



Alexander Sloan
Accountants and Business Advisers

Govan Housing Association Limited

Report and Financial Statements
For the year ended 31 March 2020

Registered Social Landlord No. HEP87

FCA Reference No. 1686R(S)

Scottish Charity No. SCO09055

GOVAN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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GOVAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

MANAGEMENT COMMITTEE

Mr Colin Quigley	Chairperson (Elected 28/11/2019, Resigned as Chairperson 20/4/2020)
Mr Gary Maguire MBE	Vice Chairperson (Elected 28/11/2019, Resigned 8/5/20), Chairperson (Elected 8/5/2020)
Miss Georgina Hay	Secretary
Mr Thomas McArthur	Chairperson (Resigned 31/10/2019)
Mrs Alice Connelly	
Ms Alison Martin	Vice Chairperson (Elected 8/5/2020)
Mr Garry Bernstein	Resigned 20/7/2020
Ms Donna McKenzie	
Mr Stefano Kalonji	(Elected 12/09/2019)
Mr Scott Simpson	(Elected 12/09/2019)
Ms Zulfqur Khan	(Elected 12/09/2019)
Ms Karen Russell	(Co-opted 31/10/2019)
Mr William Pritchard	(Co-opted 28/11/2019)
Mr Thomas McArthur	(Co-opted 27/2/2020)

EXECUTIVE OFFICERS

Fiona McTaggart	Chief Executive
Natalya Macholla	Deputy Chief Executive (Resigned 09/08/2019)
Caron Quinn	Director of Finance & Corporate Services, Interim Secretary from 8/5/2020
Thomas McLeod	Head of Property Services
Fiona McLauchlan	Head of Housing & Community Engagement

REGISTERED OFFICE

35 McKechnie Street
Govan
Glasgow
G51 3AQ

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

BDO
4 Atlantic Quay
70 York Street
Glasgow
G2 8LX

BANKERS

Royal Bank of Scotland
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Glasgow
G51 2YL

SOLICITOR

TC Young
7 West George Street
Glasgow
G2 1BA

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No.1686R(S)), the Scottish Housing Regulator as a registered social landlord (No.HEP87) and is a registered Scottish Charity with the charity number SCO09055.

Review of Business and Future Developments

Introduction

The Management Committee present their Annual Report together with the audited accounts for the year ended 31 March 2020. These accounts cover the year 1 April 2019 to 31 March 2020

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 48 years of operating in the housing sector, the Association now owns and manages over 1,600 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 provide, manage and maintain, affordable housing for people in housing need whilst aiming to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of our residents.

Governance and Decision Making

The strategic leadership and direction of the Association is provided by a Management Committee comprising 11 members. The Management Committee is supported by a senior management team, led by the Chief Executive.

Management Committee Members

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

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Executive Management Team

Mrs Fiona McTaggart	Chief Executive
Ms Natalya Macholla	Deputy Chief Executive (Resigned 09/08/19)
Ms Caron Quinn	Director of Corporate Services
Mr Thomas McLeod	Head of Property Services
Miss Fiona McLauchlan	Head of Housing & Community Engagement

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'*.

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.

The Association has had another very successful year which has been underpinned by the improving performance of the Govan HOME Team following its launch in September 2017. The development of the Govan HOME Team subsidiary has enhanced and complemented the achievement of our strategic objectives. We are hopeful that our performance and work to date will provide a solid foundation to work towards achieving our overarching business plan. 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

The Association has also confidently met its banking covenants and borrowing requirements throughout the year.

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

Financing and Liquidity

The Association continues to hold a £2.5m revolving credit facility which remains undrawn but which is immediately available for use if required. During the year no additional short or long term borrowing was utilised.

The 2019-20 cash flow was managed so that the Association would fund the current year's activities with no borrowing required. Going forward into 2020-21, as the investment programme progresses and results of the stock condition survey become evident, the Association will need to explore additional loan finance to support large scale investment programmes such as the Window Replacement Programme which started in February 2020 and is expected to continue until 2022. This programme is likely to require approx. £8m in additional loan financing which will be sought during 2020/21. The Association are also currently exploring some substantial new build development opportunities which will require the need to obtain further additional loan finance if successful.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 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, the Management 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 2020 the Association has a mix of 51% long term fixed and 49% 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.. Where required, projections will be reviewed on a more regular basis to ensure that risks are managed and current challenges are met without putting the business or its investment at risk.

The 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 (ESSH) and monies required to meet the costs of maintaining our stock based on our stock condition survey data and the Association's overall asset management strategy. In addition to this, the plan also demonstrates caution around the welfare reform, anticipating higher levels of rent arrears and potential void loss. The plan also includes resource to bring up the general environment in which our tenants and residents live, including back court improvements and wider regenerative initiatives.

