

**Govan Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2013**

**Registered Housing Association No. HEP87**

**FCA Reference No. 1686 R (S)**

**Scottish Charity No. SC009055**

# GOVAN HOUSING ASSOCIATION LIMITED

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**GOVAN HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2013**

**MANAGEMENT COMMITTEE**

Mr John Flanagan	Chairperson Resigned as Council representative 02/05/12; Co-opted 24/05/12
Miss G Hay	Secretary
Mr T Dawson	
Mr J Hendry	
Mr R Carabine	
Ms A Irvine	
Mrs A Connelly	
Mrs M McDermott	
Mr W Pritchard	
Bailie F Thomas	Glasgow City Council representative - Appointed 12/07/12
Ms Karen Russell	Resigned 31/08/12

**EXECUTIVE OFFICERS**

Fiona McTaggart	Chief Executive
Stephen McCabe	Assistant Chief Executive/ Finance Manager
Fiona Maguire	Development & Regeneration Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

**REGISTERED OFFICE**

35 McKechnie Street  
Govan  
Glasgow  
G51 3AQ

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Royal Bank of Scotland  
788 Govan Road  
Glasgow  
G51 2YL

**SOLICITORS**

TC Young  
7 West George Street  
Glasgow  
G2 1BA

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2013.

**Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1686 R (S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC009055.

**Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

**Business Review**

Govan made a surplus of £1,123,110 (2012 - £743,729) during the year.

Govan is in a reasonable financial position with revolving loan facilities available to it on demand. Govan continues to have a substantial major repair investment programme with further major repairs due in a substantial proportion of properties over the next few years.

**Surplus for the year and transfers**

The results for the year are shown in the Income and Expenditure Account on page 13. The surplus made in the year of £1,123,110 (2012 - £743,729) has been transferred to the Association's revenue reserve in full.

**Members of Committee of Management**

The Members of the Committee of the Association during the year to 31 March 2013 were as follows:

Mr John Flanagan	Ms A Irvine
Miss G Hay	Mrs A Connelly
Mr T Dawson	Mrs M McDermott
Mr J Hendry	Mr W Pritchard
Mr R Carabine	Bailie F Thomas
Ms K Russell	

Each member of the Committee of Management holds one fully paid share of £1 in Govan, with the exception of the Glasgow City Council representative where the related share is held by the Council. The Executive Officers of Govan hold no interest in Govan's share capital and although not having the legal status of "Director" they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting, with one exception. Glasgow City Council reserve the right to appoint a representative of their choice to the Committee.

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**Executive Team**

The Executive Team of Govan during the year to 31 March 2013 was as follows:

Fiona McTaggart	Chief Executive
Stephen McCabe	Assistant Chief Executive/ Finance Manager
Fiona Maguire	Development & Regeneration Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

The previous Chief Executive, Kenneth Mollins, tendered his resignation on 2nd May 2012 and formally left his post on 3 August 2012, although due holiday entitlements he actually left on 12th July 2012. The current Chief Executive commenced her employment on 17th November 2012. The Assistant Chief Executive was acting Chief Executive during the intervening period.

**Operational Review**

**1. Corporate Governance**

Govan has a Committee of Management who are elected by the members of the Association, with one exception of the Glasgow City Council representative who is appointed by the Council. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Govan (as listed above) are responsible for achieving the strategy set, 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 Govan.

**2. Corporate Issues**

Tenant involvement and participation is a major part of Govan's aims and objectives and we continue to review how Govan involves tenants in its activities. In the year, we continued to work with our Registered Tenant Organisations and to seek tenant and owner-occupiers' views of our service through our newsletters and our annual rent and management fee consultation.

Govan is committed to involving staff in the decision making through the development and review of our Internal Management Plan, which includes the creation of Departmental Objectives that details the main tasks and targets in their work. There is effective communication with staff to keep them updated on organisational and departmental issues.

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**Performance Management**

We have made good progress in performance across the Association. There is a direct correlation between staff attendance and performance and the quality and effectiveness of our service. There is effective management of staff through individual progress meetings, staff appraisals and staff training and development plans.

There are good systems for reporting performance to the Committee and tenants. We are preparing for the implementation of the Scottish Social Housing Charter.

