

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**Registered Housing Association No. HHC 242**

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

**Charity No SC 037762**

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**Year ended 31 March 2016**

**CONTENTS**

	<b>Page</b>
Report of the Management Committee	1 - 6
Statement of the Management Committee's Responsibilities	7
Management Committee's Statement on Internal Financial Control	8 - 9
Report of the Auditors	10 - 11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Reserves	14
Statement of Cash Flows	15
Notes to the financial statements	16 - 31

**Registration particulars:**

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number: 2401 R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 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 2016

The Committee of Management present their report and audited financial statements for the year ended 31 March 2016.

#### Principal activity

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

Provanhall is registered with the Financial Services Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

#### Business Review

Performance levels remained high throughout the year as was reported in our Landlord Report from the Scottish Housing Regulator. We compared very favourably with both our peers and when measured against the national average.

Performance throughout the year remained strong. Rent arrears decreased from 2.75% at end March 2015 to 2.03% at year end March 2016.

Reactive Maintenance expenditure, which included £69,741 of void work expenditure, increased to a total of £215,213 and averaged £438 per unit at end March 2016.

Throughout the year we have undertaken the following planned maintenance works:

#### Planned works

Kitchen Replacements	29
Boiler Replacements	29
SHQS Heating Conversions	1
Periodic Testing	84

#### Cyclical

Gutter Cleaning	All
Gas Servicing	485

The one completed heating conversion brought all properties up to SHQS standard. Due to circumstances out with our control, access for this work was not achieved until September 2015, five months after the deadline.

We have also set up an action area for part of our stock. The area in question was part of the GHA stock transferred to us in 2009. Due to the level of works to be undertaken to the properties, most noticeably environmental works, an action area was set up to get tenants involved. This has proven to be a successful approach to date.

The review of our Staff structure was completed in 2015. This resulted in two new clerical posts being created and the receptionist's post being revised. We also had recruitment for one other full

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2016

(Continued)

time post due to a staff member leaving. This brings our Staff complement up to 9. Just prior to the year-end one temporary member of Staff was brought in to cover for a potential long term absence. The Staff review has had a very positive impact on the Association.

A new three year Internal Audit programme was restarted this year with a new Internal Audit company. The programme for this year focussed on Rent Arrears, Rent Setting and Tenant Participation. The results of all 3 audits gave the management committee assurance over the standard of the Associations performance in these areas.

Our Management Committee Membership remains strong with new members joining again this year. At the end of the year we had 10 Management Committee members.

Our Wider Role has been very successful this year. We carry out wider role in partnership with Connect Community Trust. We support them financially to provide many wider role initiatives in the local community. Peoples Gateway officers have been employed via the Trust and the 8 Housing Association's in Easterhouse. These posts are part funded by the people and Communities Fund and the Associations. These roles encompass: getting ready for work, financial inclusion, preparing for universal credit, job clubs and avoiding sanctions, amongst other things. Our funding for a welfare rights advice provision was withdrawn during the year and the Management Committee opted to continue with the service via self-financing. GEMAP were appointed to provide this service.

We also undertook a comprehensive Tenant Satisfaction Survey this year. 250 (51%) of our tenants were surveyed via a face to face interview with an external research company. Our results were very high with 100% satisfaction levels being achieved for opportunities to participate and being kept informed, and 91% believing the rents represent value for money.

We continue to work with Mazars as our External Auditor. We again received a clean management letter and remain at low engagement with the Scottish Housing Regulator.

### Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2016 were as follows:

Linda Cameron	Joe Dillon – Resigned January 2016
Rosemarie Docherty	Clarice Spaine
Cathie Reid	William Blunn – Appointed September 2015
Ian McLaughlin – Resigned September 2015	Tracy Coutts
Barbara McCluskey	Liz McEwan
Christine Morris	John Dempsey

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

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2016

(Continued)

### Executive Team

The Executive Team of 3 during the year to 31 March 2016 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.

#### 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.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2016

(Continued)

### **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 involves carrying out major repairs. 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.