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

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

The current Covid crisis has raised additional complexities in the short to medium term for both Govan Housing Association and the Home Team. Due to the lockdown and continuing need to social distance a number of planned contracts as well as regular day to day maintenance works have been affected with reduced income for the Home Team expected in 2020/21. All current contracts have been affected as well as the new Window replacement contract which began in February 2020 which has since been delayed for approx. 4-5 months along side the new Smoke Detector installation and Gutter cleaning contracts which were expected to begin in April 2020. Each contract has been re-evaluated for the 2020/21 financial year and provision has been incorporated into the budgets to ensure that the Home Team remains viable. Rent arrears and bad debt provision have also been significantly increased with the expectation that tenants may have significant financial difficulties during the current crisis. As the current situation is fluid with even the potential of further lockdowns or restrictions required in the event of a spike in new cases, we will need to be continually reviewing the budgets and adapt to any changes due to Covid for at least the next year or two depending upon how long it remains an issue.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Risk Management and Internal Control

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

Annual Return on the Charter

During the year, the Association submitted their annual report on the Scottish Social Housing Charter. This showed improvement against a range of performance indicators as detailed further in the report. We published our annual report on the charter which enabled us to demonstrate to tenants and service users our progress in meeting the standards and indicators outlined in the Scottish Social Housing Charter.

Service Scrutiny Panel

The Tenant Service Improvement Group provides tenants with a formal way to present recommendations for service improvements directly to Management Committee. Importantly, the group will complement our other participation opportunities such as Registered Tenant Organisations and local community groups.

The group was in the process of identifying service areas to review when COVID 19 hit. We hope to evolve the group in the forthcoming years to encourage tenants of different generational ranges to get involved.

OPERATING REVIEW

HOUSING MANAGEMENT

Key Performance Indicators (KPIs)

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

The Housing Management team have a fundamental role to play in delivering improved housing services to our tenants, driving forward efficiency and delivering agreed outcomes whilst ensuring that the needs of our community are recognised. As a result, Housing Management are committed to continuous improvement and to playing its part in enabling the Association to achieve its aims and objectives. With this in mind, we aim to ensure that we meet our performance targets and where we do not, we take the most appropriate remedial action to make improvements.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Throughout 2019-20, the team have continued to develop their services to customers, ensuring the Association achieves quality outputs and improved resident satisfaction. This service model has been developed further to incorporate reduced patch areas serviced by more staff, which has shown to improve performance in most areas of Housing Management activity. In addition we have introduced more effective ways for the Housing Management Team to work directly with our Financial Inclusion Team to maximise tenants income and ensure that those in need obtain the support required to sustain their tenants'.

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.

The Housing Team have also been impacted due to the Covid crisis with reduced direct contact with our tenants due to the lockdown and social distancing. With an expected increase in arrears and bad debts during the crisis this will require additional support for our tenants.

Community Development and Tenant Support

The Association faces 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.

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

Financial Inclusion – To improve collection rates by targeting interventions to those at greatest risk of tenancy failure or who have higher levels of personal debt.

Welfare Reform – To seek to mitigate the potential impacts of the continued roll-out of Universal Credit and other benefit reforms to residents.

Tenancy Support - To improve tenancy sustainability by providing applicants and tenants with support and advice tailored to their needs, to maximise their opportunities to sustain their tenancy, support health and wellbeing and maximise their life opportunities. To develop and improve understanding of tenancy failure and its causes, our knowledge continued to develop 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.

Tenant Participation and Inclusion - To work collaboratively with local partners, Tenants and Resident Associations, the Tenant Service Improvement Group and the community as a whole to effectively promote the services of the Association and obtain vital feedback on the Association's existing service provision in order to build on and improve our future service delivery.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Digital Inclusion – To work collaboratively with local partners to ensure that all our tenants and residents have the opportunity to enjoy the direct benefits which digital technology has to offer, through both access to technology and the skills, motivation and confidence to use it to improve their lives, whilst ensuring that the indirect benefits of technology improve all aspects of service planning and delivery.

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

The Salvation Army and GYIP have been providing food provision with the Association and HOME Team staff volunteering to assist with deliveries, social distancing and managing referrals. From 23rd March 2020 onwards the Association assisted in providing thousands of food parcels and hot meals to the residents of Govan to support them during the current COVID 19 crisis.

- Advice on our website and regular features in our quarterly newsletter, promoting the services of internal staff and external partner agencies for one to one support.
- Regular financial inclusion drop-in days within our newly developed Community Hub facilities.