**Best use of resources**

We undertake an annual assessment of the main risks to ensure we can maintain a high quality service, whilst ensuring the financial viability and sustainability of the Association. A significant risk is the sustainability of our traditional tenement properties, which was reflected in the Asset Management Strategy prepared by Currie and Brown in 2010. We are implementing the action plan from this Strategy where we have completed a review of the Stock Condition Survey, which has identified the work to protect this investment; our compliance with the Scottish Housing Quality Standard; and our tenants aspirations for improvements to their home. This information will inform the on going review of our Business Plan, which will aim to identify resources to undertake improvements to meet the aspirations of current and prospective tenants to these properties.

**Services**

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in our work. We continue to have a programme of major and cyclical repairs to maintain our housing stock and enhance the living conditions for our tenants. We undertake a number of services in the upkeep and maintenance to our properties, these are recharged to tenants and owner-occupiers.

We continue to support tenants and their families where they have medical and specific needs by installing adaptations, which is financially supported by Glasgow City Council.

**3. Development Issues**

We continue to undertake new build housing development, which meet the increasing demand for housing in the Govan area, but also contribute to the regeneration of Govan by the Central Govan Action Plan and its partners. We have spent £3.959m (2012 - £9.135m) during the year, of which £1.468m (2012 - £3.523m) was funded by grants received from Glasgow City Council (Housing Association Grant).

We continue to deliver Community Benefit in maximizing employment and training opportunities through our repair and development contracts. We continued our work in employability where we have provided further work experience placements through the Scottish Government's Community Jobs Initiative and our own modern apprenticeship scheme.

**4. Housing Issues**

We strive to maximise rent as our main source of income, which enables us to fund our services and loan repayments. This is achieved through our effective management of rent arrears where we support tenants, but also take formal action where there is continual non-payment of rent. The non-technical arrears balance at the year-end was 3.41% (2012 - 4.15%) as a percentage of the annual debit. We undertook to minimise lost rent through re-letting these properties at an early stage. Void lost rent equates to 0.75% (2012 - 1.25%) for our mainstream properties.

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**5. Finance and IT Issues**

Govan has a funding package with the Royal Bank of Scotland. Facilities totalling £7.21m are available to be drawn down. At 31 March 2013 the Bank had approved permitted drawings up to a level of £6.24m, of which £5.21m (2012 £3.93m) is still undrawn.

**6. 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 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 pages 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.

**General Reserves Policy**

The Committee members have reviewed the reserves of Govan. 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 Association's general reserve increased from £4,124,744 to £5,247,854 (see note 18).

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**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 abated and the grants removed from the financial statements.

**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, included 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. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the accounts as they occur. All other major repairs are charged to the Income and Expenditure account.

**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. At 31 March 2013 the Association had £7.21m (2012 £10.71m) in undrawn loan facilities of which £5.21m (2012 £3.75m) was immediately available for drawing.

**Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives.

**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 Chief Executive.

**Credit Payment Policy**

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



**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling five-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 points 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 point's 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**

There is reduced public funding to support new build housing developments and we have to consider the investment priorities for our traditional tenement properties. Our on going review of the Business Plan will seek to identify resources for future investment in our existing stock base and for the continuation of our development programme.

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**Statement of Management Committee's Responsibilities**

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee 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 period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**Statement on Internal Financial Control**

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- 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 of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

**Donations**

During the year the Association made charitable donations amounting to £860 (2012 - £400).

**Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

**By order of the Management Committee**

**MISS G HAY**

Secretary  
25 July 2013

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
GOVAN HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 9 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on Page 9 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".

**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
25 July 2013

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

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We have audited the financial statements of Govan Housing Association Limited for the year ended 31 March 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements of the Association for the year ended 31 March 2012 were audited by another Auditor who expressed an unqualified opinion on those financial statements.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and 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 Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **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 31st March 2013 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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

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

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
25 July 2013

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	2012 £
<b>TURNOVER</b>	2.	7,846,048	6,386,396
Operating Costs	2.	<u>(6,376,488)</u>	<u>(5,391,716)</u>
<b>OPERATING SURPLUS</b>	9.	1,469,560	994,680
Gain On Sale Of Housing Stock	7.	12,583	37,994
Interest Receivable and Other Income		35	46
Interest Payable and Similar Charges	8.	<u>(359,068)</u>	<u>(288,991)</u>
		<u>(346,450)</u>	<u>(250,951)</u>
<b>SURPLUS FOR THE YEAR</b>		<u><u>1,123,110</u></u>	<u><u>743,729</u></u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
Surplus for the financial year	1,123,110	743,729
Prior year adjustment	<u>-</u>	<u>(886,150)</u>
<b>Total gains and losses recognised since last annual report</b>	<u><u>1,123,110</u></u>	<u><u>(142,421)</u></u>