## **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 8.

### **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 2016**

**(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 £4,802,157 to £5,293,042.

### **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 Housing SORP 2014 "Statement of recommended practice for social housing providers".

### **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.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2016**

**(Continued)**

**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.

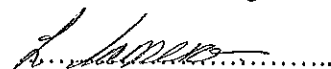
**Future developments**

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



Chairperson

Date: 27/6/16.....



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES**

**YEAR ENDED 31 MARCH 2016**

Under the legislation relating to Co-operative and Community Benefit 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.

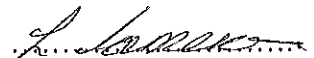
We are also responsible for:

- 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

Date: 27/6/16.....



# PROVANHALL HOUSING ASSOCIATION LIMITED

## MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2016

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.

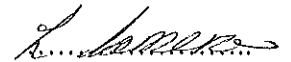
**PROVANHALL HOUSING ASSOCIATION LIMITED**

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

**YEAR ENDED 31 MARCH 2016**  
**(continued)**

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2016 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



Date : 27/6/16.....

**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 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

**Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 7, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on the 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 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Accounting Determination in terms of section 68(1) Housing Act 2010 ("Accounting Determination") and the Charities and Trustee Investment (Scotland) Act 2005.

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Mazars LLP*

Mazars LLP

Chartered Accountants

Statutory Auditor

Apex 2

97 Haymarket Terrace

Edinburgh

EH12 5HD

Date *30/6/16*

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED 31 MARCH 2016**

	Notes	2016 £	2015 £
Turnover	3	2,089,931	2,004,952
Operating costs	3	<u>(1,611,498)</u>	<u>(1,411,872)</u>
Operating surplus	3	478,433	593,080
(Loss)/Gain on sale of fixed assets		(9,057)	16,165
Interest receivable		53,408	40,204
Interest payable		(26,380)	(26,825)
Other Finance Charges		<u>(5,384)</u>	<u>(20,128)</u>
<b>Surplus for the year</b>		<u>491,020</u>	<u>602,496</u>

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

There are no other surpluses or deficits other than the surplus for the year.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

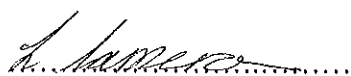
**STATEMENT OF FINANCIAL POSITION**

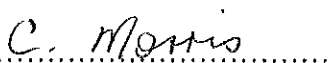
**AS AT 31 MARCH 2016**

	Notes	2016 £	2015 £
<b>Tangible fixed assets</b>			
Housing properties			
- Gross Cost less depreciation	6	13,319,267	13,726,381
		<hr/>	<hr/>
		13,319,267	13,726,381
Other Fixed Assets	6	325,565	336,846
		<hr/>	<hr/>
		13,644,832	14,063,227
<b>Current assets</b>			
Debtors	7	175,598	152,008
Cash in bank and on hand		2,930,132	2,627,991
		<hr/>	<hr/>
		3,105,730	2,779,999
<b>Creditors: Amounts falling due within one year</b>	8	(355,214)	(318,425)
		<hr/>	<hr/>
<b>Net current assets</b>		2,750,516	2,461,574
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		16,395,348	16,524,801
		<hr/>	<hr/>
<b>Creditors: Amounts falling due after more than one year</b>	9	(2,026,327)	(2,170,448)
		<hr/>	<hr/>
<b>Deferred capital grants</b>			
Social Housing Grants	10	(9,075,840)	(9,552,196)
		<hr/>	<hr/>
<b>Net Assets</b>		5,293,181	4,802,157
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	13	139	135
General reserve		5,293,042	4,802,022
		<hr/>	<hr/>
<b>Total funds</b>		5,293,181	4,802,157
		<hr/>	<hr/>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The financial statements on pages 12 to 31 were approved by the Management Committee on 27th June 2016 and signed on its behalf by:-

Chairperson : 

Member : 

