# ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

**The Glasgow Housing Association Limited**

(Co-operative and Community Benefit Society No. 2572RS)
(Scottish Housing Regulator Registration No. 317)
(Scottish Charity No. SC034054)

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2021.

**Principal Activities**
The principal activities of the Association are the provision and management of affordable rented accommodation. Glasgow Housing Association ("GHA") is Scotland's largest social landlord with over 40,000 affordable homes to let in Glasgow, firmly rooted in its local communities. It has a network of local offices and a skilled, committed workforce of over 1,600 staff, who deliver sector-leading frontline services.

**OPERATING REVIEW**
The year will be remembered as an extraordinary and exceptionally difficult one, with unprecedented circumstances affecting the business, our staff, and most importantly, our customers.

The pandemic left many GHA customers facing severe financial hardship, and while the safety of our staff and customers remained our absolute top priority throughout the year, our focus was on providing rapid support to customers when they needed us most.

We opened the year with a new service model already in place, with housing staff and customer service advisors working from home. Repairs and maintenance services were limited to emergency and essential repairs, along with gas safety checks and servicing.

Capital investment critical in terms of health and safety, including the installation of smoke and heat detectors, continued throughout the year, as did external capital work. Non-essential internal investment work was suspended. Our Neighbourhood Environmental Teams prioritised fire-safety patrols, bulk uplifts and the cleaning of multi-storey blocks in GHA communities.

As an agile, flexible organisation, GHA responded quickly and decisively to changes in government guidance over the year.

When lockdown restrictions were temporarily eased, we increased the range of services we could carry out, such as close-cleaning and a wider range of repairs, but reverted back to emergency and essential services as restrictions tightened again.

Our new-build programme, suspended at the start of the year, resumed in June.

At all times we did everything possible to protect both customers and staff through strict adherence to health-and-safety practices and the use of the appropriate Personal Protective Equipment ("PPE").

Wheatley Foundation's emergency food service *EatWell* and *Emergency Response Fund* were at the forefront of the Group's customer support package, particularly during the first six months of the year. *Eat Well* supported 5,309 GHA households with food packs or vouchers in 2020/21.

The *Emergency Response Fund*, set up to alleviate hardship and isolation during the pandemic, helped 2,178 GHA customers with one-off essential purchases, ranging from fridges and mobile phone-top ups to family activity packs.

Throughout the year, housing officers working from home made tens of thousands of welfare calls to ensure those in crisis got immediate help. Welfare benefits advice was particularly significant during this period.

## DIRECTORS' REPORT (continued)

## OPERATING REVIEW (continued)

Despite the unparalleled circumstances and restrictions on our activities this year, we built 276 new homes over the year, invested £29.9m in planned improvements in existing stock and supported 80 people from our homes into work and training.

The effects of the pandemic will be with us for years to come, but our strong position as part of Wheatley Group, our *Think Yes* culture and our track record in rapidly developing new and enhanced services to support our customers means we can be confident in facing future challenges.

Here are the highlights of the year:

**Building new homes**
GHA built 276 new affordable homes over the year, a mix of social rent and mid-market rent.
Our completed new homes included:

- 88 for social rent at Linkwood, Drumchapel;
- 49 homes for social rent at Scaraway Street, Milton;
- 57 homes for social rent at Auchinlea, Easterhouse ;
- 27 for social rent at Bellrock, Cranhill;
- six for social rent at Kennishead Avenue; and
- 49 mid-market rent homes at Inglefield Street, Govanhill.

We also progressed work on another 80 homes at Auchinlea, 53 at Bellrock Street and 48 at Kennishead Avenue. Work is underway on 22 new homes at Carnwadric Road/Hopeman Road, and 26 at Damshot Crescent, Pollok.

Our new build developments continued to be recognised with a number of awards. GHA's transformation of former police stables at Bell Street won the Affordable Housing Category at the Scottish Design Awards and Renovation of the Year at the Scottish Home Awards, while our development at Hinshelwood Drive in Govan was a finalist in the Large Development of the Year at the Homes for Scotland Awards.

**Investing in our homes**
Despite the restrictions, in 2020/21 we delivered £29.9m of improvements to our homes and communities.

This included:

- £1.8m on heating upgrades for 911 tenants;
- £1.4m was invested in 110 kitchen renewals, 100 new bathrooms and rewiring in 102 properties;
- £1.3m on new, modern and efficient lifts in the high-rise blocks at Townhead with replacements also commencing at Charles Street flats;
- £0.5m was spent on window renewals at Cartcraigs high rise flats;
- £1.3m was invested in new emergency lighting systems within our high rise blocks;
- £1.0m on external wall insulation at deck access blocks in Darnley with customers in Cleeves also benefitting from £0.6m spent on improved insulation, roofs and windows; and
- £1.0m was invested in environmental improvements including new bin stores and paths in Summerston and Baillieston.

New CCTV was installed in high-rise blocks at Cathkinview, Drygate, Archerhill and Northland Drive, while the blocks at Townhead benefited from improved entrances and foyers, the Helenvale flats had landings decorated and almost 4,000 homes benefitted from new smoke and heat detectors.

## DIRECTORS' REPORT (continued)

## OPERATING REVIEW (continued)

**Improving our neighbourhoods**

Despite the restrictions, we continued our work to create clean and safe neighbourhoods people are proud to live in. As local authorities suspended bulk uplifts, our environmental teams provided that service in GHA communities.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with GHA communities to tackle anti-social behaviour, crime and fire safety.

While Covid restrictions meant home fire safety visits were suspended over the year, we continued to support customers over the phone and online and delivered pioneering products such as fire-retardant bedding and air fryers to over 100 GHA tenants.

We also carried out Fire Safety Risk Assessments in 27 multi-storey blocks and in ten other GHA homes to help protect customers from the risk of fire. Over the year, the total number of accidental fires in Wheatley homes fell by 17%.

**Letting homes**

While our allocations were suspended in the early part of the year, we resumed letting in August and allocated homes to those in priority need, mainly homeless households.

Over the year, GHA allocated 1,607 homes to homeless people. We also 'flipped' 86 temporary furnished homes, turning them into permanent homes for the homeless people living in them.

We recognised the challenge all local authorities faced in fulfilling their statutory duty to the homeless, as well as the greater risk the Coronavirus posed to homeless people. Over the year, Wheatley provided 474 homes to local authorities to use as temporary accommodation for homeless people.

GHA also provided over 80 homes to new tenants under the Housing First approach, a multi-agency partnership set up to tackle rough sleeping.

**Our repairs service**

At the start of financial year 2020/21, our repairs and maintenance service was restricted to emergency and essential services only.

Throughout the year, our overriding priority was the safety of our staff and customers.

As lockdown restrictions were temporarily eased, we were able to increase the range of essential repairs we could carry out, but reverted back to emergency and essential services as restrictions tightened again.

Despite the challenges of strict health and safety guidelines, new procedures to keep people safe, as well as restrictions on travel, we still managed to deliver more than 111,000 reactive repairs over the year.