- Focus on early intervention and on preparing customers for the changes by continuing to provide awareness for tenants and their families at every stage of their tenancy i.e. pre-tenancy visits, tenancy sign-up, settling in visits, and ongoing tenancy interventions through our Housing Management and Community Inclusion Teams.

- On-going partnership working with Glasgow City Council to promote the take up of discretionary housing payments by our customers;
- Facilitating local events e.g. Fun Day, to consult with local residents on key matters which are important to them, ensuring that the Association is well placed to meet local need.

Maintenance and Repairs

During 2019-20, Govan Housing Association received a total of 5,503 repairs orders.

We remain confident in maintenance and repairs performance and look forward to the future development of the Govan HOME Team and our service provision to our residents.

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

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Acquisitions

During 2019-20, 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 have agreed a 3 year acquisition strategy through a holistic partnership approach with Glasgow City Council in order to improve the Ibrox area of our stock. This type of approach is more focussed and targeted towards areas which require the most attention and investment 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.

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 2020, the Association held a total of 1,640 properties, of which 58% were meeting the SHQS and 39% were exempt. 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.

During 2019-20, the Association has had a considerable focus on the requirements of the Energy Efficiency Standard for Social Housing (EESHS). Through our planned investment programme, we remain confident that we can meet this standard by the December 2020 deadline. We are also confident that we can implement innovative concepts into both our existing and new build developments to demonstrate a forward-thinking approach to energy efficiency.

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

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 (started February 2020)
- Smoke Detector Installations (currently delayed due to COVID)
- Gutter Cleaning Contract (starting July 2020)

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.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

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 2020, 100% of applicable appliances had a valid safety certificate. Over the year, the Association has implemented a vigorous escalation procedure, including both Housing Management and Maintenance staff, to ensure access to all properties is achieved in advance of the expiry date of the safety certificate. When deemed necessary, this procedure includes forcing access to properties. To assist with this process, over the course of the year, the Association has continued with the reduced gas servicing cycle of 10 months which will ensure that sufficient time is provided to access our most vulnerable tenancies and that quality or legislative requirements are not compromised.

Regeneration and Development

The Association wants to deliver a service which goes far beyond the basic housing service and:

- puts the Association at the heart of the Govan community;
- puts tenants and the wider community interests at the heart of projects undertaken; and
- tackles the wider economic and social challenges facing the Govan area.

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

Our Community Inclusion Team has seen our community regeneration activity grow and develop substantially over 2019-20. A summary of some of the projects now being undertaken are outlined below:

Hub Development

Our Community Hub situated at 901 and 905 Govan Road provides a diverse programme of social inclusion, educational and focussed training and education. The programme is extensive with various projects operating on a daily and weekly basis, notably: Breakfast Club, Pensioners Group, Ladies Group, Men's Group, Govan Walkers, Cooks for the Community, Community Meal, ESOL classes, Autism Parent Support Group, Participatory Research Project, Youth Provision and our very successful Networking Breakfast.

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

Digital Inclusion

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

Our current digital works include:

- Development of a Digital Forum.
- Digital Drop-in Services.
- One-to-One Support.
- IT Classes.
- Digital Lending Library.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

- Employability.
- Satellite Drop-In Services.
- Digital Learning in our Supported and Sheltered Accommodation.
- School Coding Event.

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

Workshops, Training and Events

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

Financial Inclusion Drop In

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

People and Communities Fund

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

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

Holistic Partnerships

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

Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has 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.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Management Committee and Executive Officers

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

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

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

Statement of Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Statement on Internal Financial Control

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

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

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £800 (2019 - £800).

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to auditors.

Auditors

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Management Committee



CARON QUINN

Secretary (Interim)

27 August 2020

GOVAN HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 11 and 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 relating 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 11 and 12 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
27 August 2020



GOVAN HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Govan Housing Association Limited (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its surplus for the year then ended;
-
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
-
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

GOVAN HOUSING ASSOCIATION LIMITED

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on page 11, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 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 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.



ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

27 August 2020



Alexander Sloan
Accountants and Business Advisers

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
Revenue	2	8,541,166	8,402,721
Operating costs	2	7,670,333	7,622,315
OPERATING SURPLUS		870,833	780,406
Gain on sale of housing stock	7	47,342	-
Interest receivable and other income		22,964	20,456
Interest payable and similar charges	8	(365,637)	(374,284)
Other Finance income/(charges)	11	(26,000)	(26,000)
		(321,331)	(379,828)
SURPLUS FOR THE YEAR		549,502	400,578
Other comprehensive income			
Adjustment relating to opening pension liability	21	-	(107,100)
Actuarial gains/(losses) on defined benefit pension plan	21	883,000	(297,000)
TOTAL COMPREHENSIVE INCOME		1,432,502	(3,522)

The results relate wholly to continuing activities.