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN RESERVES**

**YEAR ENDED 31 MARCH 2016**

	<b>Share Capital</b>	<b>Revenue Reserve</b>	<b>Total</b>
<b>Balance as at 1 April 2015</b>	135	4,802,022	4,802,157
Issue of Shares	19	-	19
Cancellation of Shares	(15)	-	(15)
Surplus for Year		491,020	491,020
<b>Balance as at 31 March 2016</b>	<u>139</u>	<u>5,293,042</u>	<u>5,293,181</u>

**STATEMENT OF CHANGES IN RESERVES**

**YEAR ENDED 31 MARCH 2015**

<b>Balance as at 1 April 2014</b>	157	4,199,526	4,199,683
Issue of Shares	29	-	29
Cancellation of Shares	(51)	-	(51)
Surplus for Year	-	602,496	602,496
<b>Balance as at 31 March 2015</b>	<u>135</u>	<u>4,802,022</u>	<u>4,802,157</u>



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CASHFLOWS**

**YEAR ENDED 31 MARCH 2016**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Surplus for the year	491,020	602,496
Adjustments for:		
Depreciation of fixed assets	526,855	521,526
Amortisation of deferred capital grants	(410,484)	(431,984)
Interest paid	26,380	26,825
Interest received	(53,408)	(40,204)
Loss/(gain) on disposal of fixed assets	9,057	(16,165)
Increase in debtors	(23,590)	(25,183)
(Increase)/decrease in creditors	(9,539)	73,969
Unwinding of discount	5,384	(20,128)
<b>Cash from operations</b>	<b>561,675</b>	<b>731,408</b>
Interest paid	(26,380)	(26,825)
<b>Net cash generated from operating activities</b>	<b>535,295</b>	<b>704,583</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(202,527)	(155,053)
Sale of fixed assets	85,010	(22,038)
Repayment of Social Housing Grant	(65,872)	-
Interest received	53,408	40,204
<b>Net cash from investing activities</b>	<b>(129,981)</b>	<b>(136,887)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(103,177)	(102,365)
Issue of shares	4	22
<b>Net cash from financing activities</b>	<b>(103,173)</b>	<b>(102,343)</b>
<b>Net increase in cash and cash equivalents</b>	<b>302,141</b>	<b>465,353</b>
Cash and cash equivalents at beginning of year	2,627,991	2,162,638
<b>Cash and cash equivalents at end of year</b>	<b>2,930,132</b>	<b>2,627,991</b>

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

### 1. Principal accounting policies

#### Basis of Accounting

These Financial Statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of accounting Requirements 2015 issued by the Social Housing Regulator and the Statement of Recommended Practice (SORP) "Accounting for social housing providers" issued in 2014.

Information on the impact of first-time adoption of FRS 102 is given in note 19. The date of transition was 1 April 2014 and the date of the final set of accounts prepared under previous reporting standards was 31 March 2015.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

#### 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.

Government grants are released to income over the expected useful life of the asset to which they relate.

#### Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by 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 FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is equivalent to the yield rate for a high quality corporate bond.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

(Continued)

### Sale of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating costs. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

### Fixed assets - Housing land and buildings

Housing properties are stated at cost less accumulated depreciation. The development cost of housing properties 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 of Housing Properties

Properties other than heritable land are depreciated at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components are shown below:

	Depreciation Period (Years)
Roof	50
Structure	50
Windows	25
Kitchens	15
Bathrooms	25
Central Heating	15
Doors	35
Rewiring	30

### Depreciation of Other Fixed Assets

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

- Office Premises – 2%
- Furniture & Fittings – 25%
- Office Equipment – 25%

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

(Continued)

### General reserves

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

The general 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 general reserve represents amounts set aside in respect of future costs.

### 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.

### 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 all fixed assets are carried out on an annual basis and any impairment is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an asset 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 statement of comprehensive income.

### Housing Association Grant

Housing Association Grant is paid directly to the Association as required to meet liabilities during the development process. Housing Association Grant is repayable under certain circumstances, primarily following the sale of a property, but will normally be restricted to net proceeds of sale.