## DIRECTORS' REPORT (continued)

## OPERATING REVIEW (continued)

**Supporting our customers**

A quarter of GHA customers are now on Universal Credit ("UC"), an increase of 8% from last year. We continued to support our customers through the challenges they faced during the pandemic, including attending online tribunals with the Department of Work and Pensions to represent vulnerable customers.

Our Welfare Benefits Advisors and Fuel Advisors supported almost 3,294 GHA customers over the year, and helped them claim almost £6.9m in benefits and tax credits they were entitled to. We also helped customers access external funding to alleviate fuel poverty.

We will continue to support our customers over the next year with the difficulties posed by UC and the impact of the pandemic.

We continued to support our customers to get online and to encourage them to engage with us through our digital channels and online self-service accounts.

By the end of the financial year, more than 55% of GHA customers had registered for an online account with us. More than 25,400 people used the GHA website every month.

Working with Wheatley Foundation and Wheatley 360, we:

- created 80 opportunities for our customers to get into work or training;
- supported 989 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 5,309 homes through our *EatWell* service;
- delivered Christmas vouchers to 5,331 households;
- provided essential household items to 2,178 customers through our *Emergency Response Fund*;
- gave 368 tenants up-cycled furniture through our *Home Comforts* service;
- awarded 48 young people from our homes a bursary to go to university or college; and
- provided free books every month to 433 children under five in our homes through the Dolly Parton Imagination Library initiative.

### Independent auditor

A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

## DIRECTORS' REPORT (continued)

## FINANCIAL REVIEW

**Income**

Turnover recognised in the Statement of Comprehensive Income in the year was £216.6m (2020: £209.0m). Of this total, 84% or £180.9m (2020: £175.6m and 84%) was generated through rental and service charge income, net of void losses. The remainder included:

- £25.1m of grant income recognised on the completion of new build properties and claims made during the pandemic under the UK Government Job Retention Scheme (2020: £23.4m);
- £5.9m of investment property income from the letting of mid market homes and commercial shop units (2020: £4.5m);
- £1.6m of income for support activities (2020: £1.5m); and
- £0.3m of income in relation to improvements to homeowners' properties (2020: £1.3m).

**Expenditure**

Operating costs for the year amounted to £174.5m (2020: £166.4m). The main items of expenditure were as follows:

- Letting activity management costs of £50.1m (2020: £48.2m). After excluding non-cash pension adjustments underlying management costs were £44.4m (2020: £42.1m)
- Planned repair and reactive maintenance costs of £13.9m and £28.9m respectively (2020: £14.0m and £31.5m);
- Total depreciation costs of £57.8m (2020: £53.1m);
- Restructuring costs of £10.0m (2020: £3.9m); and
- Costs associated with our wider role in supprting communities of £5.2m (2020: £5.3m).

The Association generated an operating surplus of £29.9m or 14% (2020: £33.3m or 16%) in the year after taking account of losses of £12.1m on the revaluation of mid-market rental properties. On completion of new build properties, which are held on the Statement of Financial Position at valuation, FRS 102 requires the grant income to be recognised through profit or loss under the performance model. This approach creates an initial valuation loss on new properties in the year of completion when compared to the gross development cost.

Finance charges of £68.2m (2020:£46.4m) include £22.6m for The Glasgow Housing Association's share of a one off fee for the restructuring of fixed rate loan arrangements completed on 30 March 2021 which will reduce future interest costs and improve the strength of the business plan going forward.

The Association had a net asset position in the Statement of Financial Position of £605.7m at the year-end (2020: £593.8m).

**Cashflows**

The cash flow statement of the Association is shown on page 20. GHA generated £94.0m from operating activities (2020: £81.1m), an increase of £12.9m when compared to prior year, associated with an increase in amounts owed by GHA to other group companies falling due within one year. Cash generated from operating activities, as well as additional borrowing drawn in the year, was re-invested into improving our existing housing stock and constructing of new housing stock. Cash and cash equivalents in the year increased by £2.9m (2020: decreased by £5.1m).

## DIRECTORS' REPORT (continued)

## FINANCIAL REVIEW (continued)

**Liquidity**
The Association reported net current liabilities as at 31 March 2021 of £24.4m (2020: net current assets: £13.9m). The movement in the year has been driven by an increase in short term intra group creditors for non recurring refinancing fees accrued and due to Wheatley Funding No 1 Limited.

Within current liabilities net rent arrears were £9.4m (2020: £1.9m), after taking account of the bad debt provision of £5.5m (2020: £4.8m). The value of rent arrears reported at the financial year end varies depending on the timing gap between the end of the four-weekly rental billing period and the year end date. The rent arrears reported at 31 March can include technical arrears for amounts due which are associated with the timing of direct payment for housing benefit. In 2019/20 an early receipt of housing benefit reduced rent arrears at the year end by £7.0m with the receipt for the same rent period in 2020/21 not due to be paid until after the year end.

Borrowings due after more than one year have increased to £858.8m from £849.8m as the Association invested £62.9m in its existing properties and new build programme. Cash balances are managed at an appropriate level through the Group funding subsidiary Wheatley Funding No 1 Limited to match the needs of the business and the cost of borrowing.

**Capital structure and treasury**
The Association's activities are funded on the basis of a business plan which is updated annually. The main elements of our long-term funding are syndicated bank facilities and bond funding provided through Wheatley Funding No. 1 Limited ("WFL1"), a related entity, as detailed in note 20. The Association has access to an intra-group facility of £925.0m which is secured on its housing stock (2020: £865.0m). Interest rate risk is managed at a group level by WFL1.

**Investment in tenants' homes**
During the year we invested £29.9m in improving tenant's homes (2020: £47.0m). At the year-end our housing stock (including housing under construction) was valued at £1,442.7m (2020: £1,396.9m).

**New Build**
During the financial year we completed 276 new build properties across 6 developments. Our new build programme invested £33.0m in the year. The Business Plan includes a further projected spend of £142.6m on the new build programme in GHA over the next five years.

**Reserves Policy**
Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association operates with three principal reserves: a revenue reserve, a revaluation reserve and a pension reserve.

*Revenue reserve*
Revenue reserve includes historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes
- support received from the Scottish Government as part of establishing the viability of the Association's business plan under the original stock transfer arrangements

## DIRECTORS' REPORT (continued)

## FINANCIAL REVIEW (continued)

### Reserves policy (continued)

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

The revenue reserve includes revaluation gains on investment properties, including the Association's portfolio of commercial properties and its ownership of mid-market rent homes which are leased to and managed by Lowther Homes. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

The residual amount of revenue reserve, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

*Revaluation reserve*
The revaluation reserve represents the increase in valuation which has occurred over and above the cost of additions to the Association's property (other than investment property). This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

*Pension reserve*
The pension reserve is not a cash reserve available for investment. It represents the amount by which the actuarial valuation of the Association's share of pension assets exceeds or is less than its notional pension liabilities. Under FRS 102, the reserve contained within the Statement of Financial Position assumes a continuing membership of the pension scheme. Withdrawing from the scheme in order to attempt to realise any surplus would involve liabilities being revalued onto an "exit" basis, with a significant additional premium attached to compensate the pension fund for the risk of reduced membership and inability to seek future contributions from the related members. Notwithstanding this issue, it is the Association's intention to continue membership of the Strathclyde Pension Fund on a long-term basis.

