



Alexander Sloan
Accountants and Business Advisers

Govan Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2021

Registered Social Landlord No. HEP87

FCA Reference No. 1686R(S)

Scottish Charity No. SC009055

GOVAN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Contents

| | Page |
|---|---------|
| Members of the Management Committee, Executive and Advisers | 1 |
| Report of the Management Committee | 2 – 13 |
| Report by the Auditors on corporate governance matters | 14 |
| Report of the Auditors | 15 – 18 |
| Statement of comprehensive income | 19 |
| Statement of financial position | 20 |
| Statement of cash flows | 21 |
| Statement of changes in equity | 22 |
| Notes to the financial statements | 23 - 41 |

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2021

MANAGEMENT COMMITTEE

| | |
|----------------------|--|
| Mr Thomas McArthur | Chairperson (Elected 24/09/2020) |
| Mr Gary Maguire MBE | Vice Chairman (Resigned 8/5/20), Chairperson (Elected 8/5/2020), Resigned as chair (29/10/20) Vice Chair (29/10/20), Interim Chair (29/04/21) Resigned as Secretary (08/05/20) |
| Miss Georgina Hay | (Resigned as Chairperson 20/4/2020) |
| Mr Colin Quigley | |
| Mrs Alice Connelly | |
| Ms Alison Martin | Vice Chairperson (Elected 8/5/2020), left post of Vice Chair on (Resigned from Committee 11/01/21) |
| Mr Garry Bernstein | Resigned 20/7/2020 |
| Ms Donna McKenzie | |
| Mr Stefano Kalonji | Elected as Interim Vice Chair (29/04/21) |
| Mr Scott Simpson | Resigned (29/10/20) |
| Ms Karen Russell | |
| Mr William Pritchard | Elected Vice-chair (24/09/20), Resigned from Committee (02/10/20) |
| Mr Stephen McLachlan | Co-Opted (29/10/20) |

EXECUTIVE OFFICERS

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

REGISTERED OFFICE

35 McKechnie Street
Govan
Glasgow
G51 3AQ

EXTERNAL AUDITORS

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
788 Govan Road
Glasgow
G51 2YL

SOLICITORS

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

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Introduction

The Management Committee present their Annual Report together with the audited accounts for the year ended 31 March 2021. These accounts cover the year 1 April 2020 to 31 March 2021

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 Group is provided by the Management Committee of Govan Housing Association which as the statement of Financial Position comprised of 10 members, and the Govan Home Team Board comprising 5 members. The Management Committee for Govan Housing Association is supported by a Chief Executive and an Executive Management Team. The full list of Management Committee members during the period to 31 March 2021 is as follows:

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 31st MARCH 2021

Executive Management Team

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

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

Review of Business and Future Developments

STRATEGIC REPORT

Overview

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

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

The Association has experienced a challenging financial year like no other due to the unprecedented Covid pandemic which affected every aspect of our operations and service delivery to our key stakeholders. We had to adapt quickly to working in different ways and to ensure we could continue to deliver a high standard of service to our tenants. Our investment in technology meant we were able to move quickly to a digitally enabled, home-working approach for the majority of our colleagues at the start of the lockdown in March 2020. This allowed us to focus on our key services to our tenants while also allowing us to review current processes and adapt where required to best serve the local communities. This includes working alongside a number of organisations to deliver food parcels to the vulnerable and provide internet access to those without.

The Govan HOME Team subsidiary has also been affected during the year but was able to still provide a service to our tenants during the lockdown which was limited due to the inability to enter homes, except for emergency repairs. As the lockdown starts to ease during 2021-22 the Home Team are expected to work towards normal working practices.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Review of Business and Future Developments (Contd.)

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 as the Covid pandemic and the lockdown prevented had an impact on our planned maintenance programmes such as Window Replacement, Kitchen and Bathroom replacement,

The 2020-21 cash flow was managed so that the Association would fund the current year's activities with no borrowing required. Going forward into 2021-22, as the investment programme progresses 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, but was significantly impacted during 2020-21 due to Covid, which is now expected to continue into 2023. This programme is likely to require approx. £9m in additional loan financing which will be sought during 2021/22.