Housing Association Grant received as a contribution towards the capital cost of a housing development and is recognised in line with the accrual model. The accrual model results in the grant

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

(Continued)

being recognised over the expected useful life of the housing property structure and its individual components.

### Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

### Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-putable ordinary shares.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables are measured initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the date of the Statement of Financial Position.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

**(Continued)**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Interest payable**

All interest payable is charged to the Statement of Comprehensive Income in the period in which it falls due for payment. The basis for the interest payable is the schedule of interest charges agreed with the financing institution during the establishment of the loans.

**Interest receivable**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the Associations' accounting policies, which are described in Note 1, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period the revision and future periods if the revision affects both current and future periods.

No significant judgements have had to be made by management in preparing these Financial Statements.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

(Continued)

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

	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	2015 Operating Surplus/(Deficit) £
Social lettings	2,058,878	1,518,170	540,708	654,798
Other activities	31,053	93,328	(62,275)	(61,718)
<b>Total</b>	<u>2,089,931</u>	<u>1,611,498</u>	<u>478,433</u>	<u>593,080</u>
2015	<u>2,004,952</u>	<u>1,411,872</u>	<u>593,080</u>	

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016 (Continued)

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

	General Needs Housing £	Shared Ownership £	Supported Housing £	2016 Total £	2015 Total £
Rent receivable net of service charges	1,632,379	4,067	-	1,636,446	1,615,759
Service charges	-	-	-	-	-
Gross income from rents and service charges	1,632,379	4,067	-	1,636,446	1,615,759
Less: voids	(3,234)	-	-	(3,234)	(2,496)
<b>Net income from rents and service charges</b>	1,629,145	4,067	-	1,633,212	1,613,263
Grants released from Deferred Income	408,430	2,054	-	410,484	386,196
Other revenue grants	15,182	-	-	15,182	4,193
<b>Total turnover from social letting activities</b>	2,052,757	6,121	-	2,058,878	2,003,652
Management and maintenance administration costs	478,422	3,642	-	482,064	458,981
Service costs	112,282	-	-	112,282	110,635
Planned and cyclical maintenance including major repairs costs	193,590	-	-	193,590	57,021
Reactive maintenance costs	215,213	-	-	215,213	208,241
Bad debts – rents and service charges	7,285	-	-	7,285	11,703
Depreciation of social housing	505,257	2,479	-	507,736	502,273
<b>Operating costs for social letting activities</b>	1,512,049	6,121	-	1,518,170	1,348,854
<b>Operating surplus for social letting</b>	540,708	-	-	540,708	654,798
<b>2015</b>	654,798	-	-	654,798	

The total amount of major repairs expenditure incurred in the year was £194,332 (2015 - £135,812). Of that amount £179,199 were capitalised (2015 - £129,539).



PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016  
(Continued)

5. 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	-	-	-	-	-	-	(31,710)	(31,710)	(32,866)
Rechargeable repairs	-	-	-	-	-	(4,623)	-	(4,623)	(1,399)
Factoring	-	-	-	1,341	1,341	-	(1,341)	-	-
Development and construction of property activities	-	29,712	-	-	29,712	-	(29,712)	-	-
Other activities – Tenant Participation	-	-	-	-	-	-	(25,942)	(25,942)	(27,453)
<b>Total from other activities</b>	-	29,712	-	1,341	31,053	(4,623)	(88,705)	(62,275)	(61,718)
<b>2015</b>	-	-	-	1,300	1,300	(1,399)	(61,619)	(61,718)	

