



**GOVAN HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

**Scottish Charity Number SC009055
Registered with the Financial Conduct Authority No. 1686R(S)
Registered Housing Association No. HEP87**

GOVAN HOUSING ASSOCIATION LIMITED

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**MEMBERS OF THE MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2022**

Management Committee

Mr Thomas McArthur	(Resigned 25 May 2022)
Mr Gary Maguire MBE	(Chairperson from 9 September 2021)
Miss Georgina Hay	(Passed away 14 January 2022)
Mr Colin Quigley	
Mrs Alice Connelly	
Mr Zulfur Khan	
Ms Donna McKenzie	(Resigned 30 September 2021)
Mr Stefano Kalonji	(Resigned 20 June 2022)
Ms Karen Russell	Vice Chair (Leave of absence 30 September 2021 – 27 January 2022)
Mr Stephen McLachlan	
Mr Jamie Murray	(Co-opted 28 October 2021)
Ms Samantha Morton	(Co-opted 28 October 2021 – resigned 8 July 2022)
Ms Ann Fraser	(Co-opted 28 October 2021)
Ms Sarah Johnston	(Co-opted 28 October 2021 – resigned 23 February 2022))
Ms Avril Williamson	(Co-opted 27 January 2022)

Executive Officers

Mrs Fiona McTaggart	Chief Executive
Ms Caron Quinn	Director of Corporate Services / Deputy CEO / Secretary
Mrs Kerry Ann Wallace	Director of Customer Services (from 19/07/2021)
Mr Thomas McLeod	Head of Property Services (Left Executive Team 19/07/2021)
Miss Fiona McLauchlan	Head of Housing & Community Engagement (Left Executive Team 19/07/2021)

Registered Office

35 McKechnie Street
Govan
Glasgow
G51 3AQ

External Auditors

Azets
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Solicitors

Harper MacLeod
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Internal Auditors

BDO
Atlantic Quay
70 York Street
Glasgow
G2 8LX

Brechin Tindal, Oates Solicitors
48 St. Vincent Street
Glasgow
G2 5HS

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The Management Committee present their Annual Report together with the audited accounts for the year ended 31 March 2022. These accounts cover the year 1 April 2021 to 31 March 2022.

Principal Office and Registered Address

35 McKechnie Street
Govan
Glasgow
G51 3AQ

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 50 years of operating in the housing sector, the Association now owns and manages over 1,630 socially rented properties and provides factoring services to 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 during the year. We recognise that to deliver our vision and deliver it well, we need to be open to change in order 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 preserve the history and pride of Govan and guarantee its future by providing good quality housing, enhancing aspirations and improving lives."

Governance and Decision Making

The strategic leadership and direction of the Group is provided by the Management Committee of Govan Housing Association which comprises of 9 members, and the Govan Home Team Board comprising 5 members. The Management Committee for Govan Housing Association is supported by a Chief Executive and an Executive Management Team.

Management Committee Members

All tenant members of the Management Committee are on Scottish Secure Tenancy Agreements and these members cannot use their position on the Management Committee to their 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 Subcommittees for Audit, Staffing and Operations.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Executive Management Team

Mrs Fiona McTaggart	Chief Executive
Ms Caron Quinn	Director of Corporate Services/Deputy CEO
Mrs Kerry Ann Wallace	Director of Customer Services (from 19/07/2021)
Mr Thomas Mcleod	Head of Property Services (Left Executive Team 19/07/2021)
Miss Fiona McLauchlan	Head of Housing & Community Engagement (Left Executive Team 19/07/2021)

The Executive Management Team, led by Chief Executive, Fiona McTaggart, is 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*'. The Executive team has recently been revamped with a new Director position being recruited and also a restructure of the senior Management Team.

Review of Business and Future Developments

STRATEGIC REPORT

Overview

The finances of the organisation are governed by the detailed 30 year financial projections and strategy, 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 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.

Govan Housing Association Limited is a Social Landlord and registered Charity operating in the Govan and Ibrox Areas of Glasgow. The Association was formed in 1972 with the aim to provide high quality social housing to the people of Govan. The Association's main business is the provision of long term affordable rented housing, the provision of housing support for those who need additional help, property management for property and regeneration of the Govan and Ibrox areas of Glasgow.

The Govan HOME Team subsidiary was also affected during the year due to the fallout from Covid which has resulted in increased raw material costs as well as a shortage of available tradesmen throughout. These challenges are likely to continue into 2022/23 as the world faces ever increasing inflation issues.

The performance and effort to date will provide a solid foundation to work towards achieving our overarching business plan. 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.
- To expand on the services provided to Govan Housing Association

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

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.

Financing and Liquidity

The Association has also confidently met its banking covenants and borrowing requirements throughout the year and also successfully agreed a new source of funding during April 2022.

Going forward into 2022/23, as the investment programme progresses the Association managed to secure a further £9m of additional loan finance to support large scale investment programmes such as the Window Replacement Programme which started in February 2020, but was significantly impacted during 2020-22 due to Covid, and which is now expected to continue into 2023. The Association are also looking to finalise a further £8.9m loan financing for the Water Row Development which is on site during 2022/23 which is provisionally scheduled to be completed early 2023/24

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 less than 30 days.

Capital Structure and Treasury Management

The Association's operations are funded on the basis of a 30 Year Business Plan which has to 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.

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 in a position 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 2022 the Association has a mix of 52% long term fixed and 48% variable rate finance.

Planning for the future

The Association reviews its 30 year financial 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. Each year's budget is also reviewed after six months and projections will be adjusted if required to ensure that risks are managed and current challenges are met without putting the business or its investments at risk.

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.

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.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

Planning for the future (continued)

The fallout of the Covid crisis raised additional complexities in the short to medium term for both Govan Housing Association and the Home Team. The Association's ability to adapt and continue to service our tenants, has been exemplary and a testament to the staff's dedication to the local community.

