



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2010**

**Registered Housing Association No. HHC 242**

**Financial Services Authority No. 2401 R(S)**

**Charity No 037762**

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**Year ended 31 March 2010**

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**Registration particulars:**

Financial Services Authority

Industrial & Provident Societies Act 1965  
Registered Number: 2401 R(S)

Scottish Housing Regulator

Housing (Scotland) Act 2001  
Registered Number: HHC 242

Scottish Charity

Charity & Trustee Investment Act (Scotland) 2005  
Scottish Charity Number SC 037762

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

The Committee of Management present their report and audited financial statements for the year ended 31 March 2010.

### Principal activity

The principal activity of Provanhall Housing Association Ltd (Provanhall) is the development, management and maintenance of housing for people in housing need.

Provanhall is registered with the Financial Services Authority as an Industrial and Provident Society Association, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

### Business Review

During the financial year the Association achieved two of the main objectives of its business plan. Firstly, it secured a successful transfer of the 195 properties in its area from GHA. This transfer took place on 27<sup>th</sup> July 2009. Secondly, in May 2009, the Association celebrated the opening of its community facility, The Connie. The Association also established the Provanhall Community Trust during this year. The Trust will run the community facility and the Association has places in its Board of Management.

Wider Role has remained high on the agenda of the Association this year. The Financial Inclusion project continues to be highly successful in the area. Two years funding has been secured for this initiative and demand for the project remains consistently high. Outcomes also remain very positive.

The Association also launched a Save with Rent scheme as part of its financial inclusion work. This scheme is being run in partnership with the Glasgow Credit Union and funding was provided by GCC.

The Association continues to support Friends of Provanhall and AIS (Alcohol Information Service) with in kind donations of administrative support.

There have been no staff changes in the Association during the year. However, the Association has taken on a Human Resources student placement, one day per week.

Rent Arrears management remained good throughout this year. However, with the integration of the GHA properties, there was a slight increase in overall arrears at the end of the financial year. The Regulator has advised that they will take the stock transfer into consideration when looking at our Annual Performance & Statistical Return (APSR) for 2009/10.

At the end of the financial year, the Association commenced its first kitchen renewal programme. This starts a rolling programme of these renewals.

The Association gained Happy to Translate status this year.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

(Continued)

### Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2010 were as follows:

Linda Cameron	Christine Morris
Rosemarie Docherty	Stevie Allan
Cathie Reid	Barbara McCluskey
Belinda Tiernan	Margaret Stewart
Tracy Coutts	Helen Sneddon

Each member of the Committee of Management holds one fully paid share of £1 in Provanhall.

### Executive Team

The Executive Team of 3 during the year to 31 March 2010 was as follows:

Patricia Gallagher	Director
Jim Wylie	Technical Services Manager
Sean Douglas	Housing Services Manager

The executive officers of Provanhall hold no interest in Provanhall's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

### Operational Review

#### 1 Corporate Governance

Provanhall has a Committee of Management who are elected by the members of the Association; see above for details. It is the responsibility of the Committee to determine the strategy, set policies and guide the overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of 3 (as listed above) are responsible for achieving the strategy, and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management 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.

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

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

(Continued)

### **2 Corporate Issues**

Tenant involvement and participation is a major part of Provanhall's Aims and Objectives, and we continue to review how Provanhall involves tenants in its activities.

Provanhall is committed to involving staff in decision making and policy making. In the year just ended staff were fully involved in the internal management plan process and regular staff meetings were held to keep staff informed of our activities.

#### **Performance Management**

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we began implementing our revised staff appraisal system and undertook a staff training needs assessment.

#### **Best use of resources**

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have started a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

#### **Services**

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do.

We continued to monitor rent arrears closely. We also continued to deliver many completed adaptations to existing properties to meet the specific needs of our tenants.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

(Continued)

### 3. Other Areas

#### **Risk Management Policy**

The Committee have, with advice from their internal auditors, a formal risk management process to assess business risks and implement risk management strategies. This involved 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 Committee have reviewed the adequacy of the Association's current internal controls.