The Association are also looking to finalise loan financing for the proposed Water Row Development which is expected to go on site during 2021/22 to be completed early 2024.

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.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Review of Business and Future Developments (Contd.)

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

The Association, as a matter of policy, will maintain a mixed portfolio of fixed and variable interest rate borrowing with no more than 50% of borrowings exposed to variable rates. At 31 March 2021 the Association has a mix of 52% long term fixed and 48% variable rate finance.

Planning for the future

The Association reviews its 30 year financial plan annually which includes all long term plans for the business over the 30 year period. This is subject to review and amendment every year as real issues emerge and the financial climate changes. Each year's budget is also reviewed after six months and projections will be adjusted if required to ensure that risks are managed and current challenges are met without putting the business or its investments at risk.

The key assumptions underpinning the 30 year projections are the investment in our stock to meet relevant standards, including the new requirements of the Energy Efficiency Standard for Social Housing (EESH) and monies required to meet the costs of maintaining our stock based on our stock condition survey data and the Association's overall asset management strategy. 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 resources 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. This may increase to medium engagement due to our development of Water Row.

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

All current planned maintenance contracts that were affected during 2020-21 have been revaluated and rescheduled for completion during 2021-22, such as the Window replacement programme, Kitchen, bathroom and smoke detector installations. With the vaccination programme rolling out to all residents of the UK and the lockdown easing we are preparing for the planned maintenance programme to be fully operational and look forward to moving Govan forward once again.

Risk Management and Internal Control

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Review of Business and Future Developments (Contd.)

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

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

Business Performance

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

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 complements our other participation opportunities such as Registered Tenant Organisations and local community groups. The panel has now established itself and are currently meeting every 3 months with additional meetings depending upon the Associations proposed Policy changes.

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.

Throughout 2020-21, the team have continued to develop their services to customers while providing additional assistance during the Covid crisis, while ensuring the Association achieves quality outputs and improved resident satisfaction. This service model has been developed further to incorporate reduced community areas serviced by more staff, which has shown to improve performance in most areas of Housing Management activity. In addition we have introduced more effective ways for the Housing Management Team to work directly with our Financial Inclusion Team to maximise tenants income and ensure that those in need obtain the support required to sustain their tenancy.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Review of Business and Future Developments (Contd.)

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

Community Development and Tenant Support

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

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

- **Financial Inclusion** – to improve collection rates by targeting interventions to those at greatest risk of tenancy failure or who have higher levels of personal debt. The services provided by this team during the ongoing Covid crisis have been invaluable to tenants.
- **Welfare Reform** – To seek to mitigate the ongoing impacts of Universal Credit and other benefit reforms to residents.
- **Tenancy Support** - To improve tenancy sustainability by providing applicants and tenants with support and advice tailored to their needs, to maximise their opportunities to sustain their tenancy, support health and wellbeing and maximise their life opportunities. To develop and improve understanding of tenancy failure and its causes, developing our knowledge and use of data to develop services and solutions to reduce unnecessary and preventable tenancy failure.
- **Financial Capability and Economic Stability** –To improve the financial and economic stability amongst our tenants, developing financial capability, employability, and supporting tenants through economic downturns and changes brought about by welfare reform and other key areas e.g. fuel poverty.
- **Training and Employment** - To work collaboratively with partner agencies to further develop our approaches to supporting effective employment and training opportunities.
- **Community Regeneration** - To work holistically and within a multi-agency approach to address and implement key regenerative initiatives and projects to better improve the local community and the lives of our residents.
- **Tenant Participation and Inclusion** - To work collaboratively with local partners, Tenants and Resident Association's, the 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 31st MARCH 2021

Review of Business and Future Developments (Contd.)

- **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. During 2020-21 Digital inclusion was a key area for our tenants during the lockdown and funding was sourced from the Scottish Government to provide internet access to as many of our tenants as possible to help protect against loneliness and peoples mental health being adversely affected.

During 2020/21 we worked alongside the Salvation Army and GYIP to provide food provision with the Association and HOME Team staff volunteering to assist with deliveries, social distancing and managing referrals during the early lockdown period of the crisis.