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 while also 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. 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, the Association recognises that successful risk management can only be accomplished on a day-to-day basis by staff at all levels.

Business Performance

Key Performance Indicators are reported to the Board quarterly across a range of performance, satisfaction and financial indicators and reported annually to the regulator via the Annual return on the Charter and other key financial returns including this annual report.

OPERATING REVIEW CUSTOMER SERVICES

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

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

Throughout 2021/22, the team have continued to develop their services to customers while providing additional assistance during the Covid crisis, while ensuring the Association achieves quality outputs and improved resident satisfaction. This service model has been developed further to incorporate reduced community 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 continues to face a challenging environment of welfare reform, economic downturn, increasing unemployment, reduced public spending and the effects of Covid. 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.

We are committed to work with partners to provide quality home, good neighbourhoods, sustainable tenancies and community Engagement to enhance overall wellbeing in our community

- **Financial Inclusion** – Govan Housing Association's Financial Inclusion Service was re-branded in 2021 and is now referred to as our Money Advice Service, a term which we believe to be more familiar and welcoming to our customers. The Money Advice Service works in partnership with our in-house Energy Adviser to maximise the income of our customers, reduce debt and to challenge poverty and financial exclusion. Income Maximisation is assistance to ensure that residents are getting all of the benefits / income that they are entitled to and aiding resident's money to go further by also looking at expenditure and outgoings.

Since its launch in 2018, the service has developed considerably to work holistically with other local organisations in order to support the people of Govan's wider financial inequality and aspirations. People face hard choices with money throughout their lives, at moments of crisis such as the breakdown of relationships, loss of family members or through illness. More recently, as a result of the Covid-19 pandemic and the significant rise in the cost of living, more people have experienced an increase financial hardship. Some residents have had no option but to rely on local food provision and choose high interest finance products they cannot afford or resort to doorstep lenders. Confronted with such events, most of us could make smarter decisions, given the right support.

- **Energy Costs** – During the pandemic in 2020, Govan Housing Association worked jointly as part of GEL group which includes representatives of the three Housing Associations in Govan, Govan HA, Elderspark and Linthouse Housing Associations. We worked together to apply for funding for a Govan Energy Service which was a continuation of the great work we had already achieved in setting up an Energy Service by all three organisations to tackle fuel poverty within our local community. We were delighted to announce that in March 2020 all three organisations secured funding of £200,000 from OFGEM's 'Energy Redress Scheme' that is administered from the Energy Saving Trust. The project lead is Elderspark Housing Association who work in partnership with all three Associations.

Review of Business and Future Developments (continued)

Community Development and Tenant Support (continued)

The aim of the new “Govan Energy Advice Project” will be to offer support to prevent fuel poverty, tackle fuel debt, access best value tariffs and reduce household energy consumption through better energy usage. Tenants from all three housing associations and new applicants identified as being “fuel poor” or “at risk of being in fuel poverty” will receive help with referrals coming from each organization’s financial inclusion staff and housing officers. The ambitious project has set a target of making 750 home energy advice visits; which initially will be delivered digitally due to restrictions imposed by the Covid pandemic. Energy advice workshops will eventually be held as will drop-in community events. Between the three housing associations own and manage over 4000 homes and a high proportion of local residents are considered to be in fuel poverty.

- **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.
- **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.
- **Customer Engagement** - In addition to our more formalised groups such Registered Tenants Organisations, in our last annual report, we said we wanted to improve and direct our services to be more for customer focused. We have worked hard since then to put the foundations in place with a programme of engagement to ensure this is happening:
 - Street/Close visit programme
 - Customer Focus Group
 - Shaw Street Residents’ Group
 - Owners’ Forum
 - Howat/Luath/Taransay/Elder Street Litter Pick Group
 - Weekly Walk and Talk
 - Community Fund and Awards Panel

We are working towards a Tenants Engagement Forum, informed by all the previous endeavours where will be in a position to offer a range of involvement opportunities and where tenants can continue to drive our agenda for the future. We have changed the way we work as a result, with our community engagement team dedicated to working alongside our community, tenants, owners and stakeholders to ensure feedback and expertise from lived experience is integral to all areas of our work.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

MAINTENANCE AND REPAIRS

During 2021/22, Govan Housing Association completed a total of 6,583 which is a return to a typical pre covid annual figure since 2020/21 had only 2,751 repairs due to restrictions being in place.

The performance in the year on key areas of our repairs and maintenance services are outlined in our Annual Return of the Charter.

Acquisitions

During 2021/22, 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 currently in our final year of the 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 in order 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 2022, the Association held a total of 1,623 applicable self-contained units, of which 28% were meeting the SHQS and 18% were exempt. Of the 876 properties currently failing SHQS, 857 of those fails are due the expiry of the properties EICR certificate, this became a requirement in April 2020 and all properties are now required to have a valid certificate of no more than 5 years old. The Association and many other RSL's in the sector faced many challenges to achieve this milestone due to access restrictions to properties during covid, lack of relevant tradespersons, all compounding impacts of the pandemic. We are on track to complete our EICR cyclical programme by the end of the financial year 2023. The exemptions are primarily in relation to the restrictions in the layouts of the pre-1919 tenement stock. The remaining stock is 'abeyances' with only seven failures.

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.

Energy Efficiency Standard for Social Housing 2 (ESSH2) is an enhanced set of standards which were put in place as at 1st January 2021 and the first key milestone of these new standards is December 2025 where no social housing property is allowed to be re-let under a band D EPC certificate. Our Maintenance Team, along with our subsidiary, Govan Home Team, have a planned maintenance programme in place to meet this deadline.

