



Alexander Sloan
Accountants and Business Advisers

Govan Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2018

Registered Housing Association No. HEP87

FCA Reference No. 1686R(S)

Scottish Charity No. SCO09055

GOVAN HOUSING ASSOCIATION LIMITED

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GOVAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

MANAGEMENT COMMITTEE

Mr William Pritchard	Chairperson
Mr Thomas McArthur	Vice Chairperson
Miss Georgina Hay	Secretary
Mrs Alice Connelly	
Mr John Hendry	
Mr John Flanagan	Resigned 24 March 2017
Ms Karen Russell	
Mr Gary Maguire MBE	
Mr Colin Quigley	
Ms Alison Martin	

EXECUTIVE OFFICERS / KEY MANAGEMENT PERSONNEL

Fiona McTaggart	Chief Executive
Natalya Macholla	Deputy Chief Executive

REGISTERED OFFICE

35 McKechnie Street
Govan
Glasgow
G51 3AQ

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Quinn Internal Audit
55 Lady Place
Livingston
EH54 6TB

BANKERS

Royal Bank of Scotland
788 Govan Road
Glasgow
G51 2YL

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments

Introduction

The Management Committee present their Annual Report together with the audited accounts for the year ended 31 March 2018. These accounts cover the year 1 April 2017 to 31 March 2018.

Principal Office and Registered Address

35 McKechnie Street
Govan
Glasgow
G51 3AQ

Legal Status

Govan Housing Association Limited ("the Association") is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.1686R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO09055.

Principal Activity

Govan Housing Association is an ambitious, forward thinking and dynamic 'not for profit' social housing provider. The Association itself possesses a rich history and one of development and innovation. Founded in 1971, the Association was the first community-based housing provider, leading the way for social housing provision in Scotland. After over 47 years of operating in the housing sector, the Association now owns and manages over 1,600 socially rented properties and provides factoring services to over homes and businesses in the Govan area of Glasgow as well as taking an active role in the regeneration of the area and continuing to improve the quality of life of residents.

We have continued to develop our vision, our values and our strategic and operational outcomes for the Association in the year. We recognise that to deliver our vision and deliver it well, we need to be open to change to meet the diverse needs of the wider community and the political, social and economic environment our business and our residents currently operate in.

Our **vision** is:

To provide, manage and maintain, affordable housing for people in housing need whilst aiming to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of our residents.

The **strategic outcomes** we want to achieve during the period of our current business plan will help us to realise our vision and are as follows:

1. Maximise value, embrace digital solutions and streamline our processes.
2. Cultivate a culture of responsibility and value for money in the delivery of all our services.
3. Increase the number of homes we own and build to maximise our financial strength.
4. Support our people to deliver organisational objectives and improve our employee's working lives.
5. Develop our regeneration strategy and empower local people to achieve their potential and improve their quality of life.

Our **values** as an Association are summarised as follows:

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

Development	We work hard to continually enhance our services and provide better quality homes and opportunities across the area.
Innovation	We challenge ourselves and others towards excellence and innovation in all we do.
Value for Money	We work hard to bring efficiencies and provide quality services that are cost effective and present value for money.
Equality	We are all equal and different and we aim to provide inclusive environments for work and for living.
Responsibility	We all take responsibility for our actions.
Social Impact	We strive to ensure there is a positive social impact from our activities and work with others to share our aims.
Integration	We are proactive in providing opportunities for people to engage with us and we work hard to understand how people feel as individuals and treat them with dignity and respect.
Transparency	We wish to be open and honest about what we do and how we do it.
Youth Development	We will endeavour to invest in community projects and promote intergenerational activities to ensure that young people thrive and grow in an environment where their aspirations are nurtured, they are encouraged to achieve the unexpected and they respect the Govan area as their home.

We are serious about turning our vision into a reality and delivering excellent quality, affordable homes and services that make a positive impact on people and communities. This change really signals the future direction for Govan Housing Association, one that is genuine about customer service, that is committed to ensuring our tenants get the best possible deal and the highest quality products and services and importantly, puts our tenants central to everything that we do. There is a common goal through the company as each Directorate, team and each member of staff collectively and individually contributes to achieving the vision, outcomes, values and aims of Govan Housing Association.

The Management Committee has placed our residents at the centre of the culture of Govan Housing Association Plans, whereby tenant's views and needs are at the pinnacle of what the Association aims to achieve and are embedded in our training and development of staff, Management Committee members and the management of our contractors.

Governance and Decision Making

The strategic leadership and direction of the Association is provided by a Management Committee comprising 9 members. The Management Committee is supported by a Chief Executive and Deputy Chief Executive; the Executive Management team. The full list of Management Committee members during the period to 31 March 2018 is as follows:

Management Committee Members

Mr William Pritchard (Chair)	Appointed January 2012
Miss Georgina Hay (Secretary)	Appointed May 1979
Mr Thomas McArthur (Vice-Chair)	Appointed April 2014
Mrs Alice Connelly	Appointed May 2003
Ms Karen Russell	Appointed September 2014
Mr John Hendry	Appointed November 2011
Mr Gary Maguire MBE	Appointed October 2015
Mr Colin Quigley	Appointed January 2016
Ms Alison Martin	Appointed January 2016

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REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

All tenancies for the above tenant members of the Management Committee are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2010 and these members cannot use their position on the Management Committee to their advantage. Any transactions with Glasgow City Council are made at arm's length, on normal commercial terms and the Management Committee members who are also Councillors cannot use their position on the Management Committee to theirs or the council's advantage.

Each member of the Management Committee holds one fully paid share of £1 in Govan Housing Association. The Executive Officers of Govan Housing Association hold no interest in Govan's share capital and although not having the legal status of "Director" they act as Executives within the authority delegated by Management Committee. The members of the Management Committee are unpaid. The governance arrangements include a Management Committee with additional Committees for Audit, Staffing and Operations.

The Management Committee has seen a considerable change in its membership and governance since 2012. The governance of the Association has been significantly strengthened with the addition of a number of new members with a range of relevant knowledge, skills and experience.

During the year, the Management Committee underwent on-going Training Needs Analysis for all members. The main purpose of this exercise is to ensure that governance arrangements are 'fit for purpose' and reflect the best practice guidance. Management Committee see this exercise as an on-going piece of work and therefore a key focus of the plan going forward will include:

- Emphasis on a professional, dedicated and skilled Management Committee;
- Continual review of terms of Management Committee members;
- Continual review and monitoring of the Codes of Conduct and Governance;
- Continual development of a training needs analysis for individual Committee members and the Committee as a whole to meet the needs of the current operating climate;
- Continual focus on succession planning and Committee member development;
- Continual development of the 3 sub-committees to support the Management Committee;
- Recognition of customer led scrutiny of the Association through the Service Scrutiny Panel and other means.
- Continual self assessment against the Regulatory Standards of Governance and Financial Management

The Executive Management Team of the Association during the period to 31 March 2017 was as follows:

Executive Management Team

Mrs Fiona McTaggart	Chief Executive
Ms Natalya Macholla	Deputy Chief Executive

The Executive Management Team, led by Chief Executive, Fiona McTaggart, are responsible for achieving the vision, strategic and operational outcomes, priorities and plans of the Management Committee outlined in the business plan. It is vital that the Executive Management Team ensure a high standard of professionalism, performance and innovation in their work. Vital to this is the ability to demonstrate a dynamic and hands-on approach in their work and in leading their respective teams as we continue to drive towards our overall mission of *'Moving Govan Forward'*.

Recruitment and Training of Members

Vacancies on the Management Committee are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Management Committee members receive initial induction training and are then eligible to attend internal

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

and external training events which not only build on existing experience but provide an opportunity to develop new skills and to network with their peers from across the housing sector. An annual skills assessment allows for gaps in expertise to be identified with relevant training programmes to be implemented to ensure efficient governance is in place.

Business Plan 2015 – 2018: *'Moving Govan Forward'*

The business plan is the primary document for Govan Housing Association; it provides the strategic and operational direction for the Association, provides staff and Committee with a common direction, and helps to ensure that we remain a financially viable, fit for purpose organisation aiming to improve services and provide a high standard of living for our residents. We view this document not only as a working tool for staff and Management Committee but also as a public declaration of our continuing commitment to all those who have a vested interest in our business.