Welfare Reform

Govan Housing Association has identified the loss of income due to welfare reforms as one of the highest risks affecting the business. Over the last year, our Financial Inclusion Team has worked closely with our Housing Management Team in implementing a range of preventative measures to continue to try and mitigate loss of income. The Association has continued to up-skill staff to ensure maximisation of benefits to customers, including housing benefit.

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

- Advice on our website and regular features in our quarterly newsletter, promoting the services of internal staff and external partner agencies for one to one support.
- Regular financial inclusion drop-in days within our newly developed Community Hub facilities.
- Focus on early intervention and on preparing customers for the changes by continuing to provide awareness for tenants and their families at every stage of their tenancy i.e. pre-tenancy visits, tenancy sign-up, settling in visits, and ongoing tenancy interventions through our Housing Management and Community Inclusion Teams.
- On-going partnership working with Glasgow City Council to promote the take up of discretionary housing payments by our customers;
- Facilitating local events e.g. Fun Day, to consult with local residents on key matters which are important to them, ensuring that the Association is well placed to meet local need. Unfortunately during the current Covid crisis, being able to bring people together for in person events has not been possible but this is an area that we are keen to work on once current events normalise.

MAINTENANCE AND REPAIRS

During 2020-21, Govan Housing Association completed a total of 2,751 which is less than half of the previous years 5,503 due to issues relating to Covid and access to tenant properties.

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.

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 31st MARCH 2021

Review of Business and Future Developments (Contd.)

Acquisitions

During 2020-21, the Association again worked in partnership with Glasgow City Council, Development and Regeneration Services (DRS), to acquire owner-occupied properties in the area. This piece of work has enabled the Association to acquire stock which will allow the Association to move forward with major repair works, where required, and provide much needed social rented accommodation to the Govan area. We are currently in year 2 of 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.

Investment

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

At the 31 March 2021, the Association held a total of 1,619 self contained units, of which 58.9% were meeting the SHQS and 38% 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 2020-21, the Covid crisis had an impact on being able to access tenant properties and therefore the planned programme was delayed for the purpose of meeting the Energy Efficiency Standard for Social Housing (ESSH) by the December 2020 deadline. This impact resulted in a success rate of 82% which is unfortunately not the 100% we were hoping to achieve with Covid having an effect on this performance.

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

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Review of Business and Future Developments (Contd.)

Govan HOME Team

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

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

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

During 2020-21 the Covid crisis had a large impact on the subsidiary's ability to carry out works on our properties due to the various lockdowns during the period. Most contracts were either delayed or reduced in scope as the inability to enter tenants home prevented certain works from being carried out. With restrictions now easing we are eager for the Home Team to continue with their reactive and planned maintenance works during 2021-22.

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 2021, there were 15 failures (<1%) of applicable appliances that did not have valid safety certificate. Over the year, the Association was unable to access a number of properties due to the lockdown restrictions that were put in place by the Scottish Government. For 2021/22 we have re-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 will continue 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. This process has already proved successful previously as we have managed a 100% pass rate in prior years before Covid.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Review of Business and Future Developments (Contd.)

REGENERATION AND DEVELOPMENT

There has been a full review of the Community Inclusion Service due to Covid-19 and the closure of our Community and Digital Hub. The service wants to look at more Community Engagement projects that are innovative and responsive to the organisation Strategic and Operational priorities. The Community Engagement Service has recently employed a Volunteering & Training Co-ordinator to compliment our regeneration services within the Govan community. Govan Housing Association will still continue to work in collaboration with national and local partners working improving live of our local community.

The Community Engagement Service will prioritise the following:

- Backcourt Improvements
- Volunteering Bank
- Kickstart Programme and Training
- Digital Programmes/Lending Library
- Community Wi-Fi
- TSIG (tenant scrutiny improvement group)
- Bike Hub

The Financial Inclusion Service is now a well established service that is very successful within our community. The Financial Inclusion advice provision is a key service that plays a part in the wider financial support, alongside income maximisation, benefits, money & energy advice. This year has seen the implementation of the Govan Energy Service working in partnership with our organisation and Elderpark and Linthouse Housing Association, this is to compliment the service and provide a Energy Service to tackle fuel poverty. The Financial Inclusion is currently working towards the SNSIAP Accreditation and has passed the peer review and is at the final staged of the audit.