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.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

Govan HOME Team

The Govan HOME Team is a subsidiary of the Govan Housing Association group. The Govan HOME Team has been registered as a Community Interest Company, meaning that profits generated will go directly into the communities that Govan Housing Association works with to support social, economic and physical regeneration and improvements.

The Govan HOME Team went live in May 2017 and has aimed to deliver a high quality repairs, maintenance and environmental service to the residents of Govan and further afield as the service and business grows and develops. The team carry out a range of works, including:

- Reactive and void property repairs.
- General building maintenance.
- Kitchen and bathroom installations.
- Electrical installations and re-wires.
- Cyclical paintwork and common close repairs.
- Landscaping.
- Estate Maintenance.
- Window Replacement Contract
- Smoke Detector Installations
- Gutter Cleaning Contract
- Bulk Uplift

Through surpluses generated by the HOME Team we will endeavour to invest in community projects to ensure that our people and communities thrive and develop in an environment where their aspirations are nurtured, they are encouraged to achieve the unexpected and they respect the Govan area as their home.

During 2021/22 the fallout from the Covid crisis, it has had an impact on the Home Team through increasing material costs and labour shortages. A combination of price inflation, energy price rises and the Ukraine conflict have all impacted the construction sector this year. Inflation is rising at its fastest rate in 30-years as fuel, energy and food costs have also surged. The high demand on materials is likely to continue into 2023 and although the shortages have been recently reducing, any significant price adjustment is unlikely to be seen in the short term.

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 2022, there were 13 failures (<1%) of applicable appliances that did not have a valid safety certificate. Over the year, the Association was unable to access a number of properties due to the lockdown restrictions that were put in place by the Scottish Government. During 2021/22 we re-implemented a vigorous escalation procedure, involving 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 utilised a reduced gas servicing cycle of 10 months which should ensure that sufficient time is provided to access our most vulnerable tenancies and that quality or legislative requirements are not compromised. This process has already proved successful previously as we have managed a 100% pass rate in prior years before Covid.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

Achievements

In January 2022, the Money, Debt & Energy Services were successful in securing funding of £40,000.00 from the Scottish Federation of Housing Associations (SFHA) distributed between the three Housing Associations of the GEL partnership (Elderpark, Govan and Linthouse).

This substantial sum of money received provided financial support towards the cost of fuel for our tenants who needed it most and who were in financial hardship due to fuel poverty.

With the rise in energy costs throughout the country this year, this funding played a key role in tackling fuel poverty in the Govan area.

Covid-19 Tenant Grant Fund

In early 2022, Registered Social Landlords in Glasgow were given the opportunity to apply to Glasgow City Council for financial help from the Covid-19 Tenant Grant Fund for eligible tenants who faced financial distress during the pandemic, leading them to have rent arrears and placing their tenancy at risk.

The primary function of the grant was to help sustain tenancies and reduce homelessness by providing grant relief to those who faced difficulties due to the Covid-19 pandemic.

Eligibility criteria included tenants who accrued arrears during the period 23rd March 2020 – 9th August 2021. By accepting the grant, the landlord was asked to agree to cease any eviction proceedings relating to arrears owed.

In order to establish each RSL's share of the grant fund, the Council nominally divided the fund by sector according to the number of properties within each sector. This split was £1,002,300 for Social Rented Sector and £539,700 for the Private Rented Sector. Further to this, the £1,002,300 allocated to RSLs was broken down based on stock profile. As a result of this, it was confirmed that Govan Housing Association would be allocated £16,222.38.

Cash for Kids 2021/22

On 14th December 2021, the Association were made aware that we had been successful in obtaining grant funding from Radio Clyde's Cash for Kids.

Govan Housing Association applied for 424 children however the fund contacted us to advise that they could award a grant of £10,010 but not the full amount requested.

The Association gratefully accepted this amount and took the decision to award a £35 Asda voucher per household (as oppose to per child in previous years) meaning that all 286 households could benefit from this.

The Association was later invited to submit an application to the Cash for Kids Winter Fund which, in partnership with the Scottish Government would provide a £100 voucher to children in poverty to help contribute financially towards basic essentials such as food, fuel and warm clothing.

We are pleased to confirm that we were successful in our application and received a grant of £6,800 to help 68 children in poverty.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (continued)

Money Advice Service Performance

The Money Advice Service have continued to offer service users of Govan Housing Association a variety of different advice and assistance in all welfare benefit and debt related matters. The team, all throughout the different rules and restrictions in place as a result of the pandemic, have continued to operate a full and comprehensive service to tenants through different means including, face to face, over the phone, video call and home visits where necessary. We are delighted that despite the fact this year has been extremely challenging, our service has been successful in achieving yet another year of fantastic results in terms of income maximisation and financial gains for our valued customers. The total value of financial gains achieved for our customers in 2021/22 was £1,145,650.14

SNSIAP Accreditation

Our Financial Inclusion Team successfully achieved the SNSIAP Accreditation and had been working towards this for the past three years since this team was launched within our organisation.

The process involved a detailed review of casework against the SNSIAP framework and an extensive audit on a broad range of the service's policy and business management processes.

In particular, during Covid-19 when the focus of the team became increasingly challenging in assisting and supporting the most vulnerable tenants in the community, the focus remained on working towards this accreditation. This demonstrates the passion and determination of the team to achieve this accreditation and how they have adopted a culture of continuous improvement in advice work.

This accreditation will reaffirm to Govan Housing Association's customers that the highest standard of advice and service will be provided with it being one of the first housing associations to have received both welfare rights and debt advice accreditation in Scotland at type II/III.

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.

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 that 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on internal financial control.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

Statement of Management Committee's Responsibilities (continued)

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 2010 and the Determination of Accounting Requirements 2019. It is 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 ensure the Association's suppliers are paid promptly.