The notes on pages 20 to 38 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019
		£	£	£
NON-CURRENT ASSETS				
Housing properties - depreciated cost	12		63,982,963	63,777,028
Other tangible assets	12		1,346,149	1,454,024
Investments	13		1	1
			<u>65,329,113</u>	<u>65,231,053</u>
RECEIVABLES: Amounts falling due after more than one year				
	14		275,000	275,000
CURRENT ASSETS				
Receivables	15	1,088,602	1,457,891	
Stock and work in progress	16	94,889	-	
Cash and cash equivalents	17	4,152,615	4,383,502	
		<u>5,336,106</u>	<u>5,841,393</u>	
CREDITORS: Amounts falling due within one year				
	18	(2,131,771)	(2,209,203)	
NET CURRENT ASSETS				
			<u>3,204,335</u>	<u>3,632,190</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
			68,808,448	69,138,243
CREDITORS: Amounts falling due after more than one year				
	19		(9,425,376)	(9,868,123)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES				
Scottish housing association pension scheme	21	(133,000)	(1,212,000)	
			<u>(133,000)</u>	<u>(1,212,000)</u>
DEFERRED INCOME				
Social housing grants	22	(47,141,095)	(47,364,899)	
Other grants	22	(637,128)	(653,856)	
		<u>(47,778,223)</u>	<u>(48,018,755)</u>	
NET ASSETS				
			<u>11,471,849</u>	<u>10,039,365</u>
EQUITY				
Share capital	23		90	108
Revenue reserves			11,604,759	11,251,257
Pension reserves			(133,000)	(1,212,000)
			<u>11,471,849</u>	<u>10,039,365</u>

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 27 August 2020.


Mr Gary Maguire MBE
Chairperson


Ms Alison Martin
Vice Chairperson


Caron Quinn
Secretary (Interim)

The notes on pages 20 to 38 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Surplus for the Year			549,502		400,578
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	12	2,211,702		2,150,356	
Amortisation of capital grants	22	(1,630,429)		(1,580,728)	
Gain on disposal of tangible fixed assets		(47,342)		3,522	
Non-cash adjustments to pension provisions		(196,000)		(202,000)	
Share capital written off	23	(18)		(106)	
			337,913		371,044
Interest receivable			(22,964)		(20,456)
Interest payable	8		365,637		374,284
Operating cash flows before movements in working capital			1,230,088		1,125,450
Change in stock		(94,889)		-	
Change in debtors		(43,414)		127,604	
Change in creditors		(527,110)		204,872	
			(665,413)		332,476
Net cash inflow from operating activities			564,675		1,457,926
Investing Activities					
Acquisition and construction of properties		(1,804,702)		(2,432,989)	
Purchase of other fixed assets		(18,793)		(56,800)	
Social housing grant received		1,802,600		1,395,662	
Other grants received		-		32,000	
Proceeds on disposal of housing properties		52,500		-	
Proceeds on disposal of other tangible assets		-		1,400	
Net cash inflow / (outflow) from investing activities			31,605		(1,060,727)
Financing Activities					
Finance lease repayment		(42,648)		(22,660)	
Interest received on cash and cash equivalents		22,964		20,456	
Interest paid on loans		(365,637)		(374,284)	
Loan principal repayments		(388,704)		(381,775)	
Share capital issued	23	-		18	
Net cash outflow from financing activities			(774,025)		(758,245)
Decrease in cash	24		(177,745)		(361,046)
Opening cash & cash equivalents			4,330,360		4,691,406
Closing cash & cash equivalents			4,152,615		4,330,360
Cash and cash equivalents as at 31 March					
Cash	24		4,152,615		4,383,502
Bank overdraft			-		(53,142)
			4,152,615		4,330,360

The notes on pages 20 to 38 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	196	-	10,042,779	10,042,975
Issue of Shares	18	-	-	18
Cancellation of Shares	(106)	-	-	(106)
Other comprehensive income	-	(404,100)	-	(404,100)
Other movements	-	(807,900)	807,900	-
Surplus for the year	-	-	400,578	400,578
Balance as at 31 March 2019	108	(1,212,000)	11,251,257	10,039,365
Balance as at 1 April 2019	108	(1,212,000)	11,251,257	10,039,365
Cancellation of Shares	(18)	-	-	(18)
Other comprehensive income	-	883,000	-	883,000
Other movements	-	196,000	(196,000)	-
Surplus for the year	-	-	549,502	549,502
Balance as at 31 March 2020	90	(133,000)	11,604,759	11,471,849

The notes on pages 20 to 38 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below

Revenue

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

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Going Concern

On the basis that the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

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

Depreciation and Impairment of Other Tangible Assets

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

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	2% Straight Line
Furniture and Equipment	25% Straight Line
Vehicles	25% Straight Line
Trailer	15% Straight Line

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

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

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

Sales Of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the statement of recommended practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the statement of comprehensive income.