Holistic Partnerships

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

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

Statement of Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for 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 the systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly financial management reports are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31st MARCH 2021

- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies; all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the governing body;
- the Management Committee receive reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Going Concern

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

Information to Auditors

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

Auditor

Following a competitive tender process, new auditors will be proposed to office for the financial year 2021/22 at the next AGM.

By order of the Management Committee

Secretary

26 August 2021

GOVAN HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the financial statements, we have reviewed your statement on page 13 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement of Internal Financial Control on page 13 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
26 August 2021



GOVAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of Govan Housing Association Limited (the 'Association') for the year ended 31 March 2021 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 2021 and of the 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 of 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 United Kingdom, including the Financial Reporting Council'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 audit opinion.

Conclusions relating to going concern

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

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

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

Other Information

The Management Committee is responsible for the other information. The other information comprises the information contained 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.

GOVAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Other Information (Contd.)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require 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 X, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

GOVAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Association through discussions with the Management Committee and other management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014 (and related regulations), the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing the Association's Assurance Statement and associated supporting information; and
- reviewing correspondence with the Scottish Housing Regulator. HMRC and the Association's legal advisors.

GOVAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud (Contd.)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. The 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
26 August 2021



GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | £ | 2021 £ | £ | 2020 £ |
|--|-------|-----------|----------------|-----------|------------------|
| Revenue | 2 | | 8,816,173 | | 8,541,166 |
| Operating costs | 2 | | 7,576,974 | | 7,670,333 |
| OPERATING SURPLUS | | | 1,239,199 | | 870,833 |
| Gain on sale of housing stock | 7 | 63,346 | | 47,342 | |
| Interest receivable and other income | | 14,322 | | 22,964 | |
| Interest payable and similar charges | 8 | (322,608) | | (365,637) | |
| Other Finance income/(charges) | 11 | - | | (26,000) | |
| | | | (244,940) | | (321,331) |
| Surplus on ordinary activities before taxation | 9 | | 994,259 | | 549,502 |
| SURPLUS FOR THE YEAR | | | 994,259 | | 549,502 |
| Other comprehensive income | | | | | |
| Actuarial gains/(losses) on defined benefit pension plan | 21 | | (945,000) | | 883,000 |
| TOTAL COMPREHENSIVE INCOME | | | 49,259 | | 1,432,502 |

The results relate wholly to continuing activities.

The notes on pages 23 to 41 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

| | Notes | 2021 | 2020 |
|--|-------|---------------------|---------------------|
| | | £ | £ |
| NON-CURRENT ASSETS | | | |
| Housing properties - | 12 | 64,802,718 | 63,982,963 |
| Other tangible assets | 12 | 1,248,249 | 1,346,149 |
| Investments | 13 | 1 | 1 |
| | | <u>66,050,968</u> | <u>65,329,113</u> |
| RECEIVABLES: Amounts falling due after more than one year | 14 | - | 275,000 |
| CURRENT ASSETS | | | |
| Receivables | 15 | 1,936,958 | 1,088,602 |
| Stock and work in progress | 16 | 209,014 | 94,889 |
| Cash and cash equivalents | 17 | 2,918,344 | 4,152,615 |
| | | <u>5,064,316</u> | <u>5,336,106</u> |
| CREDITORS: Amounts falling due within one year | 18 | (2,090,507) | (2,131,771) |
| NET CURRENT ASSETS | | <u>2,973,809</u> | <u>3,204,335</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 69,024,777 | 68,808,448 |
| CREDITORS: Amounts falling due after more than one year | 19 | (8,918,263) | (9,425,376) |
| PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| Scottish housing association pension scheme | 21 | (833,000) | (133,000) |
| | | (833,000) | (133,000) |
| DEFERRED INCOME | | | |
| Social housing grants | 22 | (47,132,013) | (47,141,095) |
| Other grants | 22 | (620,400) | (637,128) |
| | | <u>(47,752,413)</u> | <u>(47,778,223)</u> |
| NET ASSETS | | <u>11,521,101</u> | <u>11,471,849</u> |
| EQUITY | | | |
| Share capital | 23 | 83 | 90 |
| Revenue reserves | | 12,354,018 | 11,604,759 |
| Pension reserves | | (833,000) | (133,000) |
| | | <u>11,521,101</u> | <u>11,471,849</u> |

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 26 August 2021.