Statement on Internal Financial Control

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the 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 governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly 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 governing body;
- the Management Committee receive reports from management and from 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 2022. No weaknesses were found in 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.

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2022

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 an 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.

Auditor

A resolution to re-appoint Azets Audit Services as auditor will be put to the members at the Annual General Meeting.

By order of the Management Committee



Secretary
25 August 2022

**REPORT BY THE AUDITORS TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED ON
CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31 MARCH 2022**

In addition to our audit of the financial statements, we have reviewed your statement on page 12 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 to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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 reason given for non-compliance.

Opinion

In our opinion the Statement of Internal Financial Control on page 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued 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 Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Azets Audit Services
Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF
25 August 2022

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION
LIMITED
FOR THE YEAR ENDED 31 MARCH 2022**

Opinion

We have audited the financial statements of Govan Housing Association Limited (the 'Association') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

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 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

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect to going concern are described in the relevant sections of this report.

Other information

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

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

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

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on pages 11 and 12 the Management Committee is 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 determine 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 intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we 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. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Association through discussions with the Management Committee members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Management Committee and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Management Committee and relevant sub-committees;
- enquiring of the senior management team and the Management Committee as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Association's legal advisors.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Management Committee as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.


To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. 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.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members, as a body, 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.



Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 25 August 2022

Azets Audit Services is eligible for appointment as auditor of the Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

GOVAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	£	2022 £	£	2021 £
Revenue	4		8,860,614		8,816,173
Operating costs	4		8,948,825		7,576,974
OPERATING (DEFICIT)/SURPLUS			(88,211)		1,239,199
Gain on sale of housing stock	12		-		63,346
Interest receivable on other income			10,980		14,322
Interest payable and similar charges	10		(318,458)		(322,608)
(Deficit)/surplus on ordinary activities before taxation	7		(395,689)		994,259
(DEFICIT)/SURPLUS FOR THE YEAR			(395,689)		994,259
Other comprehensive income					
Actuarial gains/(losses) on defined benefit pension plan	24		630,000		(945,000)
TOTAL COMPREHENSIVE INCOME			234,311		49,259

The results relate wholly to continuing activities.

The notes on pages 23 to 45 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	£	2022 £	£	2021 £
NON-CURRENT ASSETS					
Housing properties	13a		68,115,227		64,802,718
Other tangible assets	13b		1,210,366		1,248,249
Investments	14		1		1
			69,325,594		66,050,968
CURRENT ASSETS					
Receivables	15	1,856,445		1,936,958	
Stock and work in progress		-		209,014	
Cash and cash equivalents	16	649,386		2,918,344	
		2,505,831		5,064,316	
CREDITORS:					
Amounts falling due within one year	17	(2,947,724)		(2,090,507)	
NET CURRENT (LIABILITIES)/ASSETS			(441,893)		2,973,809
TOTAL ASSETS LESS CURRENT LIABILITIES			68,883,701		69,024,777
CREDITORS:					
Amounts falling due after more than one year	18	(8,500,788)			(8,918,263)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish Housing Association Pension Scheme	24	-		(833,000)	
			-		(833,000)
DEFERRED INCOME					
Social Housing grants	20	(48,023,829)		(47,132,013)	
Other grants	20	(603,671)		(620,400)	
			(48,627,500)		(47,752,413)
NET ASSETS			11,755,413		11,521,101
EQUITY					
Share capital	21		84		83
Revenue reserves			11,755,329		12,354,018
Pension reserves			-		(833,000)
			11,755,413		11,521,101

The financial statements were approved by the Management committee and authorised for issue and signed on their behalf on 25 August 2022

Mr Gary Maguire MBE
Chairperson

Ms Karen Russell
Vice Chairperson

Ms Caron Quinn
Secretary

The notes on pages 23 to 45 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Share capital £	Scottish Housing Association Pension Reserve £	Revenue Reserve £	Total £
Balance as at 1 April 2020	90	(133,000)	11,604,759	11,471,849
Issue of shares	5	-	-	5
Cancellation of shares	(12)	-	-	(12)
Other comprehensive income	-	(945,000)	-	(945,000)
Other movements	-	245,000	(245,000)	-
Surplus for the year	-	-	994,259	994,259
Balance as at 31 March 2021	83	(833,000)	12,354,018	11,521,101
Balance as at 1 April 2021	83	(833,000)	12,354,018	11,521,101
Issue of shares	7	-	-	7
Cancellation of shares	(6)	-	-	(6)
Other comprehensive income	-	630,000	-	630,000
Other movements	-	203,000	(203,000)	-
Deficit for the year	-	-	(395,689)	(395,689)
Balance as at 31 March 2022	84	-	11,755,329	11,755,413

The notes on pages 23 to 45 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	£	2022 £	£	2021 £
(Deficit)/surplus for the Year			(395,689)		994,259
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets		2,226,290		2,192,865	
Amortisation of capital grants	20	(1,610,074)		(1,603,247)	
Gain on disposal of tangible fixed assets		-		(63,346)	
Non-cash adjustments to pension provisions		(218,000)		(245,000)	
Share capital written off	21	(6)		(12)	
			398,210		281,260
Interest receivable		(10,980)			(14,322)
Interest payable		318,458			322,608
Operating cash flows before movements in working capital			309,999		1,583,805
Change in stock		(168,301)		(114,125)	
Change in debtors		80,813		(600,407)	
Change in creditors		919,358		(597,024)	
			831,870		(1,311,556)
Net cash inflow from operating activities			1,141,869		272,249
Acquisition and construction of properties		(5,106,499)		(2,458,838)	
Purchase of other fixed assets		(17,102)		(30,812)	
Social housing grant received		2,486,989		1,642,024	
Social housing grant repaid		-		(37,538)	
Proceeds on disposal of housing properties		-		128,948	
Proceeds on disposal of other tangible assets		-		753	
			(2,636,612)		(755,463)
Financing Activities					
Finance lease repayment		(83,853)		(42,646)	
Interest receivable		10,980		14,322	
Interest payable		(303,456)		(322,608)	
Loan principal repayments		(397,893)		(400,130)	
Share capital issued	21	7		5	
Net cash outflow from financing activities			(774,215)		(751,057)
Decrease in cash			(2,268,958)		(1,234,271)
Opening cash & cash equivalents	16		2,918,344		4,152,615
Closing cash & cash equivalents			649,386		2,918,344
Cash and cash equivalents as at 31 March					
Cash	16		649,386		2,918,344
			649,386		2,918,344