## DIRECTORS' REPORT (continued)

### Principal risks facing the Association

The Board is responsible for assessing the risks facing The Glasgow Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board

**Bernadette Hewitt, Chair**
26 August 2021

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

## DIRECTORS' REPORT (continued)

## GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2021 GHA's Rules allowed for the appointment of up to 12 Board members (including co-optees) as follows:

- Up to six tenant Board members
- Up to three Parent Appointees
- Up to one independent Board members
- Up to two council Board members

The Board could also co-opt members, subject to the maximum number of 12 Board members

At 31 March 2021 there were 11 members (2020: 11 members) of the GHA Board: 5 tenant members, 3 parent appointees, 2 council Board members, and 1 independent.

Each member of the Board holds one fully paid £1 share that is cancelled on cessation of membership. During 2020/21, 1 share was issued and 1 membership cancelled.

The members of the Board during the year are listed below:

| **Name** | **First Joined Board** | **Re-elected/ re-appointed** | **Left Board** | **Committees/Group Directorships** |
|---|---|---|---|---|
| Bernadette Hewitt (Chair & tenant member) | 30 May 2014 | 21 September 2017 | - | Wheatley Housing Group Limited, Wheatley Solutions Limited, Group Audit Committee, Group Strategic Development Committee, Group RAAG (Remuneration, Appointments, Appraisal and Governance) Committee, Wheatley Enterprises Limited |
| Robert Granger Geddes (Tenant member) | 24 September 2015 | - | 2 April 2021 | GHA North East Area Committee |
| Patrick Gray (Vice chair and parent appointee) | 1 May 2017 | - | - | Wheatley Housing Group Limited |
| Councillor Kenny McLean (Glasgow City Council appointee) | 30 May 2014 | 1 June 2017 | - | - |
| Jean Albert Nietcho (Tenant member) | 25 September 2014 | 13 September 2019 | 18 September 2020 | |

## DIRECTORS' REPORT (continued)

## GHA BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS (continued)

| Name | First Joined Board | Re-elected/ re-appointed | Left Board | Committees/Group Directorships |
|---|---|---|---|---|
| Jo Armstrong (Parent appointee) | 24 June 2015 | - | - | Wheatley Housing Group Limited (Non-Executive Director), Group Audit Committee, Group Strategic Development Committee, Group Development Committee, Group Remuneration, Appointments, Appraisal and Governance Committee, Wheatley Funding No1 Limited (Non-Executive Director), Wheatley Funding No2 Limited (Non-Executive Director), Wheatley Group Capital PLC (Non-Executive Director) |
| Councillor Frank McAveety (Glasgow City Council appointee) | 20 June 2017 | - | - | - |
| Cathy McGrath (Tenant member) | 21 September 2017 | - | - | GHA North West Area Committee GHA South Area Committee |
| Michael McNamara (Tenant Member) | 30 November 2018 | 13 September 2019 | 13 January 2021 | - |
| Andrew Clark (Independent) | 30 November 2018 | 13 September 2019 | - | Group Development Committee |
| Jo Boaden (Totton) (Parent appointee) | 17 June 2019 | - | - | Wheatley Housing Group Limited (Non-Executive Director) |
| John Bannon (Tenant Member) | 23 November 2020 | - | - | - |
| Lara Lasisi (Tenant Member) | 1 December 2020 | - | - | - |

**Creditor payment policy**
GHA agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

**Disclosure of information to auditor**
The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

## DIRECTORS' REPORT (continued)

## DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the Association has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information within the Association, or for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets against unauthorised use or disposition.

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

## DIRECTORS' REPORT (continued)

## STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the [group's and the ]association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the [group or the ]association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**Bernadette Hewitt, Chair**
26 August 2021

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLASGOW HOUSING ASSOCIATION LIMITED

**Opinion**

We have audited the financial statements of Glasgow Housing Association ("the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2021 and of its income and expenditure the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the association will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the association's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and
- Reading Board minutes.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLASGOW HOUSING ASSOCIATION LIMITED (continued)

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the association wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.

*Identifying and responding to risks of material misstatement due to nom-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discuss with the board and other management (as required by auditing standards), and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, charities legislation and registered social landlord legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures n the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of charities, health and safety, employment law, and social housing legislation recognising the association's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence of any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLASGOW HOUSING ASSOCIATION LIMITED (continued)

**Other information**

The association's Board is responsible for the other information, which comprises the Directors' Report and the Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 12 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

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

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

**Board's responsibilities**

As explained more fully in their statement set out on page 13, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLASGOW HOUSING ASSOCIATION LIMITED (continued)

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Wilkie (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*KPMG LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006*

KPMG

319 St Vincent Street

Glasgow, G2 5AS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | Total 2021 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Turnover | 3 | 216,557 | 209,001 |
| Operating expenditure | 3 | (174,488) | (166,450) |
| Other losses | 3 | (12,147) | (9,272) |
| Operating surplus | | 29,922 | 33,279 |
| Gain on disposal of fixed assets | 10 | 56 | - |
| Finance income | 11 | 1,610 | 1,782 |
| Finance charges | 12 | (68,222) | (46,369) |
| Movement in fair value of financial instruments | | (2,222) | 549 |
| Deficit for the financial year | | (38,856) | (10,759) |
| Unrealised surplus on the revaluation of housing properties | | 52,767 | 39,805 |
| Unrealised surplus on the revaluation of office properties | | 345 | 121 |
| Actuarial (loss)/gain in respect of pension schemes | | (2,360) | 3,109 |
| Total comprehensive income for the year | | 11,896 | 32,276 |

All amounts relate to continuing operations.

## STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021

| | Revenue Reserve £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|
| Balance at 1 April 2019 | 260,084 | 301,436 | 561,520 |
| Total comprehensive income for the year | 32,276 | - | 32,276 |
| Transfer of reserves for the revaluation of housing properties | (39,805) | 39,805 | - |
| Transfer of reserves for the revaluation of office properties | (121) | 121 | - |
| Balance at 31 March 2020 | 252,434 | 341,362 | 593,796 |
| Total comprehensive income for the year | 11,896 | - | 11,896 |
| Transfer of reserves for the revaluation of housing properties | (52,767) | 52,767 | - |
| Transfer of reserves for the revaluation of office properties | (345) | 345 | - |
| Balance at 31 March 2021 | 211,218 | 394,474 | 605,692 |

The notes on pages 21 to 45 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

| | *Notes* | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Social housing properties | 15 | 1,442,733 | 1,396,909 |
| Other tangible fixed assets | 16 | 46,823 | 39,926 |
| Investment properties | 17 | 46,167 | 41,153 |
| Investments - other | 17 | 8,387 | 8,387 |
| | | 1,544,110 | 1,486,375 |
| Pension asset | 23 | 5,842 | 13,585 |
| **Current assets** | | | |
| Trade and other debtors | 18 | 68,666 | 76,206 |
| Cash and cash equivalents | | 6,651 | 3,796 |
| | | 75,317 | 80,002 |
| **Creditors:** amounts falling due within one year | 19 | (99,681) | (66,113) |
| **Net current (liabilities) / assets** | | (24,364) | 13,889 |
| **Total assets less current liabilities** | | 1,525,588 | 1,513,849 |
| **Creditors:** amounts falling due after more than one year | 20 | (905,842) | (898,481) |
| | | 619,746 | 615,368 |
| **Provisions for liabilities** | | | |
| Other provisions | 21 | (14,054) | (21,572) |
| **Total net assets** | | 605,692 | 593,796 |
| **Reserves** | | | |
| Share capital | 22 | | - |
| Revenue reserve including pension reserve | | 211,218 | 252,434 |
| Revaluation reserve | | 394,474 | 341,362 |
| **Total reserves** | | 605,692 | 593,796 |

These financial statements were approved by the Board signed on its behalf on 26 August 2021 by:

| | | |
|---|---|---|
| Bernadette Hewitt<br>Chair | Jo Armstrong<br>Director | Anthony Allison<br>Secretary |

The notes on pages 21 to 45 form part of these financial statements.