**PROVANHALL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2016**  
(Continued)

6. **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 2015	21,035,075	-	185,913	396,308	120,782	21,738,078
Additions	193,876	-	-	-	8,651	202,527
Disposals	(283,031)	-	(61,971)	-	-	(345,002)
Transfers	-	-	-	-	-	-
As at 31 March 2016	<u>20,945,920</u>	<u>-</u>	<u>123,942</u>	<u>396,308</u>	<u>129,433</u>	<u>21,595,603</u>
<b>Depreciation</b>						
As at 1 April 2015	7,431,395	-	63,210	79,051	101,193	7,674,849
Provided during the year	504,444	-	2,479	7,926	12,006	526,855
Transfers	-	-	-	-	-	-
Disposals	(228,623)	-	(22,310)	-	-	(250,933)
As at 31 March 2016	<u>7,707,216</u>	<u>-</u>	<u>43,379</u>	<u>86,977</u>	<u>113,199</u>	<u>7,950,771</u>
<b>Net Book Values</b>						
As at 31 March 2016	<u>13,238,704</u>	<u>-</u>	<u>80,563</u>	<u>309,331</u>	<u>16,234</u>	<u>13,644,832</u>
As at 31 March 2015	<u>13,603,680</u>	<u>-</u>	<u>122,703</u>	<u>317,257</u>	<u>19,589</u>	<u>14,063,227</u>

Additions of £193,876 include capitalised major repairs of £179,199 (2015: £129,539).

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

**(Continued)**

**7. Debtors**

	<b>2016</b>	<b>2015</b>
	£	£
Rent arrears	58,541	68,508
Less bad debt provision	<u>(25,253)</u>	<u>(24,036)</u>
	33,288	44,472
Prepayments and accrued income	129,969	94,083
Other debtors	<u>12,341</u>	<u>13,453</u>
	<u><u>175,598</u></u>	<u><u>152,008</u></u>

The level of technical arrears contained within the rent arrears total was £10,345 (2015: £15,783).

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

	<b>2016</b>	<b>2015</b>
	£	£
Trade creditors	100,149	70,472
Liability for Past Service Deficit Contributions (Note 15)	44,607	40,251
Accruals and deferred income	68,435	49,906
Rent in advance	31,403	31,092
Bank overdraft	-	17,519
Loans	104,774	103,053
Other taxes and social security	<u>5,846</u>	<u>6,132</u>
	<u><u>355,214</u></u>	<u><u>318,425</u></u>

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

	<b>2016</b>	<b>2015</b>
	£	£
Liability for Past Service Deficit Contributions (Note 15)	223,876	263,099
Loans	<u>1,802,451</u>	<u>1,907,349</u>
	<u><u>2,026,327</u></u>	<u><u>2,170,448</u></u>

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

**(Continued)**

**Loans:**

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest of 0.95% to 1.6% (2015: 0.95% to 1.6%) in instalments due as follows:-

	<b>2016</b>	<b>2015</b>
In one year or less or on demand	104,774	103,053
Between two and five years	436,737	429,555
In five years or more	1,365,714	1,477,794
	1,907,225	2,010,402

**Liability for Past Service Contributions:**

	<b>2016</b>	<b>2015</b>
In one year or less or on demand	44,607	40,251
Between two and five years	181,546	176,562
In five years or more	42,330	86,537
	268,483	303,350

**10. Deferred capital grants**

	<b>Housing properties held for letting</b>	<b>Shared ownership</b>	<b>2016 Total housing properties</b>	<b>2015 Total housing properties</b>
At beginning of year	9,450,516	101,680	9,552,196	9,984,180
Disposals	(33,006)	(32,866)	(65,872)	-
Amortisation	(408,430)	(2,054)	(410,484)	(431,984)
At end of year	9,009,080	66,760	9,075,840	9,552,196

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016  
(Continued)**

**11. Employees**

	<b>2016</b>	<b>2015</b>
	£	£
Staff costs during year:		
Wages and salaries	270,069	258,748
Social security costs	18,267	17,178
Other pension costs	21,363	21,071
Staff expenses	802	829
	310,501	297,826

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

	<b>No</b>	<b>No</b>
<b>Administration</b>	9	9

Key Management Personnel 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 (2015: £60,000 per annum).

The Association's pension contributions for the Director in the year amounted to £5,516 (2015: £5,434). Pension contributions were paid for 3 directors (2015: 3).