The business plan demonstrates how we will achieve our vision and priorities over the period 2015 to 2018. It confirms how we are responding to the environment in which we operate to improve services, the quality of our stock and how we aim to create sustainable communities and support fully our local community over the period of the plan and beyond. Entering our final year of the plan we are in the process of carrying out a full and comprehensive review to ensure that our next Business Plan builds on our successes and supports our ambitious plans for the business and the wider community going forward.

Govan Housing Association possesses a rich history and one of development and innovation. Founded in 1971, Govan Housing Association was the first community-based housing provider, leading the way for social housing provision in Scotland. It is this innovation that our business plan aims to achieve and as such the business plan sits within the wider strategic framework of priorities and plans for housing and communities, both locally and nationally working collaboratively with key partners such as Central Govan Action Plan to regenerate and continually develop and improve the lives of our residents and future residents in the Govan area.

A number of changes have taken place over the past few years, nothing greater than the implementation of our new repair and maintenance subsidiary, Govan HOME Team in May 2017. The business plan will cover the period April 2015 to March 2018. It will endeavour to build on the successes of the last few years, as well as the learning from some significant challenges presented to the housing sector as a whole, notably the welfare reform, increasing levels of fuel poverty, the requirement for all of our stock to meet the new Energy Efficiency Standard for Social Housing and the need to protect our investment through comprehensive planned and cyclical maintenance programmes in order to maintain our stock to the Scottish Housing quality Standard.

Consultation on the business plan has been achieved through a variety of methods, events and activities. We have discussed the plan and its priorities with our service users and our Service Scrutiny Panel. The plan has within it, extensive performance monitoring and risk management arrangements to ensure that it will deliver tangible benefits and outcomes for our customers and the wider community.

The Management Committee and staff continued to have a number of meetings and 'away days' during 2017-18 where business planning and reviews were discussed. The Management Committee, Executive Management Team and their teams have contributed extensively to the development and production of the business plan and indeed the ongoing review. This approach will continue over the remaining period of the business plan and as we work towards our new plan for the period that follows to ensure that we continue to remain aware of the wider issues that are affecting our customers and the wider Govan community.

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REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

STRATEGIC REPORT

Overview

The finances of the organisation are governed by the detailed 30 year financial projections and strategy outlined in the business plan which was agreed by the Management Committee in March 2015 and which are reviewed on an annual basis. These projections demonstrate the challenges that the Association is expecting to meet and demonstrate the likely impact on the cash flow and financial capacity of the Association when meeting these challenges. The financial projections outlined in the business plan are reviewed regularly and approved by the Management Committee annually. This process is linked fully to the annual budget review process and the management of our financial covenants with our key lender, The Royal Bank of Scotland.

The Association has had another very successful year which has been underpinned by the implementation of the Govan HOME Team following a high profile launch in September 2017. The development of the Govan HOME Team subsidiary will enhance and complement how we achieve our strategic objectives. We are hopeful that our performance and work to date will provide a solid foundation to work towards achieving our overarching business plan. We are also confident that this will enable us to provide greater community benefit and position us well to act proactively to meet the needs of our customers and the wider community. To help underpin this vision we have developed some key operational objectives for the HOME Team, which are:

- To improve service delivery to all of our service users.
- To improve business efficiencies within the Govan Housing Association maintenance department.
- To generate surplus to re-invest into the local community that we serve.
- To ensure growth and meet priority needs.
- To ensure the provision of wider community benefits to the local area.

We are confident that the quality of our properties and the repairs service we provide helps our tenants feel safe and secure. We're committed to ensuring our homes are well-maintained. To do this, during the year we have made further progress with our planned investment programme through delivery of a substantial kitchen and bathroom replacement programme through the Govan HOME Team. In addition, we have developed plans for comprehensive window replacement programmes, close decoration improvements and improvements linked to the achievement of the Energy Efficiency Standard for Social Housing (ESSH). Despite being in its first year of operation, the HOME Team is already demonstrating substantial cost savings and enabling us to provide our tenants with greater choice and enhancements to their homes.

The ESSH and its impact on our stock is continuing to be assessed on an on-going basis. This coupled with our property investment programme, will ensure our tenants homes are warm, energy efficient and comfortable.

With the implementation of the Govan HOME Team, we will be looking to carry out the majority of the above tasks in-house with a view to seeking continuous improvements, improved value for money and an enhancement to the services that we already provide.

The Association continues to work collaboratively with Glasgow City Council to acquire further units across the Govan and Ibrox area to increase stock numbers and, more importantly, look at addressing wider physical, economic and social regenerative issues that are occurring in the area. The Association has received grant funding to subsidise the cost of both acquisition of properties but also follow-up repair works required to bring properties up to the standards required by the Scottish Housing Regulator and the Scottish Housing Quality Standards. This is an approach which the Association hopes will continue with a focus particularly on the Ibrox area of our stock.

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Review of Business and Future Developments (continued)

The Association is in a strong financial position with revolving loan facilities available to it on demand. The Association has also confidently met its banking covenants and borrowing requirements throughout the year.

As a business we continue to recognise the growing financial and structural pressures on the sector but consider that we have the commitment, skills, financial capacity and structure to enable us to provide a quality, customer-focussed and diverse service to our residents.

Income and Expenditure

The turnover of £8.051m relates mainly to the income from the letting of properties which accounts for £7.735m of this total. The balance of income of £0.316m relates to support activities, factoring income, grant funding from sources such as the Scottish Government, Glasgow City Council and People and Communities Fund.

Total Operating Expenditure was £6.363m, consisting of:

- Service Costs £0.213m.
- Management and maintenance administration costs - £2.140m.
- Reactive Maintenance - £1.376m.
- Planned and Cyclical Maintenance, including Major Repairs - £0.524m (major repairs expenditure which has been capitalised is detailed in note 3.
- Other Costs - £2.111m.

Balance Sheet

Housing Properties are demonstrating additions of £0.747m in the year, of which the majority of this balance relates to major repair costs to existing properties which were capitalised in line with the component accounting guidelines.

Our other Tangible Fixed Assets have also increased in the year with the majority of this balance relating to motor vehicles.

The debtors balance at the year end is £0.969m of which the gross rent debtor equates for £0.351m. The former tenant arrears have a provision for bad debt based on the value of the debt with current tenant arrears being provided for based on the age of the debt currently in effect. Also included in the debtors figure at the year end is a balance of £0.208m which relates to the Social Housing Grant accrued in relation to the acquisitions carried out towards the year end. All monies in relation to this balance have been received post year end.

The cash in hand at the year-end is £4.856m.

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 23. The surplus made in the year of £816,372 (2017 - £1,096,166) has been transferred to the Association's revenue reserve in full.

The statement of change in equity on page 29 details the reserve position at the year end.

Cash Flows

The Cash Flow statement is shown on page 28. The net cash inflows from operating activities were £0.725m. The principal cash outflows were operating costs and investment.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

Financing and Liquidity

The Association continues to hold a £2.5m revolving credit facility which remains undrawn, but which are immediately available for drawing should they be required. During the year no additional short or long-term borrowing was required.

The 2017/18 cash flow was managed so that the Association would fund the current year's activities with no borrowing required. Going forward into 2018/19, as the investment programme progresses, and results of the stock condition survey become evident, the Association may consider the use of additional loan finance to support large scale investment programmes. In addition to this, the Association are currently exploring some substantial new build development opportunities which will require the need to obtain additional loan finance.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 28 days from receipt of an invoice.

Capital Structure and Treasury Management

The Association's operations are funded based on a 30 Year Business Plan which must be reviewed annually. The funding is driven by a loan facility provided by our main lender, The Royal Bank of Scotland and grants provided by the Scottish Government. At the 31 March 2018 the Association had £2.5m in undrawn loan facilities which are immediately available for drawing should they be required.

The Association also has in place an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way the Association manages its borrowing arrangements to ensure that it is always able to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. As set out in our Treasury Management Policy and Practices, Committee receive six-monthly reviews of treasury management operations.

The Association, as a matter of policy, will maintain a mixed portfolio of fixed and variable interest rate borrowing with no more than 50% of borrowings exposed to variable rates. At 31 March 2018 the Association has a mix of 51% long term fixed and 49% variable rate finance.