Charity registration number SC034054.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Net cash generated from operating activities** | 25 | 94,017 | 81,112 |
| **Cash flow from investing activities** | | | |
| Improvement of properties – housing stock | 15 | (29,888) | (47,010) |
| Construction of new properties | 15 | (33,001) | (46,576) |
| Purchase of other fixed assets | 16 | (5,521) | (8,581) |
| Proceeds from disposal of properties | 10 | 203 | 95 |
| Grants received | 20 | 12,873 | 23,409 |
| Finance income | | - | 123 |
| | | (55,334) | (78,540) |
| **Cash flow from financing activities** | | | |
| Finance charges | | (43,828) | (44,658) |
| Financing draw down | | 8,000 | 37,000 |
| | | (35,828) | (7,658) |
| **Net change in cash and cash equivalents** | | 2,855 | (5,086) |
| Cash and cash equivalents at beginning of the year | | 3,796 | 8,882 |
| Cash and cash equivalents at end of the year | | 6,651 | 3,796 |
| **Cash and cash equivalents at 31 March** | | | |
| Cash | | 6,651 | 3,796 |
| | | 6,651 | 3,796 |

The notes on pages 21 to 45 form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

## 1. Legal status

The Glasgow Housing Association Limited ("GHA" or "the Association") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.2572RS and is a registered Scottish charity No.SC034054. GHA is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activity of the Association is the provision of social housing.

The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

The Glasgow Housing Association Limited is a public benefit entity.

## 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of accounting**
The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2019, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Group and Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of the ongoing Covid-19 pandemic including severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Association budgets for 2021/22 and the Association's financial position as forecast in the 30-year business plan and being satisfied that the Group Board has undertaken a similar review, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios have been updated to take account of potential future changes in rent increases;
- The property market – budget and business plan scenarios have taken account of delays, remobilisation planning and reprofiled new build handovers.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 2. Accounting policies (continued)

- Maintenance costs – budget and business plan scenarios have been modelled to take account of a revised profile of repairs and maintenance expenditure, with major works being rephased into future years;

- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;

- Liquidity – current available cash of £6.7m and access to undrawn loan facilities arranged through WFL1 of £279.1m, which are available to Glasgow Housing Association and certain other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;

- The Group and Association's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and Association have sufficient funding in place and are satisfied the Group and Association will be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

**Accounting judgements and estimations**
Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:
- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds; and
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

**Related party disclosures**
The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 2. Accounting policies (continued)

**Turnover**
Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income.

**Grant income**
Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position. The Association has received grant income under the UK Government's Coronavirus Job Retention Scheme and this is accounted for as revenue grant in line with the performance model and disclosed in note 4 to the financial statements.

**Bad and doubtful debts**
Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

**Supported housing**
Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

**Financial instruments**
Loans provided by Wheatley Funding Number 1 Limited ("WFL1") are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

**Deposits and liquid resources**
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 2. Accounting policies (continued)

### Pensions

The Association participates in a defined benefit pension scheme arrangement with the Strathclyde Pension Fund ("the Fund"). The Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. The Fund provides benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Fund are held separately from those of the Association. The Association accounts for its participation in the Fund in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

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

### Fixed assets – housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

- **Valuation of Social Housing Stock**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Association's 30-year Business Plan which identifies the core stock which will be the subject of the Association's investment expenditure going forward and the stock which forms part of the demolition programme until 2018, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

Increases in the valuation of social housing properties are reported as other comprehensive income, accumulated in equity and reported as a revaluation reserve. Revaluation decreases reduce the accumulated gains and thereafter are recognised in profit or loss. Subsequent valuation gains are recognised in profit or loss to the extent they reverse a valuation decrease previously recognised in profit or loss.

On disposal, the value of the property is offset against the proceeds of sale and the gain or loss on disposal is taken to the Statement of Comprehensive Income.

- **Depreciation and impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 2. Accounting policies (continued)

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

| | Economic Life |
|---|---|
| Bathrooms | 25 yrs |
| Community Infrastructure | 20 yrs |
| External wall finishes | 35 yrs |
| Heating system boiler | 12 yrs |
| Internal works & common areas | 20 yrs |
| Kitchens | 20 yrs |
| Mechanical, Electrical & Plumbing | 25 yrs |
| Structure & roofs | 50 yrs |
| Windows and doors | 30 yrs |

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

- **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

- **Properties held for demolition**

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the statement of financial position as under FRS 102 there is no constructive obligation at the date of the statement of financial position to provide for these costs.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

- **Non-social housing properties**

Housing for Mid-Market Rent is valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 2. Accounting policies (continued)

Mid-market rent properties owned by the Association are currently leased to Lowther Homes Limited at the prevailing market rate. These properties are managed by Lowther Homes Limited.

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are revalued at each reporting date.

**New Build Grant and other capital grants**
New Build Grant is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

New Build Grant is recognised as income in the statement of comprehensive income when new build properties are completed or the capital work carried out under the performance model. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

**Other tangible fixed assets**
For other tangible fixed assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

| | Economic Life |
|---|---|
| Furniture, fittings and office equipment (cost) | 5 yrs |
| Computer equipment (cost) | 3 – 7 yrs |
| Community infra-structure (cost) | 20 yrs |
| District heating scheme (cost) | 30 yrs |
| Office premises (valuation) | 40 yrs |
| Motor vehicles (cost) | 4 yrs |

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are carried out at each reporting date.

