISION**

	31 March 2017 £	31 March 2016 £	31 March 2015 £
Present value of provision	2,595,000	6,047,000	6,432,000

**RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

	Year Ending 31 March 2017 £	Year Ending 31 March 2016 £
Provision at start of period	6,047,000	6,432,000
Unwinding of the discount factor (interest expense)	133,000	136,000
Deficit contribution paid	(512,000)	(497,000)
Remeasurements - impact of any change in assumptions	76,000	(24,000)
Remeasurements - amendments to the contribution schedule	(3,149,000)	-
Provision at end of period	2,595,000	6,047,000

**INCOME AND EXPENDITURE IMPACT**

	Year Ending 31 March 2017 £	Year Ending 31 March 2016 £
Interest expense	133,000	136,000
Remeasurements – impact of any change in assumptions	76,000	(24,000)
Remeasurements – amendments to the contribution schedule	(3,149,000)	-
Contributions paid in respect of future service	340,977	
Costs recognised in income and expenditure account	473,977	

**ASSUMPTIONS**

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.06	2.29	2.22

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 24. Pension Fund – Pensions Trust Growth Plan

North Glasgow Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

#### Deficit contributions

From 1 April 2013 to 31 March 2023:	<hr/> <u>£13.9m per annum (payable monthly and increasing by 3% each on 1st April)</u>
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A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

#### Deficit contributions

From 1 April 2016 to 30 September 2025:	<hr/> <u>£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)</u>
From 1 April 2016 to 30 September 2028:	<hr/> <u>£54,560 per annum (payable monthly and increasing by 3% each on 1st April)</u>

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2017**

**(Continued)**

**24. Pension Fund – Pensions Trust Growth Plan (continued)**

**PRESENT VALUES OF PROVISION**

	31 March 2017 £	31 March 2016 £	31 March 2015 £
Present value of provision	23,738	25,070	23,973

**RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

	Year Ending 31 March 2017 £	Year Ending 31 March 2016 £
Provision at start of period	25,462	23,973
Unwinding of the discount factor (interest expense)	491	392
Deficit contribution paid	(2,561)	(2,892)
Remeasurements - impact of any change in assumptions	346	-
Remeasurements - amendments to the contribution schedule	-	3,989
Provision at end of period	23,738	25,462

**INCOME AND EXPENDITURE IMPACT**

	Year Ending 31 March 2017 £	Year Ending 31 March 2016 £
Interest expense	491	392
Remeasurements – impact of any change in assumptions	346	-
Remeasurements – amendments to the contribution schedule	-	3,989
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	491	392

**ASSUMPTIONS**

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.32	2.07	1.74

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The Association made payments totalling £2,561 (2016: £2,892) to the pension scheme during the year.

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2017**

**(Continued)**

**25. 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 2015. The next full actuarial valuation is due as at 31 March 2018. The following information was updated for FRS 102 purposes to 31 March 2017 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:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Discount rate	2.6%	3.5%	3.5%
Future salary increases	4.4%	4.2%	4.2%
Pension increase rate	2.4%	2.2%	2.2%

In valuing the liabilities of the pension fund at 31 March 2017, 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: 22.1 years (male), 23.6 years (female)
- Future retiree upon reaching 65: 24.8 years (male), 26.2 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:**

Defined Benefit Plans	<b>2017</b>	<b>2016</b>
	<b>£000's</b>	<b>£000's</b>
Opening defined benefit obligation	9,211	9,765
Current service cost	272	350
Past service cost	-	8
Interest cost	326	317
Loss on curtailment	-	-
Actuarial losses/(gains)	3,116	(1,186)
Contributions by members	73	74
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid	(123)	(117)
Closing defined benefit obligation	<u>12,875</u>	<u>9,211</u>

**NORTH GLASGOW HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2017**

**(Continued)**

**25. Pensions Fund – Strathclyde Pension Fund (continued)**

**Movements in fair value of plan assets**

	<b>2017</b>	<b>2016</b>
	<b>£000's</b>	<b>£000's</b>
Defined Benefit plans		
Opening fair value of plan assets	7,540	7,137
Expected return on plan assets	267	232
Actuarial gains/(losses)	1,503	(44)
Contributions by the employer	226	258
Contributions by the members	73	74
Estimated benefits paid	(123)	(117)
Closing fair value of plan assets	<u>9,486</u>	<u>7,540</u>

**Expense recognised in the income and expenditure account**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Current service cost	271	350
Past service cost	-	9
Interest on defined benefit pension plan obligation	326	317
Expected return on defined benefit pension plan asset	(267)	(232)
	<u>330</u>	<u>444</u>