**GOVAN HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2013**

	Notes	£	2013 £	£	2012 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		81,083,802		77,649,498
<b>Less:</b> Social Housing Grant	11.(a)		(65,826,518)		(64,387,603)
			<hr/>		<hr/>
Other fixed assets	11.(b)		15,257,284		13,261,895
			336,769		356,538
			<hr/>		<hr/>
			15,594,053		13,618,433
<b>CURRENT ASSETS</b>					
Debtors	13.	511,890		527,534	
Development Cost of Housing Property	22.	753,974		1,129,995	
Cash at bank and in hand		894,625		127,326	
			<hr/>	<hr/>	
		2,160,489		1,784,855	
<b>CREDITORS:</b> Amounts falling due within one year	14.	(3,182,383)		(1,958,108)	
			<hr/>	<hr/>	
<b>(NET CURRENT LIABILITIES)</b>			(1,021,894)		(173,253)
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			14,572,159		13,445,180
			<hr/>		<hr/>
<b>CREDITORS:</b> Amounts falling due after more than one year	15.		(9,324,084)		(9,320,195)
			<hr/>		<hr/>
<b>NET ASSETS</b>			5,248,075		4,124,985
			<hr/> <hr/>		<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>					
Share Capital	17.		221		241
Revenue Reserves	18.(a)		5,247,854		4,124,744
			<hr/>		<hr/>
			5,248,075		4,124,985
			<hr/> <hr/>		<hr/> <hr/>

The Financial Statements were approved by the Management Committee and signed on their behalf on 25 July 2013.

*Committee  
Member*

*Committee  
Member*

*Secretary*



**GOVAN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED**

**31st MARCH 2013**

	Notes	2013 £	2012 £
<b>Net Cash Inflow from Operating Activities</b>	16.	1,662,119	767,400
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		35	46
Interest Paid		(359,802)	(288,991)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(359,767)	(288,945)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(2,934,843)	(9,134,862)
Purchase of Other Fixed Assets		(10,133)	(38,528)
Social Housing Grant Received		1,466,869	3,883,201
Social Housing Grant Repaid		-	(125,808)
Proceeds on Disposal of Properties		16,651	298,345
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(1,461,456)	(5,117,652)
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>		(159,104)	(4,639,197)
<b>Financing</b>			
Loan Advances Received		3,500,000	4,618,693
Loan Principal Repayments		(2,350,765)	(92,297)
Share Capital Issued		14	103
<b>Net Cash Inflow from Financing</b>		1,149,249	4,526,499
<b>Increase / (decrease) in Cash</b>	16.	990,145	(112,698)

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

##### **Basis Of Consolidation**

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Govan Housing Association Limited present information about it as an individual undertaking and not about its Group.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

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

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Kitchen	Over 15 years
Bathroom	Over 20 years
Central Heating	Over 15 years

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Depreciation And Impairment Of Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	2%
Furniture and Fittings	25%
Vehicles	15%
Office Equipment	25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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

##### **Sales 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 cost. 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 Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

##### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

##### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

##### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

##### **Housing Property Managed By Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2013			2012		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
<b>Social Lettings</b>	3.	4,555,286	2,876,766	1,678,520	3,938,940	2,795,616	1,143,324
<b>Other Activities</b>	4.	3,290,762	3,499,722	(208,960)	2,447,456	2,596,100	(148,644)
<b>Total</b>		<u>7,846,048</u>	<u>6,376,488</u>	<u>1,469,560</u>	<u>6,386,396</u>	<u>5,391,716</u>	<u>994,680</u>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2013 Total £	2012 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	4,327,903	-	48,501	4,376,404	3,829,707
Service Charges Receivable	105,493	75,105	17,637	198,235	170,393
<b>Gross Rents Receivable</b>	<u>4,433,396</u>	<u>75,105</u>	<u>66,138</u>	<u>4,574,639</u>	<u>4,000,100</u>
<b>Less:</b> Rent losses from voids	40,904	15,170	440	56,514	85,823
<b>Net Rents Receivable</b>	<u>4,392,492</u>	<u>59,935</u>	<u>65,698</u>	<u>4,518,125</u>	<u>3,914,277</u>
Revenue Grants from Scottish Ministers	37,161	-	-	37,161	24,663
Other Revenue Grants	-	-	-	-	-
<b>Total Income From Social Letting</b>	<u>4,429,653</u>	<u>59,935</u>	<u>65,698</u>	<u>4,555,286</u>	<u>3,938,940</u>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	108,401	66,975	4,196	179,572	131,489
Management and maintenance administration costs	1,144,013	15,447	8,069	1,167,529	1,095,754
Reactive Maintenance	593,759	-	1,134	594,893	534,750
Bad Debts - Rents and Service Charges	60,416	-	(584)	59,832	74,272
Planned and Cyclical Maintenance, including Major Repairs	381,004	-	2,432	383,436	469,726
Depreciation of Social Housing	489,637	-	1,867	491,504	489,625
<b>Operating Costs of Social Letting</b>	<u>2,777,230</u>	<u>82,422</u>	<u>17,114</u>	<u>2,876,766</u>	<u>2,795,616</u>
<b>Operating Surplus on Social Letting Activities</b>	<u>1,652,423</u>	<u>(22,487)</u>	<u>48,584</u>	<u>1,678,520</u>	<u>1,143,324</u>
<b>2012</b>	<u>1,149,216</u>	<u>(6,205)</u>	<u>46,574</u>		