**Stock**
Where GHA enters into development agreements in conjunction with third party housing associations and incurs the cost of the development, the contractual share of costs yet to be billed to the third party is recognised in stock. Stock is accounted for at the lower of cost or net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 2. Accounting policies (continued)

**Leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

**Provisions**

The Association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

**Taxation**

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Value Added Tax**

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

**Development Agreement**

The Association entered into agreements with Glasgow City Council whereby the undertaking of catch up repairs and improvement works remained with the City Council, with that obligation sub-contracted to GHA. This has been shown on the Association's Statement of Financial Position as a debtor offset by a provision of an equal amount. As work progresses, both amounts reduce by the appropriate amount.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

| | Turnover | 2021 Operating costs | Other losses | Operating surplus/ (deficit) | 2020 Operating surplus/ (deficit) |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Affordable letting activities (note 4) | 206,027 | (151,926) | - | 54,101 | 49,347 |
| Other activities (note 5) | 10,530 | (22,562) | - | (12,032) | (6,796) |
| Loss on investment activities (note 17) | - | - | (12,147) | (12,147) | (10,827) |
| Gain on transfer of pension scheme obligations (note 9) | - | - | - | - | 1,555 |
| Total | 216,557 | (174,488) | (12,147) | 29,922 | 33,279 |
| Total for previous reporting period | 209,001 | (166,450) | (9,272) | 33,279 | |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | **General Needs £'000** | **Supported Housing £'000** | **Total £'000** | **Total £'000** |
| Rent receivable net of service charges | 178,167 | 3,327 | 181,494 | 175,147 |
| Service charges | 1,419 | 27 | 1,446 | 1,603 |
| **Gross income from rents and service charges** | 179,586 | 3,354 | 182,940 | 176,750 |
| Less rent losses from voids | (1,955) | (36) | (1,991) | (1,140) |
| **Net income from rents and service charges** | 177,631 | 3,318 | 180,949 | 175,610 |
| Grants released from deferred income – new build | 18,525 | 346 | 18,871 | 23,414 |
| Other deferred income | 6,093 | 114 | 6,207 | - |
| **Total turnover from affordable letting activities** | 202,249 | 3,778 | 206,027 | 199,024 |
| Management and maintenance administration costs | 49,177 | 918 | 50,095 | 48,192 |
| Service costs | 3,476 | 65 | 3,541 | 3,765 |
| Planned and cyclical maintenance including major repairs costs | 13,667 | 255 | 13,922 | 14,035 |
| Reactive maintenance costs | 28,415 | 531 | 28,946 | 31,500 |
| Bad debts – rents and service charges | 1,712 | 32 | 1,744 | 2,247 |
| Depreciation of affordable let properties | 52,694 | 984 | 53,678 | 49,938 |
| **Operating costs for affordable letting activities** | 149,141 | 2,785 | 151,926 | 149,677 |
| **Operating surplus for affordable letting activities** | 53,108 | 993 | 54,101 | 49,347 |
| Operating surplus for affordable letting activities for the previous reporting period | 48,473 | 874 | 49,347 | |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021 (continued)

**5. Particulars of turnover, operating costs and operating surplus from other activities**

| | Grants from Scottish Ministers £'000 | Other revenue £'000 | Total turnover £'000 | Total operating costs £'000 | 2021 Operating surplus /(deficit) £'000 | 2020 Operating surplus /(deficit) £'000 |
|---|---|---|---|---|---|---|
| Wider role activities to support the community | - | - | - | (5,152) | (5,152) | (5,313) |
| Investment property activities | - | 5,933 | 5,933 | (470) | 5,463 | 4,151 |
| Support activities | - | 1,569 | 1,569 | (2,009) | (440) | (112) |
| Owners' improvement activities | - | 343 | 343 | (257) | 86 | (114) |
| Demolition activities | - | - | - | (183) | (183) | (354) |
| Other income | - | 2,685 | 2,685 | (129) | 2,556 | 2,272 |
| Depreciation – Non Social Housing | - | - | - | (4,122) | (4,122) | (3,191) |
| Organisation Restructuring | - | - | - | (9,982) | (9,982) | (3,899) |
| Development & Construction of Property Activities | - | - | - | (258) | (258) | (236) |
| **Total from other activities** | - | 10,530 | 10,530 | (22,562) | (12,032) | (6,796) |
| Total from other activities for the previous reporting period | - | 9,977 | 9,977 | (16,773) | (6,796) | |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 6. Board members' emoluments

Board members received £25 (2020: £2,679) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

### 7. Key management emoluments

Key management personnel are employed by the Association and perform an executive management role across all subsidiaries in the Group. The total emoluments payable to Group key management personnel are disclosed in the Wheatley Housing Group consolidated financial statements. The Association pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind.

The allocation of key management emoluments is based on property numbers under management after allocating a share of costs to non RSL subsidiaries. In 2019/20 the allocation was based on the proportion of group services costs borne by the Association, with the change in the basis of allocation of costs in 2020/21 considered to be more representative of the executive management costs of the Association.

| | **2021** | **2020** |
|---|---|---|
| | **£ 000** | **£ 000** |
| Aggregate emoluments payable to key management (including pension contributions and benefits in kind) | 593 | 1,045 |

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

| | | |
|---|---|---|
| More than £40,000 but not more than £50,000 | 1 | - |
| More than £70,000 but not more than £80,000 | 2 | - |
| More than £80,000 but not more than £90,000 | 2 | - |
| More than £120,000 but not more than £130,000 | - | 1 |
| More than £140,000 but not more than £150,000 | 1 | 4 |
| More than £220,000 nut not more than £230,000 | - | 1 |

There were six senior officers in post during the year ended 31 March 2021. Key management personnel in the year were as follows:

| | |
|---|---|
| Martin Armstrong | Group Chief Executive |
| Tom Barclay | Group Director of Property and Development |
| Olga Clayton | Group Director of Housing and Care |
| Steven Henderson | Group Director of Finance |
| Graham Isdale | Group Director of Corporate Affairs |
| Elaine Melrose – to 30 September 2020 | Group Director of Resources |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 8. Employees

| | 2021 No. | 2020 No. |
|---|---|---|
| The average total number of employees employed during the year was | 1,678 | 1,623 |
| The average monthly number of full time equivalent persons employed during the year was | 1,640 | 1,584 |

All staff are employed by the Association with its costs being recharged to the other group companies where appropriate.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Staff costs (for the above persons) | | |
| Wages and salaries | 42,574 | 45,749 |
| Social security costs | 5,357 | 5,080 |
| Employer's pension costs | 7,391 | 7,339 |
| FRS 102 adjustment | 5,646 | 6,099 |
| | 60,968 | 64,267 |

## 9. Gain on transfer of pension assets and obligations

As part of a Group restructure, the employment contracts of Barony staff who were active members of Lothian Pension Fund were transferred to GHA on 31 January 2020 and their pension membership was transferred from Lothian Pension Scheme ("LPF") to Strathclyde Pension Fund ("SPF") with a corresponding transfer of Barony's pension assets and obligations from LPF to SPF. A gain of £1,555k resulted from the difference between the actuarial valuation at 31 January 2020 of the Barony assets and obligations transferred. Under FRS 102 Section 28 the gain is recognised in reporting operating surplus in the Statement of Comprehensive Income.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Gain on transfer of pension assets and obligations | - | 1,555 |
| | - | 1,555 |

## 10. Gain on disposal of fixed assets

This represents net income from the sale of four properties (2020: one property) and any gain/(loss) on the disposal of fixed assets in the year.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Property Sales | | |
| Proceeds from disposal of properties | 259 | 95 |
| Value of properties disposed | (203) | (95) |
| Gain on sale of fixed assets | 56 | - |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 11. Finance income

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Bank interest receivable on deposits in the year | 1 | 3 |
| Interest on intra group loans | 1,345 | 1,469 |
| Interest on pension scheme (note 23) | 264 | 310 |
| Total | 1,610 | 1,782 |

### 12. Finance charges

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest on intra group loans | 42,714 | 43,557 |
| Loan restructuring fees | 22,606 | - |
| Other financing costs | 2,902 | 2,812 |
| Total | 68,222 | 46,369 |

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs of the Association's funding arrangements and the amortised interest on the contingent efficiencies loan.