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

	<b>2017</b>		<b>2016</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	6,925	73	5,429	72
Corporate bonds	1,138	12	1,206	16
Property	949	10	905	12
Cash	474	5	-	0
	<u>9,486</u>		<u>7,540</u>	

**Movement in deficit during the year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit) at beginning of year	(1,671)	(2,628)
Current service cost	(272)	(350)
Losses on settlements or curtailments	-	-
Employer contributions	226	258
Past service costs	-	(8)
Unwinding of discount	(59)	(85)
Actuarial (losses)/gain	(1,613)	1,142
<b>(Deficit) at end of the year</b>	<u>(3,389)</u>	<u>(1,671)</u>

# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 25. Pensions Fund – Strathclyde Pension Fund (continued)

The amounts recognised in the balance sheet are as follows:

	2017	2016
	£000	£000
Present value of scheme liabilities	(12,875)	(9,211)
Fair value of scheme assets	9,486	7,540
Surplus/(deficit)	<u>(3,389)</u>	<u>(1,671)</u>

North Glasgow Housing Association Limited expects to contribute £228,000 (2016 - £242,000) to the Strathclyde Pension Fund in the coming year.

### 26. Contingent liabilities

The Association is potentially liable to repay amounts on property sales on stock that originated from the stock transfer from Glasgow Housing Association.

At 31 March 2017 the Association had no other contingent liabilities (2016 -£Nil).

### 27. Funding from partners

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.

The Active Early Years health and wellbeing programme was funded by Scottish Government and delivered in partnership with Winning Scotland and Education Services. The project has been a huge success thanks to the support from Scottish Government, Winning Scotland Foundation and Glasgow City Council Education Services.

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

An environmental programme came to an end in the year. With the support of the Climate Challenge Fund a new programme started just after the year end. As a result of the ongoing work and due to other projects North Glasgow was awarded the Programme of the Year Award for 2016 By Keep Scotland Beautiful for the success of its work in developing initiatives and strategies to provide cleaner neighbourhoods.

The Your Voice-Young Choice project funded by the Scottish Government's Community Choices fund put the decision-making responsibility in the hands of thirty-seven 10-16 year olds. The Association would like to extend its thanks to the Scottish Government, Space Unlimited and Springburn Academy and many local organisations for their support in this excellent project. Eleven local projects, resulting in a total of £57,943 have benefited from this support.

The Association would like to acknowledge and thank Glasgow Community Planning Partners for supporting the Thriving Places initiative. The support provided is greatly appreciated and has enabled the Association and partners to engage with the wider community, including providing a variety of events, activities and community consultations that has supported local people discuss local issues and priorities.



# NORTH GLASGOW HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

(Continued)

### 27. Funding from partners (contd)

Funding of £271k from the Big Lottery Fund for the Glasgow Big Partnership for Welfare Project (EPIC 360). This is part of a three year grant award totaling £857,033 for the Project. This will support people throughout Glasgow to get help and support to improve their financial skills.

The Scottish Government through the People and Communities Fund provided £106k for the Bridge, Build and Bond Project. The project was about engaging the people in North Glasgow to be part of addressing the needs they themselves identify.

The Pitstops Project is supported by the Big Lottery Fund with a £453k grant over a three year period. The project is a personal development course with a difference. The eight-week course is based around learning a contact sport, as well as receiving new qualifications and getting support to take steps towards finding paid or voluntary work, going to college or other positive destinations. Pitstops is targeted at people who feel they require support or advice in taking positive steps forward in life. The project involves collaboration with the School of Hard Knocks who have seconded a staff member to support the project across its three year period. Thanks to the Big Lottery and School of Hard Knocks for their support.

Thanks to Scottish Fire Rescue Services for their secondment of an officer to promote fire safe practices across the Associations stock.

Thanks to DTAS – Community Resilience Fund for work specifically to mitigate the impact of welfare reform.

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

### 28. Commitments under operating leases

At 31 March 2017 the Association had commitments under non-cancellable operating leases as set out below:

	2017		2016	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Within 1 year	109,024	-	109,024	-
Within 2- 5 years	436,096	-	436,096	-
Over 5 years	461,279	-	570,303	-
	<u>1,006,399</u>	<u>-</u>	<u>1,115,423</u>	<u>-</u>

### 29. Details of Association

The Association is a Registered Society registered with the Financial Conduct Authority under reference 1865 R(S) and is domiciled in Scotland. The Associations principal place of business is 50 Reidhouse Street, Glasgow, G21 4LS.

The Association is a Registered Social Landlord with reference HCB 187 and a Scottish Charity with reference SC030635 that owns and manages social housing property in Glasgow.