#### **Investment Appraisal**

Capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

#### **Internal Financial Control**

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are listed on page 9.

#### **Management Structure**

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

# **PROVANHALL HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

### **General Reserves Policy**

The Committee members have reviewed the reserves of Provanhall. 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. During the year the charity's general reserve increased from £300,000 to £390,567 (see note 13).

The Association has two other designated funds. The purpose of these funds is detailed in note 1 in the financial statements.

### **Sales of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, 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 rebated to the issuer.

### **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.

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 these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice (SORP) Accounting by registered social landlords 2008.

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. 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.

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

The Association encourages employee involvement in all major initiatives. The Association has Investors in People status.

# **PROVANHALL HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

### **Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **Rental Income**

The Association's Rent Policy is a percentage system 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 within the Association's properties. The percentage value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

### **Disabled Employees**

Applications for employment by disabled persons 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. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.



PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

(Continued)

**Future developments**

Subject to the availability of public funding and identification of suitable development sites the Association is committed to an ongoing development programme to provide new housing for our tenants.

**Auditors**

Mazars have indicated their willingness to continue acting as auditor to the Association.

On behalf of the Committee of Management

*C. Morris*  
.....

Chairperson

Date: ..10..September 2010

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES

YEAR ENDED 31 MARCH 2010

Under the legislation relating to Industrial and Provident Societies we 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 for that year. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

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

By order of the Management Committee

*C. Morris*  
.....

Date: *10 September 2010*  
.....

## **PROVANHALL HOUSING ASSOCIATION LIMITED**

### **MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**YEAR ENDED 31 MARCH 2010**

The Management Committee 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 Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allows the monitoring of controls and restricts 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 Management Committee 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 Management Committee members and others;
- the Management Committee review reports from management, from directors, staff and from the external auditors and agents 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.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**YEAR ENDED 31 MARCH 2010**

(continued)

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until the below date. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Management Committee

*C. Morris*  
.....

Date : ..10 September 2010

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the financial statements, we have reviewed the Management Committee's Statement on Internal Control set out on pages 9 and 10. The object of our review is to draw attention to any non-compliance with reference to the SFHA "Raising Standards".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Board's statements on internal control on pages 9 and 10, in our opinion the Board has provided the disclosures required under the SFHA "Raising Standards" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board members and officers of the Association and examination of relevant documents, in our opinion the Board's statement on pages 9 and 10 appropriately reflects the Association's compliance with the SFHA "Raising Standards" specified for our review.

*Mazars LLP*

**Mazars LLP**  
Chartered Accountants  
Statutory Auditor  
90 St Vincent Street  
Glasgow  
G2 5UB

Date *13 September 2015*

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

We have audited the financial statements of Provanhall Housing Association Limited for the year ended 31 March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes thereto as set out on pages 17 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly & Industrial and Provident Societies Act 1968. 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 committee of management and auditors**

The Management Committee's responsibilities for the preparation of financial statements in accordance with applicable law and United Kingdom Auditing Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Management Committee's responsibilities on page 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Management Committee's Report is not consistent with the financial statements, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for the audit, or if information specified by law regarding the Association's Management Committee's remuneration and transactions with the Association is not disclosed.

We read the Management Committee Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Association's Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

*Mazars LLP*

**Mazars LLP**  
Chartered Accountants  
Statutory Auditor  
90 St Vincent Street  
Glasgow  
G2 5UB

Date *13 September 2010*

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2010**

	Notes	2010 £	2009 £
Turnover	2	1,435,110	1,164,682
Operating costs	2	<u>(985,854)</u>	<u>(870,357)</u>
Operating surplus	2	449,256	294,325
Gain on Sale of Fixed Assets		1,699	2,153
Interest receivable		6,917	45,603
Interest payable		(95,603)	(120,816)
<b>Surplus for year</b>	13	<u>362,269</u>	<u>221,265</u>

There are no recognised gains and losses in 2009 and 2010 other than the surplus for the year.

None of the Association's activities were acquired or discontinued during the above two financial years.