Mr Gary Maguire MBE

Chairperson

Mr Stefano Kalonji

Vice Chairperson

Caron Quinn

Secretary

The notes on pages 23 to 41 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | £ | 2021 £ | £ | 2020 £ |
|---|-------|-------------|------------------|-------------|------------------|
| Surplus for the Year | | | 994,259 | | 549,502 |
| <i>Adjustments for non-cash items:</i> | | | | | |
| Depreciation of tangible fixed assets | 12 | 2,192,865 | | 2,211,702 | |
| Amortisation of capital grants | 22 | (1,603,247) | | (1,630,429) | |
| Gain on disposal of tangible fixed assets | | (63,346) | | (47,342) | |
| Non-cash adjustments to pension provisions | | (245,000) | | (196,000) | |
| Share capital written off | 23 | (12) | | (18) | |
| | | | 281,260 | | 337,913 |
| Interest receivable | | | (14,322) | | (22,964) |
| Interest payable | 8 | | 322,608 | | 365,637 |
| Operating cash flows before movements in working capital | | | 1,583,805 | | 1,230,088 |
| Change in stock | | (114,125) | | (94,889) | |
| Change in debtors | | (600,407) | | (43,414) | |
| Change in creditors | | (597,024) | | (527,110) | |
| | | | (1,311,556) | | (665,413) |
| Net cash inflow from operating activities | | | 272,249 | | 564,675 |
| Investing Activities | | | | | |
| Acquisition and construction of properties | | (2,458,838) | | (1,804,702) | |
| Purchase of other fixed assets | | (30,812) | | (18,793) | |
| Social housing grant received | | 1,642,024 | | 1,802,600 | |
| Social housing grant repaid | | (37,538) | | - | |
| Proceeds on disposal of housing properties | | 128,948 | | 52,500 | |
| Proceeds on disposal of other tangible assets | | 753 | | - | |
| Net cash (outflow) / inflow from investing activities | | | (755,463) | | 31,605 |
| Financing Activities | | | | | |
| Finance lease repayment | | (42,646) | | (42,648) | |
| Interest received on cash and cash equivalents | | 14,322 | | 22,964 | |
| Interest paid on loans | | (322,608) | | (365,637) | |
| Loan principal repayments | | (400,130) | | (388,704) | |
| Share capital issued | 23 | 5 | | - | |
| Net cash outflow from financing activities | | | (751,057) | | (774,025) |
| Decrease in cash | 24 | | (1,234,271) | | (177,745) |
| Opening cash & cash equivalents | | | 4,152,615 | | 4,330,360 |
| Closing cash & cash equivalents | | | 2,918,344 | | 4,152,615 |
| Cash and cash equivalents as at 31 March | | | | | |
| Cash | 24 | | 2,918,344 | | 4,152,615 |
| | | | 2,918,344 | | 4,152,615 |

The notes on pages 23 to 41 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2021

| | Share Capital | Scottish Housing Association Pension reserve | Revenue Reserve | Total |
|------------------------------------|------------------|---|--------------------|-------------------|
| | £ | £ | £ | £ |
| 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 |
| Balance as at 1 April 2020 | 90 | (133,000) | 11,604,759 | 11,471,849 |
| Issue of Shares | 5 | - | - | 5 |
| Cancellation of Shares | (12) | - | - | (12) |
| Other comprehensive income | - | (945,000) | - | (945,000) |
| Other movements | - | 245,000 | (245,000) | - |
| Surplus for the year | - | - | 994,259 | 994,259 |
| Balance as at 31 March 2021 | 83 | (833,000) | 12,354,018 | 11,521,101 |

The notes on pages 23 to 41 form an integral part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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 commencing 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 2021 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 2021 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