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (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 £	Operating Costs Other £	Operating Surplus / (Deficit) 2013 £	Operating Surplus / (Deficit) 2012 £
Wider Role Activities	-	27,144	-	-	27,144	-	94,398	(67,254)	(29,069)
Factoring	-	-	-	66,094	66,094	2,822	72,844	(9,572)	(12,104)
Development and construction of property activities	4,783	-	-	178	4,961	(200)	144,482	(139,321)	(86,309)
Support Activities	-	-	-	-	-	-	-	-	(23,613)
Development of Property for sale to non RSLs	-	-	-	3,183,156	3,183,156	-	3,183,156	-	-
Other Activities	-	-	-	9,407	9,407	-	2,220	7,187	2,451
<b>Total From Other Activities</b>	<b>4,783</b>	<b>27,144</b>	<b>-</b>	<b>3,258,835</b>	<b>3,290,762</b>	<b>2,622</b>	<b>3,497,100</b>	<b>(208,960)</b>	<b>(148,644)</b>
<b>2012</b>	<b>87,550</b>	<b>72,535</b>	<b>67,490</b>	<b>2,219,881</b>	<b>2,447,456</b>	<b>(3,634)</b>	<b>2,599,734</b>	<b>(148,644)</b>	

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

2013	2012
£	£

No Officer of the Association received emoluments greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)	<u>49,325</u>	<u>58,379</u>
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	-	-

#### 6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>35</u>	<u>38</u>

The average total number of Employees employed during the year was	<u>36</u>	<u>40</u>
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Staff Costs were:	£	£
Wages and Salaries	1,020,979	1,039,146
Social Security Costs	70,357	84,058
Other Pension Costs	138,440	137,834
Temporary, Agency and Seconded Staff	41,366	17,433
	<u>1,271,142</u>	<u>1,278,471</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	16,651	42,000
Cost of Sales	<u>4,069</u>	<u>4,006</u>
Gain On Sale Of Housing Stock	<u>12,583</u>	<u>37,994</u>

#### 8. INTEREST PAYABLE

	2013	2012
	£	£
On Bank Loans & Overdrafts	359,068	296,773
On Other Loans	-	(7,782)
	<u>359,068</u>	<u>288,991</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2012 - £nil).

#### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	517,153	352,070
Auditors' Remuneration - Audit Services	7,248	9,672
- Other Services	<u>498</u>	<u>3,250</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.



# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2012	72,937,977	7,581,932	831,256	81,351,165
Additions	523,375	3,435,490	-	3,958,865
Disposals	(72,666)	-	-	(72,666)
Schemes Completed	5,259,161	(5,259,161)	-	-
As at 31st March 2013	<u>78,647,847</u>	<u>5,758,261</u>	<u>831,256</u>	<u>85,237,364</u>
<b>DEPRECIATION</b>				
As at 1st April 2012	3,680,564	-	21,103	3,701,667
Charge for Year	485,384	-	1,867	487,251
Disposals	(35,356)	-	-	(35,356)
As at 31st March 2013	<u>4,130,592</u>	<u>-</u>	<u>22,970</u>	<u>4,153,562</u>
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2012	58,025,018	5,635,000	727,585	64,387,603
Additions	-	1,467,903	-	1,467,903
Disposals	(28,988)	-	-	(28,988)
Schemes Completed	3,344,591	(3,344,591)	-	-
As at 31st March 2013	<u>61,340,621</u>	<u>3,758,312</u>	<u>727,585</u>	<u>65,826,518</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2013	<u>13,176,634</u>	<u>1,999,949</u>	<u>80,701</u>	<u>15,257,284</u>
As at 31st March 2012	<u>11,232,395</u>	<u>1,946,932</u>	<u>82,568</u>	<u>13,261,895</u>