An updated Loan security valuation was carried out in 2017 by Jones Lang Lasalle and based on the current rent strategy and market valuation, the 392 properties held as security for the current loan profile were valued at £20,287,000 subject to tenancies. The previous valuation carried out in 2014 was for £19,210,000, demonstrating an increase of £1,077,000. Given that the valuation of outstanding balances on the Association's loans equate to £10,489,295 there is comfort that the Associations recent valuation meets the requirement that this value is not less than 125% of its indebtedness to the Bank, and therefore no changes to the security package is required.

In light of the Association's ambitions to develop again and invest comprehensively in the existing stock, future borrowing will be required. To meet future financing requirements for the Associations strategic objectives then a full review of the current Treasury Management position is required, and the Association will consider its full borrowing capacity during 2018-19 in order to full support and substantiate future decision making.

Planning for the future

The Association will review its 30 year Business Plan annually which includes all long term plans for the business over the 30 year period. This is subject to review and amendment every year as real issues emerge, and the financial climate changes so too must the Business Plan evolve to meet those challenges. Where

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REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

required, the Business Plan projections will be reviewed on a more regular basis to ensure that risks are managed and current challenges are met without putting the business or its investment at risk.

The financial projections are a sub-section of the overall Business Plan. They demonstrate the key aspects of the business and the main areas of expenditure, notably; operating costs, planned and cyclical maintenance, day-to-day repairs and general investment across our stock. The key areas of funding for these activities are rental income, grants and loan debts. The financial plan and projections provide certainty in demonstrating the Association's ability to achieve the objectives of the Business Plan and provide a direct correlation between the strategic and operational objectives and the resources required to achieve these.

The key assumptions underpinning the 30 year projections are the investment in our stock to meet relevant standards, including the new requirements of the Energy Efficiency Standard for Social Housing (EESH) and monies required to meet the costs of maintaining our stock based on our stock condition survey data and the Association's overall asset management strategy. In addition to this, the plan also demonstrates caution around the welfare reform, anticipating higher levels of rent arrears and potential void loss. The plan also includes resource to bring up the general environment in which our tenants and residents live, including back court improvements and wider regenerative initiatives.

The sensitivity analysis incorporated into our 30 year projections provides the Association with better awareness and the resources to assist with the management of any potential challenges which affect the Association and indeed the housing sector as a whole.

The Association's engagement with the Scottish Housing Regulator continues to be low which means that they have sufficient assurance about the level of risk to our statutory objective and need little if any additional contact unless other events arise. Therefore, we must only submit the required annual returns; this is another great achievement in relation to our overall performance and financial management.

The Association has went through a number of changes in the past few years, which have brought about a number of challenges, but with it has brought a number of great successes, opportunities and positioned the organisation to move forward with the confidence that it has the structures, staff team and expertise to enhance our performance and continue to drive towards our mission of 'Moving Govan Forward'.

Looking forward into the future, we are conscious of the pressures currently being placed upon the housing sector, notably: welfare reform, continued compliance with Scottish Housing Quality Standards and the need to meet new energy efficiency standards, development pressures to meet the Scottish Government's targets for housing need and greater pressures on financing as a result of the wider political and economic environment in which we operate. In light of these, we shall continue to review our business, implementing robust controls to manage the various risks and carrying out the necessary business planning in order to ensure that the sound financial viability of the Association is not put at risk in the long term.

Our recent Residents Satisfaction Survey and our Annual Return on the Charter demonstrated and gave us a realistic review of where we are currently at as an Association. Despite many successes and above average performance in some key areas, there remains room for improvement, service developments and enhancements. As we go forward for the future we shall be aiming to address these issues as we continue with our overall mission of 'Moving Govan Forward'. The main areas we will continue to address are:

- To continue to review our tenant participation and scrutiny approach and get both our customers and the wider Greater Govan community more involved in the work of the Association to empower local residents to influence decisions and service delivery.
- To continue to grow and enhance our new repairs and maintenance subsidiary, Govan HOME Team, to ensure that our standards for both reactive and non-emergency repairs continually improve and provide value for money to our tenants and service users.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

- To establish a range of means by which to support tenants and the wider community with the impact of the Welfare Reform and build on our success in supporting tenants to secure key benefits to support them in their day to day lives.
- To continually improve the standard of our stock through a comprehensive planned and cyclical maintenance programme, focussing attention particularly on our pre-1919 tenement properties which provide such a rich heritage both locally and city-wide.
- To build sustainable and holistic partnerships and communities and overall assist the residents of Govan sustain their tenancies and live independently.
- To continually build and develop strong working relationships with our key partner organisations, both locally and nationally, and underpin the key strategies behind the expansion of this work as we continue to deliver enhanced services, better quality provisions and aim to mitigate the pressures placed, both upon our residents and the Association.
- To continue to improve service delivery across all areas of our business so that our customers have access to the best service possible from an organisation they can trust.
- To work with key strategic partners to continue the larger-scale investment in our pre-1919 tenemental stock e.g. major stone-work repairs and refurbishments.

Risk Management and Internal Control

The Association recognises that there are risks associated with anything new and untried and as a result wants to embrace new opportunities and recognising that, it will rarely be possible to remove risk associated with new opportunities completely. Thus the Association's aim is to identify, manage and minimise, rather than eliminate, risks which may prevent the organisation achieving its objectives. The identification and management of risk is on-going and occurs as changes are made to how the Association operates and to the external environment in which it works.

This risk management strategy forms part of the Association's internal control and corporate governance arrangements. The policy explains the Association's underlying approach to risk management and documents the roles and responsibilities of the Management Committee, the Executive Management Team, and other key parties. Central to the Association is its processes and framework for risk management. The Association is committed to embedding risk management throughout the organisation and its systems and controls are designed to ensure that exposure to significant risk is properly managed. The Management Committee set internal policy on risk and internal control as well as having responsibility for determining the strategic direction and providing oversight of risk management.

Management Committee will evaluate the effectiveness of the Association's risk management and internal control procedures. As part of this, the risk register is reviewed and reported via the Audit Sub-Committee, with ownership of each risk being attached to a specific officer of the Association. Whilst this report details the strategic risks for 2016-17, the Association recognises that successful risk management can only be accomplished on a day-to-day basis by staff at all levels.

- Political/financial uncertainties threaten future rental income. (e.g. tax credits, transfer of welfare powers from UK to Scottish Government, Brexit, Universal Credit, etc.).
- Committee and staff lack capacity to deliver the Association's strategy and operational targets and standards.
- Development: Contractor Liquidation/ Major Defect Post Completion/ Significant Cost overrun on development or significant contractual dispute.

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REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

- Increase in SHAPS final salary pension deficit liability leading to additional contribution costs and pressures on resources and cash flow of the Association. (Costs of auto-enrolment for all staff will mean increased contribution levels from the Association and further reduce cash flows in relation to pension costs).
- Failure by Management Committee to exercise sound governance, leading to regulatory intervention.
- Failure to deliver on Association's Asset Management Strategy resulting in difficult to let properties and a general fall in standard of the properties.

Annual Return on the Charter

During the year, the Association submitted their fourth report on the Scottish Social Housing Charter. This showed improvement against a range of performance indicators as detailed further in the report. We published our annual report on the charter which enabled us to demonstrate to tenants and service users our progress in meeting the standards and indicators outlined in the Scottish Social Housing Charter. Over the past year the Association has tried a number of different ways to engage and obtain feedback on both our current and future service delivery. The Association has also taken different approaches to get our customers and the community as a whole involved. Throughout 2017-18, this has primarily taken the form of tenant consultation through newsletters, our Annual Fun Day, effective use of the Association's Community Hub, our Service Scrutiny Panel and attendance at key community events. This work has assisted us in determining what information might be of most interest to our customers.

Monitoring and reporting on our performance is something that we do on a regular basis, so although the format was new in the year, the principle was not. The SHR Landlord Report, demonstrated to us, that despite performing well in many areas of our business, there remains room for improvement and effective strategies and action plans are in place to address this as we continue our vision of '*Moving Govan Forward*'.

Service Scrutiny Panel

The Service Scrutiny Panel provides the Association with a formal way to present recommendations directly to Management Committee. Importantly, the Panel will complement our other participation opportunities such as Registered Tenant Organisations and local community groups.

We hope to evolve the panel in the forthcoming year to encourage residents of different generational ranges to get involved.

OPERATING REVIEW

HOUSING MANAGEMENT

Key Performance Indicators (KPIs)

The Association's KPIs are reviewed quarterly via the Operations Sub Committee and documented in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator. The KPIs are also reported to our residents through our quarterly newsletters to ensure that our residents are fully aware of how the Association is performing.