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 2021 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 mult 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 2021 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 | 8,255,886 | 6,460,562 | 1,795,324 | 8,200,195 | 6,833,875 | 1,366,320 |
| Other Activities | 4 | 560,287 | 1,116,412 | (556,125) | 340,971 | 836,458 | (495,487) |
| Total | | 8,816,173 | 7,576,974 | 1,239,199 | 8,541,166 | 7,670,333 | 870,833 |

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

| | General Needs Housing £ | Supported Housing £ | Shared Ownership £ | 2021 Total £ | 2020 Total £ |
|---|----------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| Revenue from Lettings | | | | | |
| Rent receivable net of service charges | 6,519,432 | 73,460 | 74,095 | 6,666,987 | 6,453,860 |
| Service charges receivable | 12,575 | 105,997 | - | 118,572 | 120,321 |
| Gross income from rent and service | 6,532,007 | 179,457 | 74,095 | 6,785,559 | 6,574,181 |
| Less: Rent losses from voids | 100,121 | 32,120 | (15) | 132,226 | 39,778 |
| Income from rents and service charges | 6,431,886 | 147,337 | 74,110 | 6,653,333 | 6,534,403 |
| Grants released from deferred income | 1,578,005 | - | 11,694 | 1,589,699 | 1,580,671 |
| Revenue grants from Scottish Ministers | 12,854 | - | - | 12,854 | 85,121 |
| Total turnover from affordable letting | 8,022,745 | 147,337 | 85,804 | 8,255,886 | 8,200,195 |
| Expenditure on affordable letting activities | | | | | |
| Management and maintenance administration | 1,851,918 | 37,242 | 16,413 | 1,905,573 | 2,036,579 |
| Service costs | 189,586 | 97,619 | 2,312 | 289,517 | 301,830 |
| Planned and cyclical maintenance, including | 1,585,091 | - | - | 1,585,091 | 1,158,769 |
| Reactive maintenance costs | 648,856 | - | 2,670 | 651,526 | 1,213,783 |
| Bad Debts - rents and service charges | (16,478) | - | (44,985) | (61,463) | 69,651 |
| Depreciation of affordable let properties | 2,077,033 | - | 13,285 | 2,090,318 | 2,053,263 |
| Operating costs of affordable letting | 6,336,006 | 134,861 | (10,305) | 6,460,562 | 6,833,875 |
| Operating surplus on affordable letting activities | 1,686,739 | 12,476 | 96,109 | 1,795,324 | 1,366,320 |
| 2020 | 1,265,503 | 54,588 | 46,229 | | |

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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) 2021 | Operating surplus / (deficit) 2020 |
|--|---|-----------------|-------------------|-----------------------------------|-----------------------------|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities | 287,992 | - | 287,992 | - | 725,387 | (437,395) | (507,346) |
| Factoring | - | 169,537 | 169,537 | 17,747 | 237,230 | (85,440) | 4,861 |
| Development Costs | - | - | - | - | 22,509 | (22,509) | (26,585) |
| Uncapitalised development administration costs | - | - | - | - | - | - | 45,000 |
| Other activities | - | 102,758 | 102,758 | - | 113,539 | (10,781) | (11,417) |
| Total From Other Activities | 287,992 | 272,295 | 560,287 | 17,747 | 1,098,665 | (556,125) | (495,487) |
| 2020 | 65,938 | 275,033 | 340,971 | (26,519) | 862,977 | (495,487) | |

GOVAN HOUSING ASSOCIATION LIMITED

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

5. OFFICERS' EMOLUMENTS

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| 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) | 163,131 | 157,621 |
| Pension contributions made on behalf on Officers with emoluments greater than £60,000 | 19,562 | 14,723 |
| Emoluments payable to Chief Executive (excluding pension contributions) | 94,631 | 93,141 |
| Pension contributions paid on behalf of the Chief Executive | 12,712 | 13,599 |
| Total emoluments payable to the Chief Executive | 107,343 | 106,740 |
| Total emoluments paid to key management personnel | 336,622 | 354,000 |

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 | 1 |
| £90,001 to £100,000 | 1 | 1 |