### 13. Auditor's remuneration

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| The remuneration of the auditor (excluding VAT) is as follows: | | |
| Audit of these financial statements | 51 | 51 |

### 14. Financial commitments

**Capital commitments**

All capital commitments of the Association were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Expenditure contracted for, but not provided in the financial statements | 102,955 | 73,687 |
| Expenditure authorised by the Board, but not contracted | 17,459 | 22,411 |
| | 120,414 | 96,098 |

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the Association, and private funding.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 14. Financial commitments (continued)

**Operating leases**
At 31 March the Association had annual commitments under non-cancellable operating leases as follows:

| | 2021 £'000 Land and Buildings | 2021 £'000 Other | 2020 £'000 Land and Buildings | 2020 £'000 Other |
|---|---|---|---|---|
| Operating leases that fall due: | | | | |
| Within one year | 244 | 66 | 462 | 75 |
| In the second to fifth years inclusive | 138 | - | 434 | - |
| | 382 | 66 | 896 | 75 |

Lease commitments under FRS 102 include the timing of the full payment due under contract.

## 15. Tangible fixed assets – Social Housing Properties

| | Core Stock £'000 | Housing Under Construction £'000 | Total £'000 |
|---|---|---|---|
| **Valuation** | | | |
| At 1 April 2020 | 1,338,690 | 58,219 | 1,396,909 |
| Additions | 29,888 | 33,001 | 62,889 |
| Disposals | (203) | - | (203) |
| Transfers | 26,856 | (44,017) | (17,161) |
| Revaluation | 299 | - | 299 |
| At 31 March 2021 | 1,395,530 | 47,203 | 1,442,733 |
| **Accumulated Depreciation** | | | |
| At 1 April 2020 | - | - | - |
| Charge for year | (52,468) | - | (52,468) |
| Revaluation | 52,468 | | 52,468 |
| At 31 March 2021 | - | - | - |
| **Net Book Value - Valuation** | | | |
| At 31 March 2021 | 1,395,530 | 47,203 | 1,442,733 |
| At 31 March 2020 | 1,338,690 | 58,219 | 1,396,909 |
| **Net Book Value - Cost** | | | |
| At 31 March 2021 | 1,492,948 | 47,203 | 1,540,151 |
| At 31 March 2020 | 1,488,875 | 58,219 | 1,547,094 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

**15. Tangible fixed assets – Social Housing Properties (continued)**

Total expenditure on repairs and capital improvements in the year on existing properties was £72.8m (2020: £93.7m). Of this, repair costs of £42.9m (2020: £45.5m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £29.9m (2020: £47.0m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £29.9m (2020: £47.0m) in the year include:

- £20.0m for component additions including:
  - £0.4m on bathrooms;
  - £2.9m on external wall finishes;
  - £2.9m on heating system boilers;
  - £3.4m on internal works and common areas;
  - £0.4m on kitchens;
  - £3.2m on mechanical, electrical and plumbing;
  - £4.8m on structure and roofs; and
  - £2.0m on windows and doors.

- The remaining balance of £9.9m of additions to existing properties not associated with a specific component includes £4.7m on void improvements, £0.3m of property acquisitions and £1.0m of medical adaptations.

Additions to housing under construction include capitalised interest costs of £0.7m (2020: £1.1m). Interest has been capitalised at the weighted average interest cost for the Association of 4.60% ((2020: 4.89%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Association's demolition programme, as detailed in the Association's 30-year Business Plan for 2021/22. The demolition programme identifies 121 (2020: 117) properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the date of the Statement of Financial Position to provide for these costs.

Retained stock for letting has been valued at £1,395.5m. Housing under construction, with a NBV of £47.2m, is not included within this total.

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2021 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-6.50% have been used depending on the property archetype (2020: 5.75-6.50%). The valuation assumes a rental income increase of inflation + 0.5% for the next 3 years, in line with the Association's 30-year Business Plan (2021/22). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2020/21 four properties were disposed of to tenants at a value of £259k (2020: one property £95k).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

**15. Tangible fixed assets – Social Housing Properties (continued)**

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Association at 31 March is shown below:

| | 2021 | 2020 |
|---|---|---|
| **Social Housing** | | |
| General needs | 39,148 | 38,929 |
| Supported housing | 731 | 710 |
| Housing held for long-term letting | 39,879 | 39,693 |
| Housing approved / planned for demolition | 121 | 117 |
| Total Units | 40,000 | 39,756 |

The housing valuation has been based on the number of houses held for social letting.

**16. Other tangible fixed assets**

| | Community infra-structure £'000 | District heating £'000 | Office premises £'000 | Furniture, fittings & equipment £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| At 1 April 2020 | 11,268 | 5,140 | 11,259 | 27,724 | 34,944 | 90,335 |
| Additions | 788 | 52 | 23 | 670 | 3,988 | 5,521 |
| Disposals | - | - | - | (42) | | (42) |
| Transferred from Group undertaking | | | | 77 | 6,314 | 6,391 |
| Revaluation | - | - | 53 | - | - | 53 |
| At 31 March 2021 | 12,056 | 5,192 | 11,335 | 28,429 | 45,246 | 102,258 |
| **Accumulated Depreciation** | | | | | | |
| At 1 April 2020 | (1,548) | (252) | - | (22,547) | (26,062) | (50,409) |
| Charge for year | (584) | (172) | (292) | (951) | (3,319) | (5,318) |
| Revaluation | - | - | 292 | - | - | 292 |
| At 31 March 2021 | (2,132) | (424) | - | (23,498) | (29,381) | (55,435) |
| **Net Book Value** | | | | | | |
| At 31 March 2021 | 9,924 | 4,768 | 11,335 | 4,931 | 15,865 | 46,823 |
| At 31 March 2020 | 9,720 | 4,888 | 11,259 | 5,177 | 8,882 | 39,926 |

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021 in accordance with the appraisal and valuation manual of the RICS.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 17. Investments

**Investment Properties**

| | Properties held for market rent £'000 | Commercial Properties £'000 | Total £'000 |
|---|---|---|---|
| **Valuation** | | | |
| At 1 April 2020 | 30,170 | 10,983 | 41,153 |
| Transfers between other fixed asset categories | 17,161 | - | 17,161 |
| Revaluation taken to operating surplus | (12,131) | (16) | (12,147) |
| At 31 March 2021 | 35,200 | 10,967 | 46,167 |
| **Net Book Value** | | | |
| At 31 March 2021 | 35,200 | 10,967 | 46,167 |
| At 31 March 2020 | 30,170 | 10,983 | 41,153 |

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021.

The number of properties held for market rent by the Association at 31 March was:

| | 2021 | 2020 |
|---|---|---|
| **Mid-Market Rent Properties** | | |
| Total Units | 551 | 500 |

Commercial properties were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021 in accordance with the appraisal and valuation manual of the RICS.