The Housing Management team have a fundamental role to play in delivering improved housing services to our tenants, driving forward efficiency and delivering agreed outcomes whilst ensuring that the needs of our community are recognised. As a result, Housing Management are committed to continuous improvement and to playing its part in enabling the Association to achieve its aims and objectives. With this in mind, we aim to

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

ensure that we meet our performance targets and where we do not, we take the most appropriate remedial action to make improvements.

KPI	Target	2017-18	2016-17	2015-16
Total Lets	n/a	211	247	286
Total Gross Arrears	5%	6.56%	7.16%	8.16%
Void Re-let Times	14 days	19 days	20 days	28 days
Void Rent Loss	0.5%	0.68%	0.82%	1.25%
Section 5 Referrals	25%	24.40%	11.36%	16.73%
Tenancy Sustainment > 1 year	n/a	79.13%	78.66%	81.04%

Throughout 2017-18, the team have continued to develop their services to customers, ensuring the Association achieves quality outputs and improved resident satisfaction. This service model has been developed further to incorporate reduced patch areas serviced by more staff, which has shown to improve performance in most areas of Housing Management activity. In addition, we have introduced more effective ways for the Housing Management Team to work directly with our Financial Inclusion Team to maximise tenants' income and ensure that those in need obtain the support required to sustain their tenancy.

The Association recognises that the issues which are important to tenants, and the community as a whole, are where the Association should focus its energy and resources, and this includes providing a holistic response to customers housing needs. The revised generic service delivery model has been established to deliver on that vision.

Community Development and Tenant Support

The Association faces a challenging environment of welfare reform, economic downturn, increasing unemployment and reduced public spending. These factors are having, and will continue to have, an adverse effect on many of our customers, particularly those that are vulnerable and on low incomes.

Creating and maintaining successful tenancies lies at the heart of Govan Housing Associations vision – to create homes and places where people want to live. During the year, the Association has developed our Community Inclusion and Financial Inclusion Teams to help address some key factors pertaining to the community, notably:

- **Financial Inclusion** – to improve collection rates by targeting interventions to those at greatest risk of tenancy failure or who have higher levels of personal debt.
- **Welfare Reform** – To seek to mitigate the potential impacts of the continued roll-out of Universal Credit and other benefit reforms to residents.
- **Tenancy Support** - To improve tenancy sustainability by providing applicants and tenants with support and advice tailored to their needs, to maximise their opportunities to sustain their tenancy, support health and wellbeing and maximise their life opportunities. To develop and improve understanding of tenancy failure and its causes, developing our knowledge and use of data to develop services and solutions to reduce unnecessary and preventable tenancy failure.
- **Financial Capability and Economic Stability** –To improve the financial and economic stability amongst our tenants, developing financial capability, employability, and supporting tenants through economic downturns and changes brought about by welfare reform and other key areas e.g. fuel poverty.
- **Training and Employment** - To work collaboratively with partner agencies to further develop our approaches to supporting effective employment and training opportunities.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

- **Community Regeneration** - To work holistically and within a multi-agency approach to address and implement key regenerative initiatives and projects to better improve the local community and the lives of our residents.
- **Tenant Participation and Inclusion** - To work collaboratively with local partners, Tenants and Resident Association's, the Service Scrutiny Panel and the community as a whole to effectively promote the services of the Association and obtain vital feedback on the Association's existing service provision in order to build on and improve our future service delivery.
- **Digital Inclusion** - To work collaboratively with local partners to ensure that all our tenants and residents have the opportunity to enjoy the direct benefits which digital technology has to offer, through both access to technology and the skills, motivation and confidence to use it to improve their lives, whilst ensuring that the indirect benefits of technology improve all aspects of service planning and delivery.

The Community Inclusion and Financial Inclusion Teams will continue to develop going forward to meet the diverse needs of the Govan community and to enable the Association to meet its ambitious, performance-driven Key Performance Indicators.

Welfare Reform

Govan Housing Association has identified the loss of income due to welfare reforms as one of the highest risks affecting the business. Over the last year, our Financial Inclusion Team has worked closely with our Housing Management Team in implementing a range of preventative measures to try to mitigate loss of income. The Association has continued to up-skill staff to ensure maximisation of benefits to customers, including housing benefit. Through attendance at specific training and delivery of in-house training, knowledge and skills have been improved and staff are now better equipped to identify factors which may lead to tenancy failure at an earlier stage.

To continue to mitigate this risk the Association continues to work with our customers to provide advice and assistance on the impacts of welfare reform including:

- Advice on our website and regular features in our quarterly newsletter, promoting the services of internal staff and external partner agencies for one to one support.
- Regular financial inclusion drop-in days within our newly developed Community Hub facilities.
- Focus on early intervention and on preparing customers for the changes by continuing to provide awareness for tenants and their families at every stage of their tenancy i.e. pre-tenancy visits, tenancy sign-up, settling in visits, and ongoing tenancy interventions through our Housing Management and Community Inclusion Teams.
- On-going partnership working with Glasgow City Council to promote the take up of discretionary housing payments by our customers;
- Facilitating local events e.g. Fun Day, to consult with local residents on key matters which are important to them, ensuring that the Association is well placed to meet local need.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

MAINTENANCE AND REPAIRS

During 2017-18, Govan Housing Association received a total of 6,180 repairs orders, an increase of 930 repairs from the previous year.

The introduction of the Govan HOME Team this year has seen some fluctuations in our repair performance. However, overall we remain confident in our first years performance and look forward to the future development of the Govan HOME Team and our service provision to our residents.

We have also improved our performance again this year in relation to Gas Safety Compliance.

The performance in the year on key areas of our repairs and maintenance services are outlined below along with the respective targets to which the key performance indicator relates:

KPI	Target	2017-18	2016-17	2015-16
Emergency Repairs – Average Time	3 hours	2.15 hours	1.82 hours	2.03 hours
Non-Emergency Repairs	4 days	3.97 days	2.96 days	4.35 days
Gas Servicing	100%	99.94%	99.67%	98.16%
Customer Satisfaction – Very of Fairly Satisfied	98%	89.88%	97%	98.65%
Right First Time		81.69%	91.80	82.96%

Acquisitions

During 2017-18 the Association again worked in partnership with Glasgow City Council, Development and Regeneration Services (DRS), to acquire owner-occupied properties in the area. This piece of work has enabled the Association to acquire stock which will allow the Association to move forward with major repair works, where required, and provide much needed social rented accommodation to the Govan area. We are also in a position of developing a 3 year acquisition strategy through a holistic partnership approach with Glasgow City Council in order to improve the Ibrox area of our stock. This type of approach is more focussed and targeted towards areas which require the most attention and investment to enhance people's living standards, tackle poor standards in the private rented sector and provide quality services and support provisions for those choosing to make Ibrox their home.

Investment

The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in 2004 and sets a standard which all RSL and local authority housing stock must meet.

At the 31 March 2018, the Association held a total of 1,559 properties, of which 54% were meeting the SHQS and 44% were exempt. The exemptions are primarily in relation to the restrictions in the layouts of the pre-1919 tenemental stock. The remaining stock are all abeyances and the relevant paperwork is on file to demonstrate the reasons for these arising.

In addition to our SHQS compliance, the Association also has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of properties, which have come to the end of their economic lives.

During 2017-18, the Association has had a considerable focus on the requirements of the Energy Efficiency Standard for Social Housing (ESSH). Through our planned investment programme, we remain confident that we can meet this standard by the December 2020 deadline. We are also confident that we can implement

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

innovative concepts into both our existing and new build developments to demonstrate a forward-thinking approach to energy efficiency.

Given the challenges that our tenants experience, we are also mindful that our investment needs to aim to tackle fuel poverty. With this in mind, we are ensuring that our tenants obtain access to our high quality Financial Inclusion Service to discuss fuel poverty matters and to ensure that provisions are in place to help them best sustain their tenancy.

Review of Business and Future Developments

Going forward into 2018-19 the Association shall be implementing our planned maintenance programme for the year, seeing major programmes of works being undertaken to include e.g. window replacements, kitchen replacements, bathroom renewals, as well as looking at implementing comprehensive, value for money, cyclical programmes to address paintwork, estates and other communal areas. We have implemented procedures that sees us undertaking surveys of each property during the void process, the key objective of this piece of work is to build on the last stock condition survey carried out in 2012, and to develop a clean data-set to use as the foundation for all planned works going forward. The Association's aim is to strive towards 100% actual stock condition data, limiting the need to use cloned/assumed data. The longer term effect of this work will result in more accurate long-term planning both operationally and financial and importantly will provide an effective means by which to manage tenant expectations and provide high-quality homes for both current and future tenants.