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2010**

	Notes	2010	2009
		£	£
<b>Tangible fixed assets</b>			
Housing properties			
- Gross Cost less depreciation	5	21,039,225	20,035,842
Less: Housing Association Grant	5	<u>(17,413,072)</u>	<u>(17,457,593)</u>
		3,626,153	2,578,249
Other Fixed Assets	5	<u>372,055</u>	<u>367,416</u>
		3,998,208	2,945,665
<b>Current assets</b>			
Debtors	6	61,914	141,391
Cash in bank and on hand		<u>2,104,343</u>	<u>1,264,818</u>
		2,166,257	1,406,209
Creditors: Amounts falling due within one year	7	<u>(283,987)</u>	<u>(299,557)</u>
<b>Net current assets</b>		<u>1,882,270</u>	<u>1,106,652</u>
<b>Total assets less current liabilities</b>		5,880,478	4,052,317
Creditors: Amounts falling due After more than one year		<u>(3,657,228)</u>	<u>(2,191,355)</u>
		<u>2,223,250</u>	<u>1,860,962</u>
<b>Capital and reserves</b>			
Share capital		167	148
Revenue reserve		390,567	300,000
Designated reserves		1,832,516	1,560,814
<b>Total funds</b>		<u>2,223,250</u>	<u>1,860,962</u>

The financial statements on pages 14 to 30 were approved by the Management Committee on  
 ..... 10 September 2010 ..... and signed on its behalf by:-

Chairperson : *C. Morris*.....

Member : *[Signature]*.....

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2010**

	Notes	2010	2009
		£	£
<b>Net cash inflow from operating Activities</b>	16	548,580	317,227
<b>Returns on investments and servicing of finance</b>			
Interest received		6,917	45,603
Interest paid		(95,603)	(120,816)
<b>Net cash (outflow) from returns on investments &amp; servicing of finance</b>		(88,686)	(75,213)
<b>Investing Activities</b>			
Payments for the purchase and development of property		(1,140,875)	34,106
HAG received		6,705	7,121
HAG repaid		(51,226)	(88,217)
Proceeds of a sale of fixed assets		60,510	103,259
Purchase of equipment		(18,142)	(2,289)
<b>Net cash (outflow)/inflow from investing activities</b>		(1,143,028)	53,980
<b>Net cash (outflow)/inflow before financing</b>		(683,134)	295,994
<b>Financing</b>			
Issue of share capital		33	54
Loans received		1,600,000	--
Loans repaid		(77,374)	(80,705)
<b>Net cash inflow/(outflow) from financing</b>		1,522,659	(80,651)
<b>Increase in cash and cash equivalents</b>	16	839,525	215,343

Further details are given in note 16.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

### 1. Principal accounting policies

#### Basis of Accounting

The principal accounting policies of the Association are set below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and applicable Accounting Standards.

#### Turnover

Turnover relates to the income from the letting of properties at affordable rents, and the supply of factoring services, together with revenue grants from Scottish Executive, local authorities and other organisations.

#### Housing Association Grants

Housing Association Grants (HAG) are made by the grant awarding body and are utilised to reduce the amount of mortgage loans 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 of the scheme in accordance with instructions issued from time to time by the grant awarding body.

HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to the proceeds of sale net of outstanding borrowings.

Acquisition and Development Allowances are determined by the grant awarding body and are advanced as grants. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme. Amounts equal to these allowances are credited to development costs when they are receivable.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

### Fixed assets - Housing land and buildings

Housing Properties are stated at cost, less social housing and other public grants and accumulated depreciation. The development cost of housing properties funded with HAG includes the following:-

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Interest charged on the loans during the development of the scheme up until completion.

### Depreciation

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives as follows:

Housing properties	- 2%
Fixtures & fittings	- 25%
Office equipment	- 25%

### Designated reserves

#### (i) Future cyclical repairs and maintenance

The reserve is based on the Association's obligation to maintain the properties in accordance with a planned programme of works which will not be met from revenue in the year in which it is incurred.

#### (ii) Major repairs

The Association maintains its housing properties in a state of repair, which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to general reserve as appropriate.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

### **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.

### **Pensions**

The Association participates in the centralised SFHA 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. Contributions are made in accordance with periodic calculations made by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

### **Improvements**

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- 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.