**Investments - other**

**Due after more than one year:**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Unsecured subordinated convertible loan due from Lowther Homes Limited | 8,387 | 8,387 |

GHA has an unsecured subordinated convertible loan with Lowther Homes Limited, a related group company. FRS 102 requires that the principal amount and interest payments be fair valued and shown as debt on the balance sheet (note 18). The difference between this and the principal amount of the instrument should be recognised as the fair value of equity component.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 18. Debtors

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Due in more than one year:** | | |
| Development agreement (note 2) | 12,201 | 20,477 |
| Due from other group companies | 29,075 | 27,731 |
| | 41,276 | 48,208 |
| **Due within one year:** | | |
| Arrears of rent and service charges | 14,950 | 6,760 |
| Adjustment to discount arrears balances with payment plans to NPV | (74) | (62) |
| Less: provision for bad and doubtful debts | (5,485) | (4,761) |
| | 9,391 | 1,937 |
| Prepayments and accrued income | 5,588 | 7,507 |
| Other debtors | 2,244 | 7,890 |
| Due from other group companies | 10,167 | 10,664 |
| Total | 68,666 | 76,206 |

Included in debtors is a balance of £12.2m (2020: £20.5m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the housing stock transferred to the Association. The Council has sub-contracted The Glasgow Housing Association Limited to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure (note 21) and as work progresses both of these balances will be utilised when the work is actually undertaken.

The balance due from other group companies in more than one year relates to the unsecured subordinated convertible loan with Lowther Homes Limited. This debt was issued in November 2014 and is due to mature in 2043. Interest on this instrument has been charged at 5.5% in the year (2020: 5.2%).

The Wheatley Foundation has agreed to deliver certain charitable community programmes on the Glasgow Housing Association's behalf. Under this arrangement, these programmes were funded in part during the year by the Glasgow Housing Association agreeing that the interest receipt due from Lowther Homes Limited would be paid directly to the Wheatley Foundation on its behalf.

Amounts owed by group undertakings and due within one year are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## 19. Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade creditors | 3,523 | 1,458 |
| Accruals | 26,862 | 15,200 |
| Deferred income (note 20) | 28,854 | 30,466 |
| Rent and service charges received in advance | 7,778 | 7,313 |
| Salaries, wages, other taxation and social security | 2,068 | 1,977 |
| Other creditors | 6,386 | 6,227 |
| Due to other group companies | 24,210 | 3,472 |
| Total | 99,681 | 66,113 |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 20. Creditors: amounts falling due after more than one year

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Scottish Government contingent efficiencies grant | 40,704 | 36,693 |
| Deferred income | 6,200 | 11,760 |
| Amount due to group company | 858,938 | 850,028 |
| Other | - | - |
| Total | 905,842 | 898,481 |

**Scottish Government contingent efficiencies grant**

The Scottish Government made available to The Glasgow Housing Association Limited £100.0m of contingent efficiencies grant over an eight-year period. Under this agreement £100.0m (2020: £100.0m) has been received which is an interest free loan with repayment due in 2040/41. The amount due of £40.7m at 31 March 2021 (2020: £36.7m) is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date. This treatment is consistent with FRS 102 which requires financial instruments to be measured at amortised cost. The movement in the balance in the year relates to:

- interest costs £1.8m (2020: £1.7m)
- fair value movement loss of £2.2m (2020: gain of £0.5m)

Interest costs are reported within finance charges (note 12). The movement in the fair value is reported on the face of the Statement of Comprehensive Income.

**Bank lending facility**

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £652.6m from a syndicate of commercial banks, two committed facilities totalling £278.0m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,480.6m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No. 1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with GHA having access to an intra-group facility of £925.0m, secured on its housing stock. Interest in the year has been charged at 4.60% (2020: 4.89%).

The Glasgow Housing Association Limited has secured a major portion of its housing stock (£1,472.8m) against this facility. At 31 March 2021, 4% (£97.2m) of GHA's housing properties remained unsecured.

| Borrowings are repayable as follows: | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| In less than one year | 187 | 188 |
| In more than one year but less than two years | - | - |
| In more than two years but less than five years | - | - |
| In more than five years | 858,751 | 849,840 |
| | 858,938 | 850,028 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 20. Creditors: amounts falling due after more than one year (continued)

**Deferred income**
The deferred income balance is made up as follows:

| | New Build Grant £'000 | Other £'000 | Total Deferred Income £'000 |
|---|---|---|---|
| Deferred income as at 1 April 2020 | 34,782 | 7,444 | 42,226 |
| Additional income received | 11,015 | 1,858 | 12,873 |
| Released to the Statement of Comprehensive Income | (18,871) | (1,174) | (20,045) |
| Deferred income as at 31 March 2021 | 26,926 | 8,128 | 35,054 |

This is expected to be released to the Statement of Comprehensive Income in the following years:

| **Deferred income to be released to the Statement of Comprehensive Income:** | **2021 £'000** | **2020 £'000** |
|---|---|---|
| In less than one year (note 19) | 28,854 | 30,466 |
| In more than one year but less than five years | 6,200 | 11,760 |
| In more than five years | - | - |
| | 35,054 | 42,226 |

| **Financial instruments** | **2021 £'000** | **2020 £'000** |
|---|---|---|
| **Financial assets:** | | |
| Measured at amortised cost: | | |
| Debtors and accrued income | 38,797 | 48,476 |
| Measured at fair value: | | |
| Due from other group companies | 29,066 | 27,730 |
| Total | 67,863 | 76,206 |

| | **2021 £'000** | **2020 £'000** |
|---|---|---|
| **Financial liabilities:** | | |
| Measured at amortised cost: | | |
| Creditors, accruals and deferred income | 964,053 | 927,901 |
| Measured at fair value: | | |
| Scottish Government loan | 40,704 | 36,693 |
| Total | 1,004,757 | 964,594 |

Income earned and expense payable on the financial assets and liabilities is disclosed in notes 11 and 12 respectively.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 MARCH 2021 (continued)

## 21. Provisions for liabilities and charges

| | Development Agreement | Insurance | Dilapidation Provision | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2020 | 20,477 | 435 | 660 | 21,572 |
| Created in the year | - | - | 758 | 758 |
| Utilised | (8,276) | - | - | (8,276) |
| At 31 March 2021 | 12,201 | 435 | 1,418 | 14,054 |

**Development Agreement**
The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the development agreement and as work progresses the provision will be utilised when the work is actually undertaken.

**Insurance**
A provision is held in respect of the excess arising on all outstanding insurance claims.

**Dilapidation Provision**
This provision represents the estimated costs of dilapidation works required under lease contracts for office properties leased by GHA.

## 22. Share capital

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Shares of £1 each issued and fully paid | | |
| At 1 April | 12 | 12 |
| Issued during year | 2 | 1 |
| Surrendered during year | (2) | (1) |
| At 31 March | 12 | 12 |

Share capital does not carry any voting rights or rights to dividend payments.