There were no directors whose emoluments, excluding pension contributions, were over £60,000 (2015: £60,000).

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

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

(Continued)

**12. Auditors Remuneration**

	£	£
The remuneration of the auditors (including expenses and including VAT for the year)	<u>8,850</u>	<u>7,200</u>

**13. Share capital**

	2015 £	2014 £
<b>Shares of £1 each issued and fully paid</b>		
As at 1 April 2015	135	157
Shares issued	19	29
Shares cancelled	<u>(15)</u>	<u>(51)</u>
31 March 2016	<u>139</u>	<u>135</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.

**14. Capital Commitments**

	2016 £	2015 £
Expenditure authorised by the Management Committee contracted less certified.	<u>-</u>	<u>-</u>

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

(Continued)

### 15. Pension Fund General

#### Pension Commitments

Provanhall participates in the Scottish Housing Associations' Pension Scheme, a multi-employer scheme which provides benefits to some 155 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 Provanhall 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 2015. The triennial valuation has been undertaken against a challenging economic backdrop for defined benefit schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012, to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%. This is primarily due to the outperformance of the assets held in the Scheme over the three year period.

The Committee proposes to maintain the aggregate deficit recovery contributions (across all employers at the current level (£28.7m for the year 1 April 2017) and retain the 3.0% per annum annual increase. As a result, the Scheme Actuary projects that the deficit will be removed from the Scheme by 28 February 2022 (previously 30 September 2027).

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

**(Continued)**

**16. Housing stock**

The housing stock at 31 March 2016 was as follows:	<b>2016</b> <b>No</b>	<b>2015</b> <b>No</b>
Modernise/new build	<b>489</b>	491
Shared ownership	<u>2</u>	<u>3</u>
	<u><b>491</b></u>	<u>494</u>

**17. 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 2014. As of this date the estimated employer debt for Provanhall Housing Association was £1,543,402. The Association has no current plans to withdraw from the scheme.

At 31 March 16, the Association had no other contingent liabilities (2015 - £Nil).

**18. Related parties**

Transactions and tenancy agreements with members of the Management Committee, who are also tenants of the Association, are on an arm's length basis and is under normal commercial terms.

Included on the Management Committee of the Association are 2 members who are also on the Board of Connect Community Trust, a charity who perform Wider Role services on behalf of the Association. During the year, the Association provided funds of £14,780 to Connect Community Trust to perform those services. At the year end, no amounts were due to or from the Association in respect of these.

During the year, the Association received services totalling £3,744 from Connect Community Trust. At the year end, no amounts were due to or from the Association in respect of these services.

Included on the Management Committee of the Association are 2 members who are on the Board of Friends of Provanhall.



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2016**

**(Continued)**

**19. Transition to FRS 102**

These financial statements have been prepared in accordance with FRS 102. The date of transition to this accounting standard was 1 April 2014 and the final set of financial statements prepared in accordance with the previous reporting framework were to 31 March 2015. This transition impacts on the previous accounting policies adopted and as such there has been a restatement of prior year figures.

The effect of these changes in accounting policies is shown below:-

	<b>2015</b>
	<b>£'000</b>
Capital and Reserves (as previously stated)	4,654,804
HAG amortisation	6,645,194
Additional depreciation	(6,220,769)
Removal of Stage 3 costs	17,448
RTB/Component disposals	8,695
Incorporation of SHAPS deficit liability	(322,301)
Deficit contributions paid	39,079
Unwinding of discount	(20,128)
<b>Capital and Reserves (as restated)</b>	<b>4,802,022</b>
Surplus for the year (as previously stated)	553,797
HAG amortisation	399,562
Additional depreciation	(378,509)
Component disposal	10,053
Gain on Sale – RTB	(1,358)
Deficit contributions paid	39,079
Unwinding of discount	(20,128)
<b>Surplus for the year (as restated)</b>	<b>602,496</b>

**20. Controlling party**

In the opinion of the Directors, there is no ultimate controlling party of the Association.