### **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.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

**2. Particulars of turnover, operating costs and operating surplus and surplus**

	<b>Turnover</b>	<b>Operating Costs</b>	<b>Operating Surplus/ (Deficit)</b>	<b>Operating Surplus/(Deficit) 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Social lettings</b>	1,231,058	708,719	522,339	342,750
<b>Other activities</b>	204,052	277,135	(73,083)	(48,425)
<b>Total</b>	<u>1,435,110</u>	<u>985,854</u>	<u>449,256</u>	<u>294,325</u>
<b>2009</b>	<u>1,164,682</u>	<u>(870,357)</u>	<u>294,325</u>	

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010 (Continued)**

**3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities**

	General Needs Housing £	Shared Ownership £	Supported Housing £	2010 Total £	2009 Total £
Rent receivable net of service charges	1,146,506	6,275	-	1,152,781	791,856
Service charges	79,368	-	-	79,368	57,305
Gross income from rents and service charges	1,225,874	6,275	-	1,232,149	849,161
Less: voids	(1,091)	-	-	(1,091)	(337)
<b>Net income from rents and service charges</b>	<b>1,224,783</b>	<b>6,275</b>	<b>-</b>	<b>1,231,058</b>	<b>848,824</b>
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
<b>Total turnover from social letting activities</b>	<b>1,224,783</b>	<b>6,275</b>	<b>-</b>	<b>1,231,058</b>	<b>848,824</b>
Management and maintenance administration costs	337,523	3,858	-	341,381	263,387
Service costs	79,368	-	-	79,368	57,305
Planned and cyclical maintenance including major repairs costs	50,694	-	-	50,694	36,427
Reactive maintenance costs	144,095	-	-	144,095	87,929
Bad debts – rents and service charges	14,500	-	-	14,500	1,686
Depreciation of social housing	77,792	889	-	78,681	59,340
<b>Operating costs for social letting activities</b>	<b>703,972</b>	<b>4,747</b>	<b>-</b>	<b>708,719</b>	<b>506,074</b>
<b>Operating Surplus for social lettings</b>	<b>520,811</b>	<b>1,528</b>	<b>-</b>	<b>522,339</b>	<b>342,750</b>
<b>2009</b>	<b>339,973</b>	<b>2,777</b>	<b>-</b>	<b>342,750</b>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2009 - £Nil). Included within voids is development voids of £nil (2009: £Nil).

The total amount of major repairs expenditure incurred in the year was £13,432 (2009 - £5,507). No major repairs were capitalised (2009 - £nil).

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010  
(Continued)

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	-	128,714	-	-	128,714	-	154,830	(26,116)	(20,324)
Rechargeable Repairs	-	-	-	-	-	1,056	-	(1,056)	-
Factoring	-	-	-	695	695	-	695	-	(75)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	29,920	-	-	29,920	-	29,920	-	(22,052)
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities – SST/Tenant Participation	-	44,482	-	241	44,723	-	90,634	(45,911)	(5,974)
<b>Total from other activities</b>	-	<b>203,116</b>	-	<b>936</b>	<b>204,052</b>	<b>1,056</b>	<b>276,079</b>	<b>(73,083)</b>	<b>(48,425)</b>
<b>2009</b>	-	<b>313,134</b>	-	<b>2,724</b>	<b>315,858</b>	-	<b>364,283</b>	<b>(48,425)</b>	



**PROVANHALL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2010**  
(Continued)

**5. Tangible fixed assets**  
**Housing properties**

	Housing Properties held for Letting £	Housing properties in the Course of Construction £	Shared Ownership Houses held for Letting £	Office Properties £	Furniture Fittings & Equipment £	Total £
<b>Cost</b>						
As at 1 April 2009	20,241,840	-	247,884	396,308	54,443	20,940,475
Additions	1,141,087	-	-	-	18,142	1,159,229
Disposals	(60,510)	-	-	-	-	(60,510)
Transfers	-	-	-	-	-	-
As at 31 March 2010	<u>21,322,417</u>	<u>-</u>	<u>247,884</u>	<u>396,308</u>	<u>72,585</u>	<u>22,039,194</u>