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

Taxation

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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Leases

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

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

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

Borrowing Costs

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

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.

Stocks

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

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can't be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

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

Key Judgements

a) Categorisation of Housing Properties

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

b) Identification of cash generating units

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

c) Financial instrument break clauses

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

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

e) Defined pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) Allocation of share of assets and liabilities for mulit employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

g) Other Debtors - Recoverability

The Association assesses the recoverability of intra-group debtors based on up to date cashflow projections which forecast the ability to make repayment in full. Accordingly no provision has been included. Due to their very nature the forecasts contain estimates and assumptions which require an increased element of judgement due to the current COVID-19 related restrictions, however these are deemed appropriate at the time of writing.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Notes	Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	8,200,195	6,833,875	1,366,320	7,955,524	6,704,079	1,251,445
Other Activities	4	340,971	836,458	(495,487)	447,197	918,236	(471,039)
Total		8,541,166	7,670,333	870,833	8,402,721	7,622,315	780,406

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2020 Total £	2019 Total £
Revenue from Lettings					
Rent receivable net of service charges	6,311,300	65,311	77,249	6,453,860	6,212,551
Service charges receivable	13,015	107,306	-	120,321	118,275
Gross income from rent and service charges	6,324,315	172,617	77,249	6,574,181	6,330,826
Less: Rent losses from voids	39,999	-	(221)	39,778	43,128
Income from rents and service charges	6,284,316	172,617	77,470	6,534,403	6,287,698
Grants released from deferred income	1,567,776	-	12,895	1,580,671	1,564,001
Revenue grants from Scottish Ministers	85,121	-	-	85,121	103,825
Total turnover from affordable letting activities	7,937,213	172,617	90,365	8,200,195	7,955,524
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,981,235	27,360	27,984	2,036,579	1,965,308
Service costs	207,003	90,669	4,158	301,830	246,850
Planned and cyclical maintenance, including major repairs	1,158,769	-	-	1,158,769	1,146,000
Reactive maintenance costs	1,211,775	-	2,008	1,213,783	1,239,744
Bad Debts - rents and service charges	74,315	-	(4,664)	69,651	98,920
Depreciation of affordable let properties	2,038,613	-	14,650	2,053,263	2,007,257
Operating costs of affordable letting activities	6,671,710	118,029	44,136	6,833,875	6,704,079
Operating surplus on affordable letting activities	1,265,503	54,588	46,229	1,366,320	1,251,445
2019	1,145,377	69,266	36,802		

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Grants from Scottish Ministers	Other income	Total Turnover	Operating costs - bad debts	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£
Wider role activities	20,938	-	20,938	-	528,284	(507,346)	(322,124)
Factoring	-	162,392	162,392	(26,519)	184,050	4,861	(28,939)
Development Costs	-	-	-	-	26,585	(26,585)	(128,478)
Uncapitalised development administration costs	45,000	-	45,000	-	-	45,000	17,386
Other activities	-	112,641	112,641	-	124,058	(11,417)	(9,200)
Agency or Management Services	-	-	-	-	-	-	1,150
Sale of other fixed assets	-	-	-	-	-	-	(834)
Total From Other Activities	65,938	275,033	340,971	(26,519)	862,977	(495,487)	(471,039)
2019	100,724	345,323	447,197	(3,327)	921,563	(471,039)	

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020	2019
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>157,621</u>	<u>167,616</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>14,723</u>	<u>21,164</u>
Emoluments payable to Chief Executive (excluding pension contributions)	93,141	91,753
Pension contributions paid on behalf of the Chief Executive	<u>13,599</u>	<u>13,293</u>
Total emoluments payable to the Chief Executive	<u>106,740</u>	<u>105,046</u>
Total emoluments paid to key management personnel	<u>354,000</u>	<u>188,887</u>

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

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

6. EMPLOYEE INFORMATION

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>41</u>	<u>42</u>
Average total number of employees employed during the year	<u>42</u>	<u>43</u>
Staff costs were:	£	£
Wages and salaries	1,502,057	1,390,717
National insurance costs	147,830	140,246
Pension costs	135,983	131,270
Temporary, agency and seconded staff	3,789	-
	<u>1,789,659</u>	<u>1,662,233</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	52,500	-
Cost of sales	<u>5,158</u>	<u>-</u>
Gain on sale of housing stock	<u>47,342</u>	<u>-</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	353,796	362,829
Other loan Interest	<u>11,841</u>	<u>11,455</u>
	<u>365,637</u>	<u>374,284</u>