Govan HOME Team

During 2016-17, the Association has continued to grow and develop our in-house direct labour organisation with a view to seeking continuous improvements and obtaining improved value for money. Our DLO, renamed Govan HOME Team delivers multi-trade services for our properties and our open and common spaces. After various operational reviews the Association developed further this area of the business to take forward the Association's ambition to deliver our savings and improvements.

In May 2016, Govan Housing Association (GHA) appointed an external consultant to progress with an Options Appraisal project relating to Govan Home, the Association's Direct Labour Organisation (DLO). The outcome of this options appraisal determined that transferring the DLO to a subsidiary would create several benefits including the ability to:

- Provide a wider range of services to tenants and other service users which will assist GHA to achieve optimised results in relation to the Scottish Social Housing Charter
- Increase satisfaction levels amongst service users
- Control the delivery of our reactive and planned repairs service
- Generate profit or surpluses, which can be applied for the purposes of the group
- Create tax efficiencies
- Create community employability benefits to a number of local residents.

The new wholly owned subsidiary will be set up as a Community Interest Company (CIC) and structured as a Company Limited by Shares (CLS) with GHA as the only shareholder. Although operating at arm's length with an independent board, GHA will retain control of the subsidiary through effective governance processes and systems, and an independence agreement that sets out how the parent and subsidiary will work together to enable the DLO subsidiary to meet its agreed aims and objectives.

Going forward, these improvements and changes should show improved outcomes for tenants in relation to repairs and maintenance, improved open environments and green spaces, cleaner neighbourhoods and a more efficient and effective use of our staffing resources in delivering savings with improved standards.

The Govan Home Team continue to develop the environment in and around Govan by, improving old brick bin stores and working to increase bin storage capacity, maintaining anti-dog fouling campaigns, power washing

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

our streets and back courts, regenerating old and poorly positioned flower planters, fitting new kitchens and bathrooms and contributing to the development of hanging flower baskets along Govan Road.

All these activities have been positive steps to "Moving Govan Forward" and these changes have been embraced by the staff who recognise the need for change themselves.

This is the beginning of an exciting and ambitious development for Govan Housing Association and is the beginning of a new chapter for the Association and the communities that we serve.

Gas Safety Compliance

The Association has a legislative obligation to maintain all gas appliances within its properties. This maintenance obligation extends to an annual inspection and service of each appliance, with appropriate certification being issued by a registered Gas Safe engineer. This obligation excludes appliances installed by tenants.

As at March 2018, 99.94% of applicable appliances had a valid safety certificate. Over the year, the Association has implemented a vigorous escalation procedure, including both Housing Management and Maintenance staff, to ensure access to all properties is achieved in advance of the expiry date of the safety certificate. When deemed necessary, this procedure includes forcing access to properties. To assist with this process, over the course of the year, the Association has continued with the reduced gas servicing cycle of 10 months which will ensure that sufficient time is provided to access our most vulnerable tenancies and that quality or legislative requirements are not compromised.

ORGANISATIONAL DEVELOPMENT

Awards and Recognition

During 2016-17 the Association successfully achieved IIP Platinum Accreditation, the IIP Health and Wellbeing Award and Investors in Young People Gold Accreditation in recognition of its improvement through people success. The achievement of these awards demonstrates how the Association effectively recruits, develops and retains its staff members and is an employer of choice.

The Association appreciates that continued investment in the people within our organisation helps to ensure that we have a diligent, committed and skilled staff team who care about the people in the community and are determined to provide the best service possible to our service users. These awards have been a great recognition demonstrating the passion of our staff team and also highlighting the freshness and vibrancy that young people bring to our organisation. We hope to continue building on this going forward, using our experience as an employer within the social rented housing sector to enhance the opportunities for young people and use this experience to develop the business as a whole.

Learning and Development Opportunities

The Association continues to partner with organisations such as the Scottish Council for Voluntary Organisations, Job Centre Plus and Glasgow City Council to deliver a comprehensive range of employment opportunities across the Association. The Association also remain committed to offering a wide range of learning opportunities for staff. This has included the provision of

- Further education within a college or university setting through distance learning.
- Scottish Vocational Qualification Level 2 and 3 in Business Administration.
- Short courses.
- HNC in Building and Construction
- Professional Factoring qualification
- Conference attendance by both members of Govan Housing Association staff and Committee Members.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

During 2017-18, the Association introduced several new training roles within the Association; Trainee Factoring Assistant, Trainee Operations Assistants and Trainee Customer Service Assistants. These roles will not only include considerable vocational experience, they will also incorporate a diverse range of in-house and external training to build their competence and better prepare them for future employment and career development.

IT Systems

The Association continues to work on its comprehensive IT project surrounding the re-implementation of the Association's Housing Management and Finance System, QL-x. It is anticipated that the full implementation will be complete in October 2018 with the main outcomes of this project being:

- Customer-focussed systems providing more options for our tenants to liaise with the Association;
- Streamlined systems which ensure that resource within the organisation is used effectively;
- Systems that will support the growth of the organisation and the service improvements that the Association aims to achieve;
- Systems that provide a more effective interface and promote interactivity between the Association and its key contractors;
- Strong robust systems, with good levels of internal control to protect the Association.
- Systems that deliver robust reporting tools to enhance performance management

This project has been lengthy and has required us to rethink about how we wish to hold data and deliver our systems so that they meet future need. We are also keen that our systems are refreshing and easy-to-use to encourage tenants and empower tenants to engage with us effectively and manage their tenancy.

In addition to our new QL-x system we have also been working hard to develop our new website. The new website is due to go live in late 2018 and there will be many new and exciting features for our stakeholders to view as well as some great information on the Association, our people and the wider community.

REGENERATION AND DEVELOPMENT

The Association wants to deliver a service which goes far beyond the basic housing service and which puts the Association at the heart of the Govan community again, puts tenants and the wider community interests at the heart of projects undertaken and which tackles the wider economic and social challenges facing the Govan area.

Our vision is to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of residents.

The implementation of our Community Inclusion Team has seen our community regeneration activity grow and develop substantially over 2017-18. A summary of some of the projects now being undertaken are outlined below:

Hub Development

Our Community Hub situated at 901 and 905 Govan Road provides a diverse programme of social inclusion, educational and focussed training and education. The programme is extensive with various projects operating on a daily and weekly basis, notably: Breakfast Club, Pensioners Group, Ladies Group, Men's Group, Govan

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

Walkers, Cooks for the Community, Community Meal, ESOL classes, Autism Parent Support Group, Participatory Research Project, Youth Provision and our very successful Networking Breakfast.

72% of the engagements within the Community Hub are with our tenants. At present we average approximately 140 users per week and the Hub is now open for over 60 hours per week.

We are very grateful to our delivery partners who provide one-to-one support, formal and informal classes, drop-in facilities and workshops. Some notable partners include; Glasgow Clyde College, Maslow's Charity Shop, Scottish Action for Refugees, Govan Community Project, Glasgow Council on Alcohol, Govan Youth Information Project, Narcotics Anonymous, Community Safety Glasgow, Street Cones, Govan HELP, NHS Health Improvement Team and Youth Bank to name a few.

Digital Inclusion

Over the year we have developed our Digital Inclusion Hub and provided greater access to IT provision for our customers within our offices. We are focussed on delivering a comprehensive Digital Inclusion and Participation Strategy which empowers local people and which assists people in securing their tenancy and better equipping them for employment and the welfare benefit systems.

Our current digital works include:

- Development of a Digital Forum.
- Digital Drop-in Services.
- One-to-One Support.
- IT Classes.
- Digital Lending Library.
- Employability.
- Satellite Drop-In Services.
- Digital Learning in our Supported and Sheltered Accommodation.
- School Coding Event.

We currently work in partnership with Unlock Employment, Momentum Skills and Jobs and Business Glasgow. At present we are averaging over 50 users per week and we are offering digital support services over 29 hours per week.