The notes on pages 23 to 45 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2022

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2022 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HEP 87. The registered address is available on the first page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

Basis of accounting

The financial statements are prepared under the historical cost basis of accounting.

Going concern

The financial statements have been prepared on a going concern basis. The Management Committee have assessed the Association's ability to continue as a going concern and have reasonable expectation that the Association have adequate resources to continue in operational existence for the foreseeable future. This assessment of going concern includes the expected impact of COVID-19 to the entity in the 12 months following the signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Turnover

Turnover represents rental and service income receivable and fees and grants from local authorities and the Scottish Government. Also included is any income from and management fees for the factoring of properties for private owners as the provision of factoring services is accounted for on an agency basis.

Income from rental and service charges and factoring activities is recognised when the Association is entitled to it, it is probable it will be received, and it can be measured reliably.

Income from revenue grants receivable have been covered in a separate accounting policy below.

2. Principal accounting policies (continued)

Leasing

Rentals payable under operating lease are charged to the Statement of Income and Retained Earnings on a straight line basis over the period of the lease.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, the grant is recognised as income using the accrual model in accordance with SORP 2018. Unamortised capital grant is held as deferred income on the statement of financial position.

Bad and doubtful debts

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

Interest receivable

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

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Tangible fixed assets - Housing properties

Housing Properties are stated at cost less accumulated depreciation. Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

Capitalisation of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Housing property managed by agents

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

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2022

2. Principal accounting policies (continued)

Depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Kitchen	Over 15 years
Bathrooms	Over 20 years
Central heating	Over 15 years

Housing under construction is not depreciated.

Other fixed assets

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

Office premises	2% straight line
Furniture and equipment	25% straight line
Commercial units	2% straight line
Vehicles	15-15% straight line

Impairment

Reviews for impairment of housing properties are carried out at scheme level when a possible impairment is highlighted by a change in circumstances (such as high repair costs or difficulties in lettings). Any impairment in an income generating unit is recognised by a charge in the Statement of Comprehensive Income and is recognised when the carrying value of the unit exceeds the higher of its net realisable value or value in use. The net realisable value is determined by an external valuation by a RICS approved valuer.

Housing Association Grant and other capital grants

Housing Association Grant and other capital grants certain developments have been financed wholly or partly by Housing Association Grant (HAG) or other capital grants. HAG is repayable under certain circumstances, primarily following sale of the related property but will normally be restricted to net proceeds of sale.

Capital grants are accounted for using the accrual model and are recognised in income on a systematic basis over the useful life of the related housing asset. The Association uses the useful lives of all housing components on a pro-rata basis to calculate the annual amortisation.

Sales of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of constructions 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.

Financial instruments

(Debtors and creditors receivable/payable within one year)

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

2. Principal accounting policies (continued)

Financial instruments (continued)

(Loans and borrowings)

Bank loans provided by Private Lenders are classed as basic under the requirements of FRS 102, and are therefore measured at amortised cost.

Stock

Stocks of material held have been valued at the lower of costs and net realisable value. Cost is defined as the supplier's invoice.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

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

Pension costs

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

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

Corporation tax

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

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2022

3. Judgement in applying policies and key sources of uncertainty

In preparing the financial statements, management are required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Board consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating profit' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

The members of the Board are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of housing properties	Housing Properties are held at deemed cost which is based on existing use valuations at the date of transition to FRS 102 of 1 April 2014.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on expected asset life cycles.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPs pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalisation has been included in the SHAPS defined benefit liability.
Impairment of debtors	The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considered factors including the ageing profile of debtors and historical experience. See note 14 for carrying amount of debtors.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

4. Particulars of turnover, operating costs and operating surplus/(deficit)

	Notes	Turnover £	Operating costs £	Operating Surplus/ (deficit) 2022 £
Affordable letting activities	5	8,443,745	8,199,118	244,627
Other activities	6	416,869	749,707	(332,838)
Total		8,860,614	8,948,825	(88,211)

	Notes	Turnover £	Operating costs £	Operating Surplus/ (deficit) 2021 £
Affordable letting activities	5	8,255,886	6,460,562	1,795,324
Other activities	6	560,287	1,116,412	(556,125)
Total		8,816,173	7,576,974	1,239,199

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

5.Particulars of turnover, operating costs & operating surplus from affordable letting activities