9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	2,156,618	2,130,312
Auditors' remuneration - audit services	10,560	9,840
Auditors' remuneration - other services	2,340	2,220
Operating lease rentals - other	4,407	4,926
(Loss) on sale of other non-current assets	<u>-</u>	<u>3,522</u>

10. CORPORATION TAX

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

11. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Net interest on pension obligations	<u>(26,000)</u>	<u>(26,000)</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2019	95,374,534	621,835	784,995	96,781,364
Additions	1,980,057	316,070	-	2,296,127
Disposals	(329,712)	-	(52,500)	(382,212)
Transfers	195,000	(195,000)	-	-
At 31 March 2020	<u>97,219,879</u>	<u>742,905</u>	<u>732,495</u>	<u>98,695,279</u>
DEPRECIATION				
At 1 April 2019	32,706,038	-	298,298	33,004,336
Charge for Year	2,015,884	-	14,650	2,030,534
Disposals	(302,604)	-	(19,950)	(322,554)
At 31 March 2020	<u>34,419,318</u>	<u>-</u>	<u>292,998</u>	<u>34,712,316</u>
NET BOOK VALUE				
At 31 March 2020	<u>62,800,561</u>	<u>742,905</u>	<u>439,497</u>	<u>63,982,963</u>
At 31 March 2019	<u>62,668,496</u>	<u>621,835</u>	<u>486,697</u>	<u>63,777,028</u>

Expenditure on Existing Properties £	2020		2019	
	Component replacement £	Improvement £	Component replacement £	Improvement £
Amounts capitalised	1,107,057	-	465,673	-
Amounts charged to the statement of comprehensive income	<u>2,372,552</u>	<u>-</u>	<u>2,385,744</u>	<u>-</u>

In addition the Housing Association acquired £873,000 (2019: £1,499,001) property additions in the year. All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carry value of £15,219,178 (2019 - £15,707,495)

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Commercial Units £	Motor Vehicles £	Total £
COST					
At 1 April 2019	686,162	367,564	1,054,222	291,728	2,399,676
Additions	-	18,793	-	-	18,793
Eliminated on disposals	-	(584)	-	-	(584)
At 31 March 2020	<u>686,162</u>	<u>385,773</u>	<u>1,054,222</u>	<u>291,728</u>	<u>2,417,885</u>
DEPRECIATION					
At 1 April 2019	136,364	339,312	328,178	141,798	945,652
Charge for year	13,723	20,590	19,094	72,677	126,084
At 31 March 2020	<u>150,087</u>	<u>359,902</u>	<u>347,272</u>	<u>214,475</u>	<u>1,071,736</u>
NET BOOK VALUE					
At 31 March 2020	<u>536,075</u>	<u>25,871</u>	<u>706,950</u>	<u>77,253</u>	<u>1,346,149</u>
At 31 March 2019	<u>549,798</u>	<u>28,252</u>	<u>726,044</u>	<u>149,930</u>	<u>1,454,024</u>

13. FIXED ASSET INVESTMENTS

	2020 £	2019 £
Subsidiary undertakings	1	1
	<u>1</u>	<u>1</u>

Subsidiary Undertakings

Govan Housing Association Limited has the following wholly owned subsidiary undertakings. The registered office of the subsidiary is 35 McKechnie Street, Govan, Glasgow.

	2020		2019	
	Reserves £	Profit / (Loss) £	Reserves £	Profit / (Loss) £
Govan Home Team C.I.C	<u>18,385</u>	<u>(58,769)</u>	<u>77,153</u>	<u>52,502</u>

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

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

During the year, the Association was charged £2,131,160 (2019 - £1,951,599) for work undertaken by the subsidiary company, including planned, reactive and cyclical maintenance.

The Association recharged operating costs met by the Association on behalf of the subsidiary. These included leased motor vehicles, materials and other overheads totalling £193,575 (2019 - £1,094,977). A management fee of £40,131 (2019 £68,635) was payable.

The subsidiary has an outstanding loan with the Association totalling £275,000 of which interest is being charged at 3.5% per annum. Applicable interest of £9,625 for the period ended 31 March 2020 was paid in the year.

In addition to the loan balance, the subsidiary owed the Association £311,283 (2019: £272,233), represented by an intercompany debtor. This is shown within current debtors (note 15).