Workshops, Training and Events

From our various community provisions, we have been able to better develop a programme of activities, events and workshops to suit the needs of our tenants and the wider community. We proactively reach out to our tenants to find out about the issues that matter to them most and indeed where they feel that more support is required to meet theirs and their families needs.

Over 2017-18, we have delivered a range of workshops such as; How Not to Make Music, Digital Banking and Coding for Kids. We have also delivered training on Social Media, First Aid, Food Hygiene, Digital Camera Use, Business Marketing, IT for Beginners, Respect Me: Online Safety and Walk Leader Training.

Further to this, we have supported tenants and residents' groups to deliver the following community based and focussed events:

- Luath Street Party.
- Govan Film Festival.
- Scottish Book Week.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

Mini Modulus and Operation Modulus

A diversionary and educational programme aimed at detached and vulnerable young people in partnership with Plantation, Street Cones, Community Safety Glasgow, Police Scotland, Strathclyde Fire & Rescue, James Seaman Outdoor and Central Govan Action Plan.

During 2017-18, we have continued to develop this programme and linked it in to wider diversionary activities, work experience, volunteering and a trip to Belfast to experience differing cultures and backgrounds.

The Mini-Modulus programme complemented the wider Operation Modulus programme with two of the younger people obtaining employment with our Govan HOME Team and a further 3 young people also obtaining employment as Labourer/Estate Caretakers through a partnership approach with Community Safety Glasgow and Community Jobs Scotland.

Financial Inclusion Drop In

A community based drop in offering financial capability advice and info on saving, debt, benefits and energy efficiency to both tenants and residents. The Digital Hub offers an alternative to the small meeting rooms in the office which people may find intimidating.

People and Communities Fund

In the year we were also fortunate to obtain funding from the Scottish Government's People and Communities Fund which has enabled us to develop some great holistic partnerships with local organisations. Some of the highlights of this have included the provision of our Digital Services through a contribution towards the costs of our Digital Inclusion Worker, digital and social inclusion works with the Preshal Trust and delivery of the Activate Course in partnership with Sunny Govan Radio and Glasgow University.

We are also grateful to Gilded Lily who have taken on one of our empty shop units and are now delivering their very successful Young Mum's Project on a daily basis.

The coming months will also see us develop the program further with the introduction new projects and initiatives in partnership with our partnering agencies. In particular we are hoping to focus on developing our partnership with the local Job Centre Plus in light of the introduction of Universal Credit Full Service in September 2018.

The Association is becoming the community anchor that we have aspired for it to be. We are becoming a partner of choice with key agencies looking to work closely with the Association to achieve both local and national outcomes and to deliver innovative and dynamic services for the local community. This is a positive step and with initiatives such as Thriving Places coming to the area and the large investment from Central Govan Action Plan and City Deal, it is an exciting time for the local area and an opportunity for the Association to take advantage of both funding and project initiatives which can bring true, lasting and sustainable benefits to the Govan community.

Holistic Partnerships

Govan Housing Association are clear that the vision for the regeneration and development of the Govan area cannot be achieved alone and therefore a main element in our approach is about adopting a holistic partnership approach to tackle problems, deliver effective services, learn, innovate and add best value to our community. Management Committee's aim is to work in partnership with tenants, owners, staff, other Registered Social Landlords (RSLs), Glasgow City Council, local regeneration projects and other agencies to deliver a wide range of social, economic and environmental regeneration activities that will contribute to the creation of building a safer and sustainable community.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For The year ended 31st MARCH 2018

Review of Business and Future Developments (continued)

Our Key Aims

The Association wants our customers to feel safe, secure and supported by the community and for customers to have a long association with the area, to feel a sense of belonging and to have pride in it. This underpins the great importance of the holistic approach to partnership working, collaboratively working with others to:

- Contribute towards the broader needs and desires of our tenants and their respective communities.
- Establish opportunities for the growth and development of a stronger, more sustainable Govan community.
- Exploit opportunities to provide possibilities and wider options for our customers to build their skills and their life prospects.
- Provide resource and activities which our tenants can take pride in and which demonstrate vibrancy and inclusiveness attractive to both current and future customers and community members.

To achieve our objectives our Community Development and Regeneration Strategy will aim to deliver on the following key themes:

1. Community Engagement and Involvement.
2. Employability and Training Opportunity.
3. Building Sustainable Communities.
4. Youth Development and Integration.

Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has the adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Information to Auditors

As far as the Management Committee are aware there is no relevant audit information of which the auditors are unaware. The Management Committee members have taken all appropriate steps to ensure they are aware of any relevant audit information. Any such information has been passed onto the auditors accordingly.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Statement on Internal Financial Control

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

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

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:-

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £2,319 (2017 - £500).

Auditors

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

By order of the Management Committee

MISS GEORGINA HAY

Secretary

30 August 2018

GOVAN HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 22 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 22 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee, and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

[REDACTED]
ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

Date : [REDACTED]



Alexander Sloan

Accountants and Business Advisers

GOVAN HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Govan Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

GOVAN HOUSING ASSOCIATION LIMITED

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

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 21, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for 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 the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[REDACTED]
ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

Date : [REDACTED]



Alexander Sloan
Accountants and Business Advisers

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
REVENUE	2		8,050,661		7,835,720
Operating Costs	2		(6,951,831)		(6,333,399)
OPERATING SURPLUS			1,098,830		1,502,321
Gain On Sale Of Housing Stock	7	63,998		26,983	
Interest Receivable and Other Income		8,862		9,169	
Interest Payable and Similar Charges	8	(352,171)		(362,152)	
Other Finance Income / (Charges)	11	(3,147)		(80,155)	
			(282,458)		(406,155)
SURPLUS FOR THE YEAR	9		816,372		1,096,166
Other Comprehensive Income			-		-
TOTAL COMPREHENSIVE INCOME			816,372		1,096,166

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12 (a)		63,358,946		64,643,209
Other Non-current Assets	12 (b)		1,545,245		1,323,093
			<u>64,904,191</u>		<u>65,966,302</u>
INVESTMENTS					
Investment in subsidiaries	27	1		-	
			1		-
RECEIVABLES: Amounts falling due after more than one year	15		275,000		-
CURRENT ASSETS					
Receivables	16	969,208		1,058,662	
Cash at bank and in hand		4,855,603		5,072,294	
		<u>5,824,811</u>		<u>6,130,956</u>	
CREDITORS: Amounts falling due within one year	17	(2,359,907)		(2,719,299)	
NET CURRENT ASSETS			<u>3,464,904</u>		<u>3,411,657</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			68,644,096		69,377,959
CREDITORS: Amounts falling due after more than one year	18		(11,037,937)		(11,499,271)
DEFERRED INCOME					
Social Housing Grants	19	(46,924,600)		(47,983,711)	
Other Grants	19	(638,584)		(668,352)	
			<u>(47,563,184)</u>		<u>(48,652,063)</u>
NET ASSETS			<u>10,042,975</u>		<u>9,226,625</u>
EQUITY					
Share Capital	20		196		218
Revenue Reserves			10,042,779		9,226,407
			<u>10,042,975</u>		<u>9,226,625</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 30 August 2018.

Ch

Secretary

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
Net cash inflow from operating activities	18	725,077	2,063,642
Investing Activities			
Acquisition and Construction of Properties	(746,541)	(3,080,373)	
Purchase of Other Fixed Assets	(418,937)	(83,945)	
Social Housing Grant Received	831,990	2,447,227	
Investment in subsidiaries	1	-	
Other Grants Received	2,000	-	
Proceeds on Disposal of Properties	32,828	40,274	
Net cash outflow from investing activities		(298,659)	(676,817)
Financing Activities			
Interest Received on Cash and Cash Equivalents	8,862	9,169	
Interest Paid on Loans	(352,171)	(362,152)	
Loan Principal Repayments	(381,804)	(368,867)	
Share Capital Issued	6	6	
Net cash outflow from financing activities		(725,107)	(721,844)
(Decrease) / increase in cash		(298,689)	664,981
Opening Cash & Cash Equivalents		4,990,095	4,325,114
Closing Cash & Cash Equivalents		<u>4,691,406</u>	<u>4,990,095</u>
Cash and Cash equivalents as at 31 March			
Cash		4,855,603	5,072,294
Bank overdraft		(164,197)	(82,199)
		<u>4,691,406</u>	<u>4,990,095</u>