	General Needs Social Housing £	Supported Housing £	Shared Ownership	Total 2022 £	Total 2021 £
Revenue from Lettings					
Rent receivable net of service charges	6,765,718	43,547	76,048	6,885,313	6,666,987
Service charges receivable	12,797	17,368	-	30,165	118,572
Gross income from rent and service	6,778,515	60,915	76,048	6,915,478	6,785,559
Less: Rent losses from voids	93,173	-	-	93,173	132,226
Income from rents and service charges	6,685,342	60,915	76,048	6,822,305	6,653,333
Grants released from deferred income	1,581,652	-	11,694	1,593,346	1,589,699
Revenue grants from Scottish Ministers	28,094	-	-	28,094	12,854
Total Turnover from affordable letting	8,295,088	60,915	87,742	8,443,745	8,255,886
Expenditure on affordable letting activities					
Management & maintenance administration costs	2,324,278	29,489	16,990	2,370,757	1,905,573
Service costs	217,294	29,937	3,412	250,643	289,517
Planned & cyclical maintenance including major repair costs	1,992,810	-	-	1,992,810	1,585,091
Reactive maintenance costs	1,348,828	-	378	1,349,206	651,526
Bad debts (rents and service charges)	39,679	-	26,545	66,224	(61,463)
Depreciation of affordable let properties	2,156,193	-	13,285	2,169,478	2,090,318
Operating expenditure for affordable letting properties	8,079,082	59,426	60,610	8,199,118	6,460,562
Operating surplus/(deficit) for affordable letting properties, 2022	216,006	1,489	27,132	244,627	1,795,324
<i>Operating surplus for affordable letting properties, 2021</i>	<i>1,686,739</i>	<i>12,476</i>	<i>96,109</i>		

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

6. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs bad debts £	Other operating costs £	Operating surplus or (deficit) 2022 £	Operating surplus or (deficit) 2021 £
Wider Role Activities	-	-	-	127,230	127,230	-	323,103	(195,873)	(437,395)
Factoring	-	-	-	174,615	174,615	14,700	325,743	(165,828)	(85,440)
Development Costs	-	-	-	-	-	-	21,023	(21,023)	(22,509)
Commercial rent	-	-	-	21,245	21,245	-	13,019	8,226	-
Other activities	-	-	-	93,779	93,779	-	52,119	41,660	(10,781)
Total from other activities	-	-	-	416,869	416,869	14,700	735,007	(332,838)	(556,125)
Total 2021	287,992	272,295	560,287	17,747	1,098,665	(556,125)			

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2022

7. Surplus for the year

	2022 £	2021 £
Surplus for the year is stated after		
Depreciation – non-current assets	2,196,274	2,192,865
Auditor's remuneration for external audit services	11,450	14,124
Auditor's remuneration for taxation services	-	4,494
Operating lease rentals – other	23,147	8,467
	<u>23,147</u>	<u>8,467</u>

8. Emoluments and interests of key management personnel

The Officers are defined in the Co-operative and Community Benefit Societies Act 20214 as the members of the Management Committee, managers and employees of the Association. No emoluments were paid to any member of the Board during the year.

	2022 £	2021 £
The emoluments of Officers with emoluments greater than £60,000 were as follows:		
Salary	258,018	163,131
Pension contributions	21,060	19,562
Social Security costs	25,624	20,086
	<u>304,702</u>	<u>202,779</u>

	2022 £	2021 £
The emoluments of the Chief Executive were as follows:		
Salary	96,094	94,631
Pension contributions	9,539	12,712
	<u>105,633</u>	<u>107,343</u>

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 24. No enhanced or special terms apply to their membership.

Total amounts paid to key management personnel were £253,285 (2021: £336,622).

The number of key management personnel whose emoluments, excluding pension contributions, were above £60,000 for the year were:

	2022 £	2021 £
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-
£80,001 to £90,000	1	-
£90,001 to £100,000	1	1
	<u>1</u>	<u>1</u>

Redundancy ex-gratia payments were made during the year to 1 individual (2021 – 1) totalling £66,595 (2021 - £9,800).

GOVAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022**

9. Employee information	2022	2021
	£	£
Staff costs during the year were as follows		
Salaries	1,639,447	1,530,171
Social Security costs	162,712	150,218
Pension costs	384,132	377,870
	2,186,291	2,058,259
	2022	2021
	£	£
The average number of persons (full time equivalents) employed by the Association during the year	41	43
The average total number of persons employed by the Association during the year	44	44
10. Interest	2022	2021
	£	£
Interest payable on bank loans	303,458	310,767
Other loan interest	15,000	11,841
	318,458	322,608
11. Corporation Tax		
The Association has charitable status and no Corporation Tax charge arises on activities in the year.		
12. Gain on sale of housing stock	2022	2021
	£	£
Sales proceeds	-	68,250
Cost of sales	-	4,904
Gain on sale of housing stock	-	63,346

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

13. Tangible fixed assets

(a) Housing properties:	Housing properties held for letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
Cost				
At 1 April 2021	99,415,113	1,104,676	664,245	101,184,034
Additions during year:				
Property	361,045	-	-	361,045
Components	2,431,630	2,691,218	-	5,122,848
Transfers	171,045	(171,045)	-	-
Disposals during year:				
Property	-	-	-	-
Components	(669,454)	-	-	(669,454)
At 31 March 2022	101,709,379	3,624,849	664,245	105,998,473
Depreciation				
At 1 April 2021	36,102,333	-	278,983	36,381,316
Charge for the year	2,128,083	-	13,285	2,143,368
Disposals during year:				
Property	-	-	-	-
Components	(639,438)	-	-	(639,438)
At 31 March 2022	37,590,978	-	292,268	37,883,246
Net book value				
At 31 March 2022	64,118,401	3,624,849	371,977	68,115,227
At 31 March 2021	63,312,780	1,104,676	385,262	64,802,718
Housing units:	General Needs No	Supported Housing No	Shared Ownership No	Total No
At 1 April 2021	1,608	24	22	1,654
At 31 March 2022	1,620	24	22	1,666

All housing properties are heritable.

Components with a cost of £669,454 (2021 - £393,257) and accumulated depreciation of £639,438 (2021 - £368,607) have been disposed of in the year for net proceeds of £nil (2021 - £nil).

The Association's lenders have standard security over housing property with a carrying value of £14,326,794 (2021: £14,745,338).