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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

14. RECEIVABLE AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Loans due from subsidiary	275,000	275,000

15. RECEIVABLES

	2020	2019
	£	£
Gross arrears of rent and service charges	409,576	358,889
Less: Provision for doubtful debts	(269,267)	(240,797)
<i>Net arrears of rent and service charges</i>	140,309	118,092
Social housing grant receivable	411,923	824,626
Other receivables	225,087	242,950
Amounts due from group undertakings	311,283	272,223
	<u>1,088,602</u>	<u>1,457,891</u>

16. STOCK AND WORK IN PROGRESS

	2020	2019
	£	£
Stock of contract materials	94,889	-
	<u>94,889</u>	<u>-</u>

17. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	4,152,615	4,383,502
	<u>4,152,615</u>	<u>4,383,502</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank overdrafts (secured)	-	53,142
Bank loans	400,090	388,695
Motor Vehicle Leases	42,648	42,648
Trade payables	6,562	53,718
Rent received in advance	628,318	626,080
Other taxation and social security	38,774	-
Other payables	490,185	492,447
Accruals and deferred income	525,194	552,473
	<u>2,131,771</u>	<u>2,209,203</u>

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

	2020	2019
	£	£
Bank loans	9,318,726	9,718,825
Motor Vehicle Leases	106,650	149,298
	<u>9,425,376</u>	<u>9,868,123</u>

20. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
Bank Loans		
Amounts due within one year	400,090	388,695
Amounts due in one year or more but less than two years	409,887	400,090
Amounts due in two years or more but less than five years	1,273,927	1,262,556
Amounts due in more than five years	7,634,912	8,056,179
	<u>9,718,816</u>	<u>10,107,520</u>

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 security over 392 properties	5.0%	2024	Fixed
RBS	No security over properties	LIBOR + 1.7%	2041	Variable
RBS	No security over properties	Base +0.2%	2043	Variable
RBS	No security over properties	5.1%	2022	Fixed
RBS	No security over properties	LIBOR + 0.2%	2043	Variable
RBS	No security over properties	4.8%	2041	Fixed
RBS	No security over properties	4.9%	2041	Fixed

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

In accordance with FRS 102 the Association's bank borrowings are valued using at amortised cost using the effective interest rate method.

	2020	2019
	£	£
Due to lenders At 31 March 2020	9,318,726	9,718,825
Effective interest rate adjustment	400,090	388,695
	<u>9,718,816</u>	<u>10,107,520</u>
Motor Vehicle Leases		
Amounts due within one year	42,648	42,648
Amounts due in one year or more but less than two years	36,809	42,648
Amounts due in two years or more but less than five years	69,844	106,650
Amounts due in more than five years	-	-
	<u>149,301</u>	<u>191,946</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Govan Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme), 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 pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

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

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of £-107100.

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

	2020	2019
	£	£
Fair value of plan assets	7,173,000	7,257,000
Present value of defined benefit obligation	7,306,000	8,469,000
Surplus / (deficit) in plan	(133,000)	(1,212,000)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(133,000)	(1,212,000)

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at the start of period	8,469,000	8,272,000
Current service cost	87,000	74,000
Expenses	8,000	8,000
Interest expense	195,000	211,000
Contributions by plan participants	41,000	42,000
Actuarial losses (gains) due to scheme experience	(413,000)	(522,000)
Actuarial losses (gains) due to changes in demographic assumptions	(47,000)	23,000
Actuarial losses (gains) due to changes in financial assumptions	(846,000)	491,000
Benefits paid and expenses	(188,000)	(130,000)
Defined benefit obligation at the end of period	<u>7,306,000</u>	<u>8,469,000</u>

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

	2020	2019
	£	£
Fair value of plan assets at start of period	7,257,000	7,155,000
Interest income	169,000	185,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(423,000)	(305,000)
Contributions by the employer	317,000	310,000
Contributions by plan participants	41,000	42,000
Benefits paid and expenses	(188,000)	(130,000)
Fair value of plan assets at the end of period	<u>7,173,000</u>	<u>7,257,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £(254,000).

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	87,000	74,000
Expenses	8,000	8,000
Net interest expense	26,000	26,000
	<u>121,000</u>	<u>108,000</u>
Defined benefit costs recognised in statement of comprehensive income	121,000	108,000