## 23. Pensions

**Strathclyde Pension Fund**
The Glasgow Housing Association Limited participates in the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. Strathclyde Pension Fund is part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The assets of the scheme are held separately from those of the Association with investments under the overall supervision of the Fund Trustees. The latest full actuarial valuation was carried out as at 31 March 2020.

In preparing the formal valuation at 31 March 2020 an allowance for full GMP indexation and an estimate of the impact of the McCloud judgement was also included based on eligibility criteria of members for inclusion in the agreed remedy. In preparing the annual valuation at 31 March 2021, the assumption used by the actuary for inflation and the correlation to the discount rate has been reassessed as a result of RPI reform announcements with long-term "wedge" between RPI and CPI reduced compared to the prior year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

**23. Pensions (continued)**

**Wheatley Housing Group Defined Contribution Scheme**
The Wheatley Group also operates a defined contribution scheme through Salvus Master Trust. These arrangements are open to all employees of GHA who are not members of the Strathclyde Pension Fund.

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

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Discount rate | 2.05% | 2.45% |
| Future salary increases | *1.85% | *2.00% |
| Inflation | 2.80% | 1.90% |

*Salary increases are assumed to be 1.50% p.a. for the first three years and 2.00% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 19.8 years (male) (2020 20.7 years), 22.6 years (female) (2020 22.9 years).
- Future retiree upon reaching 65: 21.2 years (male) (2020 22.2 years), 24.7 years (female) (2020 24.6 years).

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

The information disclosed below is in respect of the whole of the plans for which GHA has been allocated a share of cost under an agreed policy throughout the periods shown.

*Movements in present value of defined benefit obligation*

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening defined benefit obligation | **436,249** | **431,154** |
| Service cost | 14,617 | 13,764 |
| Interest cost | 10,761 | 11,406 |
| Loss on curtailment | - | - |
| Actuarial losses/(gains) | 99,411 | (36,802) |
| Contributions by members | 2,658 | 2,278 |
| Estimated benefits paid | (10,708) | (8,336) |
| Effect of business combination and disposals | - | 22,785 |
| Closing defined benefit obligation | **552,988** | **436,249** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 23. Pensions (continued)

*Movements in fair value of plan assets*

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening fair value of plan assets | **449,834** | **445,865** |
| Expected return on plan assets | 11,025 | 11,716 |
| Actuarial gains/(losses) | 97,051 | (33,693) |
| Contributions by the employer | 8,971 | 7,665 |
| Contributions by the members | 2,658 | 2,278 |
| Estimated benefits paid | (10,708) | (8,336) |
| Effect of business combination and disposals | - | 24,339 |
| Closing fair value of plan assets | **558,831** | **449,834** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Present value of funded defined benefit obligations | (552,599) | (435,922) |
| Present value of unfunded defined benefit obligations | (390) | (327) |
| Fair value of plan assets | 558,831 | 449,834 |
| Net asset | 5,842 | 13,585 |

*Expense recognised in the statement of comprehensive income*

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Current service cost | 12,873 | 13,014 |
| Past service cost | 1,744 | 750 |
| Losses on settlements or curtailments | - | - |
| Net interest on net defined benefit obligation (note 11) | (264) | (310) |
| | 14,353 | 13,454 |

The total amount recognised in the statement of comprehensive income in respective of actuarial gains and losses is £2,360k loss (2020: £3,109k gain).

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Equities | 368,828 | 265,402 |
| Corporate bonds | 128,531 | 116,957 |
| Property | 50,295 | 58,478 |
| Cash | 11,177 | 8,997 |
| | 558,831 | 449,834 |
| Actual return on plan assets | 108,076 | (21,977) |

During the year pension contributions of £499k were paid to Strathclyde Pension Fund on behalf of key management personnel who retired in addition to compensation payments of £115k.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 24. Related party transactions

Members of the Management Board are related parties of the Association as defined by FRS 102.

The Association retains a register of members' interests. The following interests in related parties are required to be declared:

**Tenant and factored homeowners Board Members**

The following members who were in office during the year are tenants or factored homeowners of the Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage.

| | |
|---|---|
| Jean Albert Nietcho | up to 18 September 2020 |
| Bernadette Hewitt | |
| Robert Granger Geddes | |
| Cathy McGrath | |
| John Bannon | from 23 November 2020 |
| Lara Lasisi | from 1 December 2020 |

Transactions entered into with members, and rent arrear balances outstanding at 31 March, are as follows:

| | 2021<br>£'000 |
|---|---|
| Rent charged during the year | 35 |
| Arrears balances outstanding at 31 March 2021 | - |

**Other related parties**

Related party interests and transactions during the year are as follows:

| | Invoiced/paid in the year<br>£'000 | Year end balance<br>£'000 |
|---|---|---|
| **2021** | | |
| Bernadette Hewitt - Transforming Communities Glasgow | - | - |
| Bernadette Hewitt - Barmulloch Community Development | - | - |
| Strathclyde Pension Fund | 10,575 | (223) |

All transactions were on commercial terms and at arm's length.

During the year GHA held nomination rights to a directorship of Transforming Communities: Glasgow ("TC:G"). Bernadette Hewitt serves as a GHA nominated director on the board of TC:G.

During the year GHA held nomination rights to a directorship of Scotcash CIC. These rights allow GHA to nominate up to two directors to the board of Scotcash with Steven Henderson serving on the board during the year.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### 25. Cash Flow Analysis

| **Cash flow from operating activities** | **2021**<br>**£'000** | **2020**<br>**£'000** |
|---|---|---|
| Deficit for the year | (38,856) | (10,759) |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 57,786 | 53,125 |
| Decrease in trade and other debtors | 1,456 | 9,179 |
| Increase/(decrease) in trade and other creditors | 6,291 | (4,622) |
| Increase/(decrease) in provisions | 758 | (91) |
| Pension costs less contribution payments | 5,646 | 6,100 |
| Adjustments for investing or financing activities: | | |
| Proceeds from the sale of tangible fixed assets | - | - |
| Government grants utilised in the year | (20,045) | (25,130) |
| Interest paid | 68,222 | 46,369 |
| Interest received | (1,610) | (1,782) |
| Movement in fair value of financial instruments | 2,222 | (549) |
| Loss on investment activities | 12,147 | 10,827 |
| Gain on the transfer of pension assets and obligations | - | (1,555) |
| **Net cash inflow from operating activities** | **94,017** | **81,112** |

### 26. Post balance sheet event

During 2020/21 a majority of the tenants of Cube Housing Association Limited, a fellow Wheatley Group subsidiary, voted in favour of plans to transfer Cube's housing stock within the City of Glasgow to The Glasgow Housing Association Limited and the transfer of its remaining activities, assets and liabilities to Loretto Housing Association.

The transfer of 2,781 housing properties to GHA was completed on the 28 April 2021.

### 27. Ultimate parent organisation

The Association is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

## SUPPLEMENTARY INFORMATION

### Secretary and Registered Office

Anthony Allison
Glasgow Housing Association Limited
Wheatley House
25 Cochrane Street
Glasgow G1 1HL

### Independent auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

### Bankers

Royal Bank of Scotland
Glasgow Corporate Office
Kirkstane House
139 St Vincent Street
Glasgow G2 5JF