**Housing Association Grant & Capital Grants**

As at 1 April 2009	17,252,179	-	205,414	-	-	17,457,593
Additions	6,705	-	-	-	-	6,705
Transfers	-	-	-	-	-	-
Disposals	(51,226)	-	-	-	-	(51,226)
As at 31 March 2010	<u>17,207,658</u>	<u>-</u>	<u>205,414</u>	<u>-</u>	<u>-</u>	<u>17,413,072</u>

**Depreciation**

As at 1 April 2009	447,077	-	6,805	31,494	51,841	537,217
Provided during the year	77,792	-	889	7,720	5,783	92,184
Disposals	(1,487)	-	-	-	-	(1,487)
As at 31 March 2010	<u>523,382</u>	<u>-</u>	<u>7,694</u>	<u>39,214</u>	<u>57,624</u>	<u>627,914</u>

**Net Book Values**

As at 31 March 2010	<u>3,591,377</u>	<u>-</u>	<u>34,776</u>	<u>357,094</u>	<u>14,961</u>	<u>3,998,208</u>
As at 31 March 2009	<u>2,542,584</u>	<u>-</u>	<u>35,665</u>	<u>364,814</u>	<u>2,602</u>	<u>2,945,665</u>

Development administration costs capitalised amounts to £644 (2009: £5,377) for which Housing Association Grants amounting to £642 (2009: £607) were received in the year.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

**6. Debtors**

	2010	2009
	£	£
Rent arrears	47,028	29,011
Less bad debt provision	<u>(14,882)</u>	<u>(14,877)</u>
	32,146	14,134
Prepayments and accrued income	12,617	11,332
Other debtor	17,151	115,494
Development funding receivable	<u>-</u>	<u>431</u>
	<u>61,914</u>	<u>141,391</u>

The level of technical arrears contained within the rent arrears total was £5,169 (2009: £1,970).

**7. Creditors: Amounts falling due within one year**

	2010	2009
	£	£
Trade creditors	54,100	89,263
Scheme costs	-	224
Accruals and deferred income	61,713	102,125
Rent in advance	28,124	19,565
Loans	139,359	82,606
Other taxes and social security	<u>691</u>	<u>5,774</u>
	<u>283,987</u>	<u>299,557</u>

**8. Creditors: falling due after more than one year**

Loans	<u>3,657,228</u>	<u>2,191,355</u>
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Loans are secured by specific charges on the Association's properties and are repayable at rates of interest of 0.95% to 5.55 % (2009: 0.95% to 5.55%) in instalments due as follows:-

In one year or less or on demand	139,359	82,606
Between two and five years	568,856	349,380
In five years or more	<u>3,088,372</u>	<u>1,841,975</u>
	<u>3,796,587</u>	<u>2,273,961</u>

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**  
(Continued)

9. Employees	2010 £	2009 £
Staff costs during year		
Wages and salaries	224,768	216,993
Social security costs	16,993	16,297
Other pension costs	29,651	30,986
Staff expenses	<u>1,984</u>	<u>3,123</u>
	<u>273,396</u>	<u>267,399</u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

	No	No
<b>Administration</b>	<u>8</u>	<u>7</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2009: £60,000 per annum).

	£	£
Aggregate Emoluments payable to directors (including pension contributions and benefits in kind)	<u>-</u>	<u>-</u>
Emoluments payable to highest paid director (excluding pension contributions)	<u>43,466</u>	<u>42,892</u>

The Association's contributions for the Director in the year amounted to £6,078 (2009: £5,973).

There were no directors whose emoluments, excluding pension contributions, were over £60,000 (2009: £60,000).

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

**10. Auditors Remuneration**

	£	£
The remuneration of the auditors (including expenses and including VAT for the year)	<u>5,800</u>	<u>6,000</u>

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

(Continued)

**11. Share capital**

	2010	2009
	£	£
<b>Shares of £1 each issued and fully paid</b>		
As at 1 April 2009	148	228
Shares issued	33	54
Shares cancelled	(14)	(134)
	167	148
31 March 2010	167	148

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.