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

13. Tangible fixed assets (continued)
(b) Other fixed assets:

	Office Premises £	Furniture & Equipment £	Commercial Units £	Motor Vehicles £	Total £
Cost					
At 1 April 2021	686,162	415,832	1,054,222	291,728	2,447,944
Additions	-	17,102	-	-	17,102
Disposals	-	-	-	-	-
At 31 March 2022	686,162	432,934	1,054,222	291,728	2,465,046
Depreciation					
At 1 April 2021	163,810	382,592	366,311	286,982	1,199,695
Provided in year	13,725	17,476	19,038	4,746	54,985
Disposals	-	-	-	-	-
At 31 March 2022	177,535	400,068	385,349	291,728	1,254,680
Net book value 31 March 2022	508,627	32,866	668,873	-	1,210,366
Net book value 31 March 2021	522,352	33,240	687,911	4,746	1,248,249

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2022

14. Fixed Asset Investments

	2022 £	2021 £
Subsidiary undertaking	<u>1</u>	<u>1</u>

The subsidiary has net liabilities of £189,936 (2021: net liabilities of £205,661) at 31 March 2022.

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 are stated in the Association's balance sheet.

During the year, the Association was charged £3,775,114 (2021: £2,183,457) for work undertaken by the subsidiary company.

The Association recharged operating costs met by the Association on behalf of the subsidiary. These included leased motor vehicles, materials, and other overheads of £192,589 (2021: £196,914). A management fee of £47,373 (2021: £36,769) was payable.

The subsidiary has an outstanding loan with the Association of £nil (2021: £275,000) of which interest is being charged at 3.5% per annum.

In addition, the subsidiary owed the Association £884,605 (2021: £1,197,673).

The Association owed the subsidiary £385,909 (2021: £65,471) represented by an intercompany creditor.

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

15. Debtors

	2022 £	2021 £
Gross arrears and service charges	371,330	319,466
Less provision for doubtful debts	(256,666)	(230,325)
	<u>114,664</u>	<u>89,141</u>
Social housing grant receivable	518,762	384,874
Other receivables	338,414	265,270
Amounts due from group undertaking	884,605	1,197,673
	<u>1,856,445</u>	<u>1,936,958</u>

16. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>649,386</u>	<u>2,918,344</u>

GOVAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022**

17. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans	420,005	409,930
Motor vehicle leases	22,807	97,143
Trade payables	28,070	124,417
Rent received in advance	580,264	521,567
Other taxation and social security	43,521	528
Amounts due to group undertakings	385,909	65,471
Other payables	495,138	442,163
Accruals and deferred income	972,010	429,288
	<u>2,947,724</u>	<u>2,090,507</u>

Pension amounts outstanding at the year-end were £43,577. These are included in other payables.

18. Creditors: amounts falling due after one year

	2022 £	2021 £
Bank loans	8,500,788	8,908,756
Motor Vehicle leases	-	9,507
	<u>8,500,788</u>	<u>8,918,263</u>

19. Debt Analysis - borrowings

	2022 £	2021 £
Bank loans		
Amounts due within one year	420,005	409,930
Amounts due in one year or more but less than two years	432,176	420,285
Amounts due in two years or more but less than five years	1,171,533	1,225,208
Amounts due in more than five years	6,897,079	7,263,263
	<u>8,920,793</u>	<u>9,318,686</u>
Motor Vehicle leases		
Amounts due within one year	22,807	97,143
Amounts due in one year or more but less than two years	-	9,507
	<u>22,807</u>	<u>106,650</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

19. Debt Analysis – borrowings (continued)

The Association has a number of bank loans. The principal terms of which are as follows:

Lender	Number of properties secured	Effective interest rate	Maturity (Year)	Variable or fixed
RBS	Standard over 392 properties	5.0%	2024	Fixed
RBS	None	LIBOR + 1.7%	2041	Variable
RBS	None	Base +0.2%	2043	Variable
RBS	None	5.1%	2022	Fixed
RBS	None	LIBOR + 0.2%	2043	Variable
RBS	None	4.8%	2041	Fixed
RBS	None	4.9%	2041	Fixed

20. Deferred capital grants

	Social Housing Grants £	Non-Housing Grants £	Total £
Capital grants received			
At 1 April 2021	78,146,336	938,345	79,084,681
Additions	2,658,034	-	2,658,034
Disposals	(484,854)	-	(484,854)
At 31 March 2022	<u>80,319,516</u>	<u>938,345</u>	<u>81,257,861</u>
Amortisation			
At 1 April 2021	31,014,323	317,945	31,332,268
Amortised in year	1,593,346	16,728	1,610,074
Eliminated on disposal	(311,982)	-	(311,982)
At 31 March 2022	<u>32,295,687</u>	<u>334,673</u>	<u>32,630,360</u>
Net book value 31 March 2022	<u>48,023,829</u>	<u>603,672</u>	<u>48,627,501</u>
Net book value 31 March 2021	<u>47,132,013</u>	<u>620,400</u>	<u>47,752,413</u>

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

	2022 £	2021 £
Amounts due within one year	1,577,387	1,568,988
Amounts due in more than one year	47,050,114	46,183,424
	<u>48,627,501</u>	<u>47,752,412</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2022

21. Share capital

	2022 £	2021 £
At 1 April	83	90
Issued in year	7	5
Cancelled in year	(6)	(12)
	<u>84</u>	<u>83</u>

Ownership of a share does not entitle the holder to participate in the Association's assets. Each member holds one share of £1 in the Association. Each member has a right to vote at the members' meeting. When a shareholder ceases to be a member, the person's share is cancelled and the amount paid thereon becomes the property of the Association.