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2016	212	8,130,241	8,130,453
Issue of Shares	6	-	6
Surplus for the year	-	1,096,166	1,096,166
Balance as at 31 March 2017	<u>218</u>	<u>9,226,407</u>	<u>9,226,625</u>
Balance as at 1 April 2017	218	9,226,407	9,226,625
Issue of Shares	6	-	6
Cancellation of Shares	(28)	-	(28)
Surplus for the year	-	816,372	816,372
Balance as at 31 March 2018	<u>196</u>	<u>10,042,779</u>	<u>10,042,975</u>

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond. Contributions to the Defined Contribution Scheme are charged to the Statement of Comprehensive Income as incurred.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

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

Asset Category	Depreciation Rate
Office Premises	2% Straight Line
Furniture and Equipment	25% Reducing Balance
Vehicles	15 - 25% Straight Line
Trailer	15% Straight Line

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

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

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

Sales Of Housing Properties

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

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

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

Housing Property Managed By Agents

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

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) Pension Liability

In March 2018 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	7,734,545	6,363,306	1,371,239	7,408,099	5,844,866	1,563,231
Other Activities	4	316,116	588,525	(272,409)	427,621	488,531	(60,910)
Total		8,050,661	6,951,831	1,098,830	7,835,720	6,333,399	1,502,321

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	Shared Ownership £	2018 Total £	2017 Total £
Revenue from Lettings					
Rent receivable net of service charges	5,873,903	68,259	72,216	6,014,378	5,618,878
Service charges receivable	23,524	107,846	-	131,370	216,960
Gross income from rent and service charges	5,897,427	176,105	72,216	6,145,748	5,835,838
Less: Rent losses from voids	37,183	-	-	37,183	43,258
Net Rents Receivable	5,860,244	176,105	72,216	6,108,565	5,792,580
Grants released from deferred income	1,547,966	-	13,820	1,561,786	1,547,800
Revenue grants from Scottish Ministers	64,194	-	-	64,194	67,719
Total turnover from affordable letting activities	7,472,404	176,105	86,036	7,734,545	7,408,099
Expenditure on affordable letting activities					
Management and maintenance administration costs	2,082,150	29,615	27,815	2,139,580	1,671,790
Service Costs	130,419	75,704	6,611	212,734	193,823
Planned and cyclical maintenance, including major repairs	524,398	-	-	524,398	558,654
Reactive maintenance costs	1,374,774	-	1,162	1,375,936	1,324,162
Bad Debts - rents and service charges	97,929	-	3,305	101,234	99,723
Depreciation of affordable let properties	1,993,724	-	15,700	2,009,424	1,996,716
Operating costs of affordable letting activities	6,203,394	105,319	54,593	6,363,306	5,844,868
Operating surplus on affordable letting activities	1,269,010	70,786	31,443	1,371,239	1,563,231
2017	1,448,980	69,757	44,494		

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus /(Deficit) 2018	Operating Surplus /(Deficit) 2017
	£	£	£	£	£	£	£
Wider role activities	95,113	-	95,113	-	167,104	(71,991)	(44,821)
Factoring	-	147,708	147,708	7,779	191,259	(51,330)	(23,119)
Other Income	-	11,518	11,518	-	-	11,518	11,106
Sale of other fixed assets	300	-	300	-	32,025	(31,725)	-
Other activities	-	61,477	61,477	-	190,958	(128,881)	(4,076)
Total From Other Activities	95,413	220,703	316,116	7,779	580,746	(272,409)	(60,910)
2017	85,703	153,800	427,621	13,177	475,354	(60,910)	

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2018	2017
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>154,571</u>	<u>148,297</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>19,834</u>	<u>17,011</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>88,715</u>	<u>86,525</u>
Total Emoluments paid to key management personnel	<u>193,843</u>	<u>183,435</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	<u>1</u>	<u>1</u>
£80,001 to £90,000	<u>1</u>	<u>1</u>

6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>36</u>	<u>52</u>
The average total number of Employees employed during the year was:	<u>38</u>	<u>53</u>
Staff Costs were:	£	£
Wages and Salaries	1,222,107	1,387,380
Social Security Costs	121,695	124,782
Other Pension Costs	115,133	123,947
	<u>1,458,935</u>	<u>1,636,109</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	32,828	40,274
Cost of Sales	(31,170)	13,291
Gain On Sale Of Housing Stock	<u>63,998</u>	<u>26,983</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>352,171</u>	<u>362,152</u>
	<u>352,171</u>	<u>362,152</u>

9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	2,142,275	2,067,197
Auditors' Remuneration - Audit Services	9,540	9,018
Auditors' Remuneration - Other Services	2,160	-
Operating Lease Rentals - Other	6,229	2,609
Gain on sale of fixed assets	<u>(63,998)</u>	<u>(26,983)</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	<u>3,147</u>	<u>80,155</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
As at 1 April 2017	92,994,289	369,963	784,995	94,149,247
Additions	632,870	113,671	-	746,541
Disposals	(274,719)	(10,163)	-	(284,882)
Schemes Completed	319,951	(319,951)	-	-
As at 31 March 2018	<u>93,672,391</u>	<u>153,520</u>	<u>784,995</u>	<u>94,610,906</u>
DEPRECIATION				
As at 1 April 2017	29,239,140	-	266,898	29,506,038
Charge for Year	1,969,292	-	15,700	1,984,992
Disposals	(239,070)	-	-	(239,070)
As at 31 March 2018	<u>30,969,362</u>	<u>-</u>	<u>282,598</u>	<u>31,251,960</u>
NET BOOK VALUE				
As at 31 March 2018	<u>62,703,029</u>	<u>153,520</u>	<u>502,397</u>	<u>63,358,946</u>
As at 31 March 2017	<u>63,755,149</u>	<u>369,963</u>	<u>518,097</u>	<u>64,643,209</u>

Additions to housing properties include capitalised development administration costs of nil (2017 - nil) and capitalised major repair costs to existing properties of £469,185 (2017 - £462,586).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £2,646,875 (2017 - £1,020,283). The amount capitalised is £746,541 (2017 - £462,586) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £469,185 (2017 - £462,586) and improvement of £277,356 (2017 - £0).

The depreciation charge on housing properties as shown above differs from that per Note 3 due to accelerated depreciation on component replacements.

The Association's Lenders have standard securities over Housing Property with a carrying value of £16,194,137 (2017 - £16,317,405).

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Ass	Office Premises £	Furniture & Equipment £	Commercial Property £	Motor Vehicles £	Total £
COST					
As at 1 April 2017	581,341	333,476	1,037,381	75,012	2,027,210
Additions	107,509	40,379	-	271,049	418,937
Eliminated on Disposals	-	(2,586)	(16,739)	(73,314)	(92,639)
As at 31 March 2018	688,850	371,269	1,020,642	272,747	2,353,508
AGGREGATE DEPRECIATION					
As at 1 April 2017	108,864	251,993	291,105	52,155	704,117
Charge for year	13,777	57,121	18,368	68,017	157,283
Eliminated on Disposals	-	(1,666)	(335)	(51,136)	(53,137)
As at 31 March 2018	122,641	307,448	309,138	69,036	808,263
NET BOOK VALUE					
As at 31 March 2018	566,209	63,821	711,504	203,711	1,545,245
As at 31 March 2017	472,477	81,483	746,276	22,857	1,323,093

13. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	138,045	237,722

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

Following the commission of a specialist architectural report relative to one of the Association's developments the Association have begun legal action against third parties. It is anticipated that the costs of necessary remedial works shall be borne in full by a third party following resolution of the case and are therefore not incorporated above.

14. COMMITMENTS UNDER OPERATING LEASES

	2018 £	2017 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Other		
Not later than one year	6,229	2,600
Later than one year and not later than five years	17,801	4,676

15. RECEIVABLES AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Loan to subsidiary	275,000	-

The loan to the subsidiary company attracts interest of 3.5% and is due for final repayment by 31 March 2022.

16. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	350,876	306,548
Less: Provision for Doubtful Debts	(215,284)	(156,120)
	135,592	150,428
Social Housing Grant Receivable	208,339	531,507
Other Receivables	275,493	376,727
Amounts Due from Group Undertakings	349,784	-
	969,208	1,058,662

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank Overdrafts (secured)	164,197	82,199
Housing Loans	381,804	377,913
Motor Vehicle Leases	40,004	-
Trade Payables	44,263	396,916
Rent Received in Advance	587,006	506,727
Other Taxation and Social Security	44,107	-
Other Payables	478,623	462,677
Liability for Past Service Contributions	254,056	246,656
Accruals and Deferred Income	365,847	646,211
	<u>2,359,907</u>	<u>2,719,299</u>

At the balance sheet date there were pension contributions outstanding of £36,783 (2017 - £36,674).