Additions to housing properties includes capitalised development administration costs of £39,935 (2012 - £106,154) and capitalised major repair costs to existing properties of £146,199 (2012 £276,923)

All land and housing properties are freehold.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicles £	Office Premises £	& Equipment £	Total £
<b>COST</b>				
As at 1st April 2012	52,027	398,338	224,847	675,212
Additions	-	-	10,133	10,133
Eliminated on Disposals	-	-	(9,704)	(9,704)
As at 31st March 2013	<u>52,027</u>	<u>398,338</u>	<u>225,276</u>	<u>675,641</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2012	28,736	90,442	199,496	318,674
Charge for year	5,476	7,967	16,459	29,902
Eliminated on disposal	-	-	(9,704)	(9,704)
As at 31st March 2013	<u>34,212</u>	<u>98,409</u>	<u>206,251</u>	<u>338,872</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2013	<u>17,815</u>	<u>299,929</u>	<u>19,025</u>	<u>336,769</u>
As at 31st March 2012	<u>23,291</u>	<u>307,896</u>	<u>25,351</u>	<u>356,538</u>

#### 12. CAPITAL COMMITMENTS

	2013 £	2012 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>816,065</u>	<u>6,195,674</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. DEBTORS

	2013 £	2012 £
Arrears of Rent & Service Charges	251,922	253,500
<b>Less:</b> Provision for Doubtful Debts	<u>(148,785)</u>	<u>(151,742)</u>
	103,137	101,758
Social Housing Grant Receivable	517	-
Other Debtors	<u>408,236</u>	<u>425,776</u>
	<u>511,890</u>	<u>527,534</u>
<b>Debtors due after one year included in above:</b>		
Other debtors	<u>1,796</u>	<u>3,265</u>

#### 14. CREDITORS: Amounts falling due within one year

	2013 £	2012 £
Bank Overdrafts (secured)	3,129	225,975
Housing Loans	1,272,351	127,005
Trade Creditors	99,580	771,752
Rent in Advance	252,023	292,566
Other Taxation and Social Security	-	22
Other Creditors	404,428	415,040
Accruals and Deferred Income	<u>1,150,872</u>	<u>125,748</u>
	<u>3,182,383</u>	<u>1,958,108</u>

At the balance sheet date there were pension contributions outstanding of £44,075 (2012 - £12,092)

#### 15. CREDITORS: Amounts falling due after more than one year

	2013 £	2012 £
Housing Loans	<u>9,324,084</u>	<u>9,320,195</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	1,272,351	127,005
Between one and two years	255,593	1,125,985
Between two and five years	810,358	284,192
In five years or more	<u>8,258,133</u>	<u>7,910,018</u>
	10,596,435	9,447,200
<b>Less:</b> Amount shown in Current Liabilities	<u>1,272,351</u>	<u>127,005</u>
	<u>9,324,084</u>	<u>9,320,195</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2013 £	2012 £
Operating Surplus	1,469,560	994,680
Depreciation	521,406	398,331
Change in properties developed for resale	376,021	(341,993)
Change in Debtors	16,678	(103,213)
Change in Creditors	(721,512)	(180,388)
Share Capital Written Off	(34)	(17)
Net Cash Inflow from Operating Activities	<u>1,662,119</u>	<u>767,400</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	£	2012 £	£
Increase / (decrease) in Cash	990,145		(112,698)	
Cash flow from change in debt	<u>(1,149,235)</u>		<u>(4,526,397)</u>	
Movement in net debt during year		(159,090)		(4,639,095)
Net debt at 1st April 2012		<u>(9,545,849)</u>		<u>(4,906,754)</u>
Net debt at 31st March 2013		<u>(9,704,939)</u>		<u>(9,545,849)</u>