22. Leasing commitments

The future aggregate minimum lease payments under non-cancellable operating leases is as follows:

	2022 £	2021 £
No later than one year	4,480	3,629
Later than one year but no later than five years	17,921	4,838
Greater than five years	747	-
	<u>23,147</u>	<u>8,467</u>

23. Capital commitments

	2022 £	2021 £
Capital expenditure that has been contracted for but not been provided for in the financial statements	<u>24,866,497</u>	<u>8,845,785</u>

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

24. Pension scheme

(i) The Pensions Trust – Scottish Housing Associations' Pension Scheme (SHAPS)

Govan Housing Association participates in a multi-employer scheme which provides benefits to some 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2021. This valuation results have not yet been published. It was agreed to review the present Recovery Plan which was in place to eliminate the deficit which runs to 30 September 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2021.

The Trustee of the Pensions Trust ('the Trust') has completed a review of the changes made to the benefit structure of the defined benefit pension scheme within the Trust. This involved reviewing the changes made to the benefits in the scheme over the years. The result of this review is that, in some cases, it is unclear whether the changes were made to the scheme benefits in accordance with the Trust's governing documentation. The Trust has been advised to seek direction from the Court on the effect of these changes. This process is ongoing and is unlikely to be resolved until late 2024 at the latest. The Trustee is not including an allowance for potential additional liabilities with the Technical Provisions methodology for triennial actuarial valuations.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

GOVAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022**

24. Pension scheme (continued)

Present values of defined benefit obligation, fair value of assets/defined benefit (liability)

	31 March 2022	31 March 2021
	£'000	£'000
Fair value of plan assets	8,254	7,827
Present value of defined benefit obligation	8,254	8,660
Defined benefit asset/(liability) to be recognised	-	(833)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Defined benefit obligation at start of period	8,660	7,306
Current service cost	41	27
Expenses	7	7
Interest expense	186	168
Contributions by plan participants	19	29
Actuarial gains due to scheme experience	192	205
Actuarial gains due to changes in demographic assumptions	27	-
Actuarial (losses)/gains due to changes in financial assumptions	(669)	1,434
Benefits paid and expenses	(209)	(516)
Defined benefit liability at the end of the period	8,254	8,660

GOVAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022**

24. Pension scheme (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fair value of plan assets at start of the period	7,827	7,173
Interest income	171	168
Experience on plan assets (excluding amounts included in interest income) - gain	180	694
Contributions by the employer	266	279
Contributions by plan participants	19	29
Benefits paid and expenses	(209)	(516)
Fair value of plan assets at end of period	8,254	7,827

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current service cost	41	27
Expenses	7	7
Net interest expense	15	-
Defined benefit costs recognised in Statement of Comprehensive Income	63	34

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Experience on plan assets (excluding amounts included in net interest cost – gain	180	694
Experience gains and losses arising on the plan liabilities – (loss)	(192)	(205)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(27)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	678	(1,434)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain	639	-
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in the net interest cost) – (loss)	(9)	-
Total amount recognised in other comprehensive income – gain/(loss)	630	(945)

GOVAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022**

24. Pension scheme (continued)

Fund allocation for employer's calculated share of assets	31 March 2022 £'000	31 March 2021 £'000
Global Equity	1,632	1,211
Absolute Return	378	386
Distressed Opportunities	296	267
Credit Relative Value	365	226
Alternative Risk Premia	341	314
Emerging Markets Debt	307	315
Risk Sharing	269	280
Insurance-Linked Securities	173	164
Property	214	140
Infrastructure	515	437
Private Debt	208	184
Opportunistic Illiquid Credit	274	200
High Yield	80	205
Opportunistic Credit	29	214
Cash	23	3
Corporate Bond Fund	522	590
Liquid Credit	53	135
Long Lease Property	238	182
Secured Income	441	430
Over 15 Year Gilts	3	4
Liability Driven Investment	1,997	1,882
Currency Hedging	(30)	-
Net Current Assets	26	58
Total Assets	8,254	7,827

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2022 % per annum	31 March 2021 % per annum
Discount rate	2.79	2.17
Inflation (RPI)	3.57	3.28
Inflation (CPI)	3.19	2.86
Salary growth	4.19	3.86
Allowance for commutation of pension for cash at retirement	75%	75%
	of maximum allowance	of maximum allowance

GOVAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022**

24. Pension scheme (continued)

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2022	21.6
Female retiring in 2022	23.9
Male retiring in 2042	22.9
Female retiring in 2042	25.4

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	3	100	59
Females	3	93	50
Total	6	193	54

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	9	44	56
Females	9	65	53
Total	18	109	55

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	12	77	69
Females	16	91	66
Total	28	168	67

24. Pension scheme (continued)

Employer Debt on Withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2021. As of this date the estimated employer debt for the Association was £14,607.

25. Related party transactions

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

Any transactions between the Association and any entity with which the Management Committee members has a connection with is made at arm's length and is under normal commercial terms.

Rent received from tenants on the Management Committee (and their close family) were £12,835 (2021: £27,323).

At the year-end total rent arrears owned by the tenant members on the Management Committee (and their close family) were £279 (2021: £146).

There were 3 (2021: 7) tenants who sat on the Management Committee in the year.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2022

26. Analysis of changes in net debt

	At 1 April 2021 £	Cash flows £	Other non- cash changes £	At 31 March 2022 £
Cash and cash equivalents				
Cash	2,918,344	(2,268,958)	-	649,386
	<u>2,918,344</u>	<u>(2,268,958)</u>	<u>-</u>	<u>649,386</u>
Borrowings				
Debt due within one year	(507,073)	481,735	(417,484)	(442,822)
Debt due after one year	(8,918,263)		417,484	(8,500,779)
	<u>(9,425,336)</u>	<u>481,735</u>	<u>-</u>	<u>(8,943,601)</u>
Total	<u>(6,506,992)</u>	<u>(1,787,223)</u>	<u>-</u>	<u>(8,294,215)</u>