18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Liability for Past Service Contributions	755,844	1,006,753
Motor Vehicle Leases	174,602	-
Housing Loans	10,107,491	10,492,518
	<u>11,037,937</u>	<u>11,499,271</u>
Housing Loans		
Amounts due within one year	381,804	377,913
Amounts due in one year or more but less than two years	388,735	384,979
Amounts due in two years or more but less than five years	1,230,350	1,198,653
Amounts due in more than five years	8,488,406	8,908,886
	10,489,295	10,870,431
Less: Amount shown in Current Liabilities	381,804	377,913
	<u>10,107,491</u>	<u>10,492,518</u>
Motor Vehicle Leases		
Amounts due within one year	40,004	-
Amounts due in one year or more but less than two years	40,004	-
Amounts due in two years or more but less than five years	134,598	-
	214,606	-
Less: Amount shown in Current Liabilities	40,004	-
	<u>174,602</u>	<u>-</u>
Liability for Past Service Contributions		
Amounts due within one year	254,056	246,656
Amounts due in one year or more but less than two years	261,677	254,056
Amounts due in two years or more but less than five years	494,167	752,697
	1,009,900	1,253,409
Less: Amount shown in Current Liabilities	254,056	246,656
	<u>755,844</u>	<u>1,006,753</u>

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

Lender	Effective Interest Rate	Maturity (Year)	Variable / Fixed
RBS	5.0%	2024	Fixed
RBS	LIBOR + 1.7%	2041	Variable
RBS	Base + 0.2%	2043	Variable
RBS	5.1%	2022	Fixed
RBS	LIBOR + 0.2%	2043	Variable
RBS	4.8%	2041	Fixed
RBS	4.9%	2041	Fixed

A total of 392 properties are secured by RBS with a NBV of £16,194,137 (2017: 382 properties, NBV of £16,317,405).

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2018 £	2017 £
Operating Surplus	1,098,830	1,502,321
Depreciation	2,159,961	2,096,559
Amortisation of Capital Grants	(1,500,237)	(1,564,169)
Change in debtors	(233,714)	(95,348)
Change in creditors	(521,588)	204,434
Unwinding of Discount on Pension Liability	(3,147)	(80,155)
Change in loan to subsidiary	(275,000)	-
Share Capital Written Off	(28)	-
Net cash inflow from operating activities	<u>725,077</u>	<u>2,063,642</u>

19. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Other Fixed Assets £	Total £
Social Housing Grants					
As at 1 April 2017	72,236,726	358,265	690,982	-	73,285,973
Additions in the year	414,926	93,896	-	-	508,822
Eliminated on disposal of components and property	(83,464)	-	-	-	(83,464)
Transferred	319,952	(319,952)	-	-	-
As at 31 March 2018	<u>72,888,140</u>	<u>132,209</u>	<u>690,982</u>	<u>-</u>	<u>73,711,331</u>
Amortisation					
As at 1 April 2017	25,067,328	-	234,934	-	25,302,262
Amortisation charge in the year	1,548,286	-	13,820	-	1,562,106
Disposed of in the year	(77,637)	-	-	-	(77,637)
As at 31 March 2018	<u>26,537,977</u>	<u>-</u>	<u>248,754</u>	<u>-</u>	<u>26,786,731</u>
Net book value					
As at 31 March 2018	<u>46,350,163</u>	<u>132,209</u>	<u>442,228</u>	<u>-</u>	<u>46,924,600</u>
As at 31 March 2017	<u>47,169,398</u>	<u>358,265</u>	<u>456,048</u>	<u>-</u>	<u>47,983,711</u>
Other Grants					
As at 1 April 2017	-	-	-	920,345	920,345
Additions in the year	-	-	-	2,000	2,000
Eliminated on disposal of components and property	-	-	-	(16,000)	(16,000)
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>906,345</u>	<u>906,345</u>
Amortisation					
As at 1 April 2017	-	-	-	251,993	251,993
Amortisation charge in the year	-	-	-	16,088	16,088
Disposed of in the year	-	-	-	(320)	(320)
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,761</u>	<u>267,761</u>
Net book value					
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,584</u>	<u>638,584</u>
As at 31 March 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,352</u>	<u>668,352</u>
Total grants net book value as at 31 March 2018	<u>46,350,163</u>	<u>132,209</u>	<u>442,228</u>	<u>638,584</u>	<u>47,563,184</u>
Total grants net book value as at 31 March 2017	<u>47,169,398</u>	<u>358,265</u>	<u>456,048</u>	<u>668,352</u>	<u>48,652,063</u>

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

	2018 £	2017 £
Amounts due within one year	1,561,786	1,564,169
Amounts due in one year or more	46,001,398	47,087,894
	<u>47,563,184</u>	<u>48,652,063</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018	2017
	£	£
As at 1 April 2017	218	212
Issued in year	6	6
Cancelled in year	(28)	-
At 31 March 2018	<u>196</u>	<u>218</u>

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

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018	2017
	No.	No.
General Needs - Built by Association	476	476
General Needs - Purchased by Association	1,072	1,068
Shared Ownership	23	23
Supported Housing	24	24
	<u>1,595</u>	<u>1,591</u>

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

Name of Organisation	Number of Units	
	2018	2017
	No.	No.
Loretto Care	11	11
Key Housing Association	1	1
Talbot Association	1	1

22. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

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

The Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	2018	2017
	£	£
Rent received from tenants on the Management Committee and their close family members	<u>15,484</u>	<u>21,090</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £754 (2017 - £65).

Members of the Management Committee who are tenants	4	6
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Note 27 provides further information on transactions with the Association's wholly owned subsidiary - Govan Home Team C.I.C.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 35 McKechnie Street, Govan , Glasgow .

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Govan.

25. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £2,272 (2017 - £5,307) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. INVESTMENTS

Investments in Subsidiaries	2018 £	2017 £
Cost		
As at 1 April and 31 March	1	-
NBV		
As at 31 March 2018	<u>1</u>	<u>-</u>
As at 1 April 2017	<u>1</u>	<u>-</u>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary named Govan Home Team C.I.C. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, the Association was charged £1,293,347 (2017 - £nil) for work undertaken by the subsidiary company, including planned, reactive and cyclical maintenance. Included within this amount was £13,284 (2017 - £nil) in relation to grants applicable to the company.

The Association recharged operating costs met by the Association on behalf of the subsidiary. These included leased motor vehicles, wages and salaries, materials and other overheads totalling £1,453,396 (2017 - £nil).

The parent Association recharged leasehold improvements totalling £371,450 in respect of costs which were met on behalf of the subsidiary for the fit out at Edminston Drive, £371,450 of which has been capitalised as Leasehold Improvements in the balance sheet of the subsidiary.

The parent Association made a 50% grant contribution towards the cost of the leasehold improvements in the subsidiary company, Govan Home Team C.I.C.

The subsidiary has an outstanding loan with the Association totalling £275,000 of which interest is being charged at 3.5% per annum. Applicable interest for the period ended 31 March 2018 has been accrued (£4,010) through the intercompany debtor.

In addition to the loan balance, the subsidiary owed the Association £349,784, represented by an intercompany debtor. This is shown within current debtors (note 16).

The Association acts as a guarantor on the subsidiary's lease of 246 Edminston Drive, Glasgow

The aggregate amount of capital and reserves and the results of Govan Home Team C.I.C for the year ended 31 March 2018 were as follows:

	2018 £	2017 £
Capital & Reserves	<u>24,651</u>	<u>-</u>
Surplus for the year	<u>24,650</u>	<u>-</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the September 2015 valuation, the scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £254,056 from 1 April 2018 (2017 - £236,693). Payments are expected to increase by 3% per annum and continue until February 2022.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £1,009,900 (2017 - £1,253,409). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.51% (2017 - 1.06%).

The Association made payments totalling £361,789 (2017: £360,640) to the past service deficit and the defined contribution scheme during the year. The payment towards the past service deficit liability was £246,656 (2017: £236,693) and the payments towards the defined contribution scheme were £115,133 (2017 - £123,947)