Defined benefit costs recognised in the other comprehensive income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	(423,000)	(305,000)
Experience gains and losses arising on plan liabilities - gain /(loss)	413,000	522,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	47,000	(23,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	846,000	(491,000)
Total amount recognised in other comprehensive income - gain (loss)	<u>883,000</u>	<u>(297,000)</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets	2020	2019	2018
	£	£	£
Absolute Return	440,000	615,000	849,000
Alternative Risk Premia	575,000	405,000	271,000
Corporate Bond Fund	524,000	509,000	500,000
Credit Relative Value	173,000	126,000	-
Distressed Opportunities	131,000	124,000	32,000
Emerging Markets Debt	255,000	233,000	245,000
Fund of Hedge Funds	-	20,000	206,000
Global Equity	987,000	1,168,000	1,287,000
Infrastructure	423,000	304,000	130,000
Insurance-Linked Securities	192,000	188,000	196,000
Liability Driven Investment	1,889,000	2,582,000	2,519,000
Long Lease Property	175,000	88,000	-
Net Current Assets	54,000	8,000	13,000
Over 15 Year Gilts	91,000	186,000	231,000
Private Debt	142,000	94,000	66,000
Property	134,000	144,000	283,000
Risk Sharing	227,000	210,000	65,000
Secured Income	398,000	253,000	262,000
Opportunistic Illiquid Credit	175,000	-	-
Liquid Credit	188,000	-	-
Total assets	<u>7,173,000</u>	<u>7,257,000</u>	<u>7,155,000</u>

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%
	75% of	75% of	75% of
	maximum	maximum	maximum
Allowance for commutation of pension for cash at retirement	<u>allowance</u>	<u>allowance</u>	<u>allowance</u>

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	<u>24.5</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. DEFERRED INCOME

	Social Housing Grants £	Non Housing Grants £	Total £
Capital grants received			
At 1 April 2019	75,602,211	938,345	76,540,556
Additions in the year	1,389,897	-	1,389,897
Eliminated on disposal	(210,895)	-	(210,895)
At 31 March 2020	<u>76,781,213</u>	<u>938,345</u>	<u>77,719,558</u>
Amortisation			
At 1 April 2019	28,237,312	284,489	28,521,801
Amortisation in year	1,580,671	16,728	1,597,399
Eliminated on disposal	(177,865)	-	(177,865)
At 31 March 2020	<u>29,640,118</u>	<u>301,217</u>	<u>29,941,335</u>
Net book value			
At 31 March 2020	<u>47,141,095</u>	<u>637,128</u>	<u>47,778,223</u>
At 31 March 2019	<u>47,364,899</u>	<u>653,856</u>	<u>48,018,755</u>

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

	2020 £	2019 £
Amounts due within one year	1,551,733	1,580,728
Amounts due in more than one year	46,226,488	46,438,027
	<u>47,778,221</u>	<u>48,018,755</u>

23. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2020 £	2019 £
At 1 April	108	196
Issued in year	-	18
Cancelled in year	(18)	(106)
At 31 March	<u>90</u>	<u>108</u>

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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

24. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	£	2020 £	£	2019 £
Decrease in cash	(177,745)		(361,046)	
Cashflow from change in net debt	388,704		381,775	
Movement in net debt during the year		210,959		20,729
Net debt at 1 April		(5,777,160)		(5,797,889)
Net debt at 31 March		(5,566,201)		(5,777,160)

Analysis of changes in net debt

	At 01 April 2019 £	Cashflows £	Other Changes £	At 31 March 2020 £
Cash and cash equivalents	4,383,502	(230,887)	-	4,152,615
Bank overdrafts	(53,142)	53,142	-	-
	4,330,360	(177,745)	-	4,152,615
Debt: Due within one year	(388,695)	388,704	(400,099)	(400,090)
Due after more than one year	(9,718,825)	-	400,099	(9,318,726)
Net debt	(5,777,160)	210,959	-	(5,566,201)

25. CAPITAL COMMITMENTS

	2020 £	2019 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	8,184,093	1,304,264

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

Following the commission of a specialist architectural report relative to one of the Association's developments, the Association has begun legal action against third parties; in relation to the third party bearing the costs of necessary remedial works. The Association has therefore not made provision for any remedial costs within the Financial Statements nor incorporated any commitment above.

26. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Other		
Expiring in the next year	4,407	4,926
Expiring later than one year and not later than five years	8,467	12,096

27. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 35 McKechnie Street, Govan, Glasgow, G51 3AQ.

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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

28. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £2,574 (2019 - £2,066) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

29. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs	1,594	1,580
Supported housing	24	24
Shared ownership	22	23
	<u>1,640</u>	<u>1,627</u>

Housing units managed by the Association and leased to another body:

Name of Organisation	Number of Units	
	2020 No.	2019 No.
Loretto Care	11	11
Key Housing Association	1	1
Talbot Association	1	1

30. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial

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

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

	2020 £	2019 £
Rent received from tenants on the Management Committee and their close family members	<u>22,225</u>	<u>27,159</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £211 (2019 - £267).

Members of the Management Committee who are tenants	8	7
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