**12. Designated reserves**

	Cyclical maintenance	Major repairs	Total
	£	£	£
As at 1 April 2009	100,000	1,460,814	1,560,814
Transfer from income & expenditure account	-	271,702	271,702
	100,000	1,732,516	1,832,516
As at 31 March 2010	100,000	1,732,516	1,832,516

**13. Revenue Reserve**

	2010	2009
	£	£
As at 1 April 2009	300,000	626,345
Surplus for year	362,269	221,265
Transfer to designated reserves	(271,702)	(547,610)
As at 31 March 2010	390,567	300,000
	390,567	300,000

**14. Capital Commitments**

	2010	2009
	£	£
Expenditure authorised by the Management Committee contracted less certified.	-	-
	-	-
	-	-

**15. Contingent Liabilities**

At 31 March 2010 the Association had no contingent liabilities (2009: Nil).

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

(Continued)

**16. Cash flow statement**

	2010	2009
	£	£
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	449,256	294,325
Depreciation charges	92,184	77,103
Shares cancelled	(14)	(134)
Decrease in debtors	79,477	(51,035)
(Decrease) in creditors	<u>(72,323)</u>	<u>(3,032)</u>
 Net cash inflow from operating activities	 <u>548,580</u>	 <u>317,227</u>
 <b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash for the year	839,525	215,343
Loans received	(1,600,000)	-
Loan repayments	<u>77,374</u>	<u>80,705</u>
 Change in net debt	 (683,101)	 296,048
Net debts as at 1 April 2009	<u>(1,009,143)</u>	<u>(1,305,191)</u>
 Net debt as at 31 March 2010	 <u>(1,692,244)</u>	 <u>(1,009,143)</u>

	As at 31 March 2009	Cash Flow	Other changes	As at 31 March 2010
	£	£	£	£
<b>Analysis of Changes in net debt</b>				
Cash at bank and in hand	1,264,818	839,525	-	2,104,343
Debt due within one year	(82,606)	-	(56,753)	(139,359)
Debt due after one year	(2,191,355)	(1,522,626)	56,753	(3,657,228)
	<u>(1,009,143)</u>	<u>(683,101)</u>	<u>-</u>	<u>(1,692,244)</u>

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

**17. Pension Fund  
General**

**Pension Commitments**

Provanhall Housing Association Limited participates in the SFHA Pension Scheme.

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

The Scheme offers three benefit structures to employers, namely:

Final salary with a 1/60<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.

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

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

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

During the year Provanhall Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were six active members of the Scheme employed by Provanhall Housing Association Limited. Provanhall Housing Association Limited continues to offer membership of the Scheme to its employees.

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

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(Continued)

### 17. Pension Commitments (cont.)

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. The current triennial valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The final results of the valuation will be available in the autumn of 2010. Provanhall has been informed that the provisional valuation results indicate that the funding level has fallen to 64.8% of liabilities. Their report indicates that the total contribution rate (employers' and employees' combined contributions) for all existing benefit option structures must increase on average of 7% of pensionable earnings from 1 April 2011. A period of consultation with employers has now commenced to consider the valuation results.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
- Investment return pre-retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.25
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non pensioners and PA92C2013 short cohort mortality table for pensioners.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

**18. Housing stock**

	<b>2010</b>	<b>2009</b>
	<b>No</b>	<b>No</b>
The housing stock at 31 March 2010 was as follows:		
Modernise/new build	<b>492</b>	<b>298</b>
Shared ownership	<b>4</b>	<b>4</b>
	<hr/> <b>496</b> <hr/>	<hr/> <b>302</b> <hr/>

**19. Contingent Liabilities**

**Pensions**

Provanhall Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Provanhall Housing Association was £1,048,217. The Association has no current plans to withdraw from the scheme.

At 31 March 2010 the Association had no other contingent liabilities (2009 - £Nil).

**20. Related parties**

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.