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	Other Changes £	At 31.03.13 £
Cash at bank and in hand	127,326	767,299		894,625
Bank Overdrafts	<u>(225,975)</u>	222,846		<u>(3,129)</u>
	(98,649)	990,145		891,496
Debt: Due within one year	(127,005)	(1,018,341)	(127,005)	(1,272,351)
Due after more than one year	<u>(9,320,195)</u>	<u>(130,894)</u>	127,005	<u>(9,324,084)</u>
Net Debt	<u>(9,545,849)</u>	<u>(159,090)</u>	-	<u>(9,704,939)</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1st April 2012	241
Issued in year	14
Cancelled in year	<u>(34)</u>
At 31st March 2013	<u>221</u>

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

#### 18. RESERVES

<b>(a) Revenue Reserves</b>	<b>Total</b>
	<b>£</b>
At 1st April 2012	4,124,744
Surplus for the year	<u>1,123,110</u>
At 31st March 2013	<u>5,247,854</u>

#### 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
General Needs - New Build	578	527
- Rehabilitation	829	829
Shared Ownership	25	25
Supported Housing	<u>27</u>	<u>27</u>
	<u>1,459</u>	<u>1,408</u>

Housing Units owned by the Association but managed by another body:

Name of Provider	Type of Funding	No of Units		Funds Payable to Provider	
		2013	2012	2013	2012
				£	£
Talbot Association	N/A	12	12	-	-
Key Housing Association	N/A	3	3	-	-

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

- 6 members are tenants of the Association
- 2 members are factored owners
- 1 member is a relevant local councillor
- 1 member is a tenant of another Registered Social Landlord

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

#### 21. FIXED ASSET INVESTMENT

##### Investments in Subsidiaries

The Association has a 100% owned subsidiary South Clyde Housing Limited, a company limited by guarantee. The Association has the authority to appoint and remove South Clyde Housing Limited's Board Members, thereby creating ownership.

The aggregate amount of capital and reserves and the results of South Clyde Housing Limited for the year ended 31st March 2013 were as follows:

	2013	2012
	£	£
Capital & Reserves	<u>(47)</u>	<u>(55)</u>
Profit for the year	<u>7</u>	<u>7</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. DEVELOPMENT COST OF HOUSING PROPERTY

	2013 £	2012 £
<b>Shared Equity Properties</b>		
In the course of construction	1,462,341	1,992,741
Completed Properties Unsold	1,026,713	1,914,710
	<u>2,489,054</u>	<u>3,907,451</u>
Less: Grants Received from Scottish Ministers	(1,735,080)	(2,777,456)
	<u>753,974</u>	<u>1,129,995</u>

#### 23. POST BALANCE SHEET EVENTS

In March 2013 the Association requested a loan drawn down of £2,711,000 from the The Royal Bank of Scotland, to be paid prior to 31 March 2013. Due to technical problems at the Bank this loan was not paid until 2 April 2013.

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

Govan Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

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

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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.

Govan Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2010 and the career averaged revalued earnings with a 1/70th accrual rate from 1 April 2011. The same benefit structure will be in place for any new entrants.

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 values. 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 accounting period Govan Housing Association Limited paid contributions at the rate of 15.4% to 19.2 % of pensionable salaries. Member contributions were 7.4% to 9.6%.

As at the balance sheet date there were 17 active members of the Scheme employed by Govan Housing Association Limited. The annual pensionable payroll in respect of these members was £605,889. Govan 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 individual participating employers 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.



# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	<b>% p.a.</b>
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The trustees have recently supplied the Association with an updated contribution figure to the past service deficit. From 1 April 2014 the Association will be required to pay £231,002 per annum as a contribution to the past service deficit. This will represent an increase of 178% in the Association's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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

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

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

Govan Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Govan Housing Association Limited was £5,747,675.

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### **Growth Plan**

Govan Housing Association Limited participates in the Pension Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

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

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

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

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

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

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

Govan Housing Association Limited paid contributions at a rate of nil% during the accounting period. Members paid contributions at a rate of 3% during the accounting period.

As at the Balance Sheet date there was 0 active member(s) of the Plan employed by Govan Housing Association Limited. Govan Housing Association Limited continues to offer membership of the plan to its employees.

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

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### Growth Plan (Contd.)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a past service funding level of 84%.

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) were £984 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

##### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2011 were as follows:

	% p.a.
-Rate of return pre retirement	4.9
-Rate of return post retirement - Active/Deferred	4.6
-Rate of return post retirement - Pensioners	4.8
-Bonuses on accrued benefits	0
-Rate of price inflation	2.9
-Consumer Prices Index	2.4

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

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

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### Growth Plan (Continued)

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

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

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

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

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

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

Govan Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Govan Housing Association Limited was £45,338.