Redundancy ex-gratia payments were made during the year to 1 individual (2020 - nil) totalling £9,800 (2020 - £nil)

6. EMPLOYEE INFORMATION

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Average monthly number of full time equivalent persons employed during the year | 43 | 41 |
| Average total number of employees employed during the year | 44 | 42 |
| Staff costs were: | £ | £ |
| Wages and salaries | 1,530,171 | 1,502,057 |
| National insurance costs | 150,218 | 147,830 |
| Pension costs | 377,870 | 135,983 |
| Temporary, agency and seconded staff | - | 3,789 |
| | 2,058,259 | 1,789,659 |

GOVAN HOUSING ASSOCIATION LIMITED

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

7. GAIN ON SALE OF HOUSING STOCK

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Sales proceeds | 68,250 | 52,500 |
| Cost of sales | 4,904 | 5,158 |
| Gain on sale of housing stock | <u>63,346</u> | <u>47,342</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| | £ | £ |
| On bank loans and overdrafts | 310,767 | 353,796 |
| Other loan interest | <u>11,841</u> | <u>11,841</u> |
| | <u>322,608</u> | <u>365,637</u> |

9. SURPLUS FOR THE YEAR

| | 2021 | 2020 |
|--|--------------|--------------|
| | £ | £ |
| Surplus For The Year is stated after charging/(crediting): | | |
| Depreciation - non-current assets | 2,192,865 | 2,156,618 |
| Auditors' remuneration - audit services | 14,124 | 10,560 |
| Auditors' remuneration - other services | 4,494 | 2,340 |
| Operating lease rentals - other | <u>8,467</u> | <u>4,407</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)

| | 2021 | 2020 |
|-------------------------------------|----------|-----------------|
| | £ | £ |
| Net interest on pension obligations | <u>-</u> | <u>(26,000)</u> |

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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 2020 | 97,219,879 | 742,905 | 732,495 | 98,695,279 |
| Additions | 2,588,492 | 361,771 | - | 2,950,263 |
| Disposals | (393,258) | - | (68,250) | (461,508) |
| At 31 March 2021 | 99,415,113 | 1,104,676 | 664,245 | 101,184,034 |
| DEPRECIATION | | | | |
| At 1 April 2020 | 34,419,318 | - | 292,998 | 34,712,316 |
| Charge for Year | 2,051,621 | - | 13,285 | 2,064,906 |
| Disposals | (368,606) | - | (27,300) | (395,906) |
| At 31 March 2021 | 36,102,333 | - | 278,983 | 36,381,316 |
| NET BOOK VALUE | | | | |
| At 31 March 2021 | 63,312,780 | 1,104,676 | 385,262 | 64,802,718 |
| At 31 March 2020 | 62,800,561 | 742,905 | 439,497 | 63,982,963 |

| Expenditure on Existing Properties | 2021 | | 2020 | |
|--|----------------------------|------------------|----------------------------|------------------|
| | Component replacement £ | Improvement £ | Component replacement £ | Improvement £ |
| Amounts capitalised | 1,353,492 | | 1,107,057 | |
| Amounts charged to the statement of comprehensive income | 2,241,755 | - | 2,372,552 | - |

In addition the Housing Association acquired £1,235,000 (2020: £1,068,000) 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 £14,745,338 (2020 - £15,219,178)

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON CURRENT ASSETS (continued)

| (b) Other tangible assets | Office Premises & Equipment £ | Furniture & Equipment £ | Commercial Units £ | Motor Vehicles £ | Total £ |
|---------------------------|----------------------------------|----------------------------|-----------------------|---------------------|------------|
| COST | | | | | |
| At 1 April 2020 | 686,162 | 385,773 | 1,054,222 | 291,728 | 2,417,885 |
| Additions | - | 30,812 | - | - | 30,812 |
| Eliminated on disposals | - | (753) | - | - | (753) |
| At 31 March 2021 | 686,162 | 415,832 | 1,054,222 | 291,728 | 2,447,944 |
| DEPRECIATION | | | | | |
| At 1 April 2020 | 150,087 | 359,902 | 347,272 | 214,475 | 1,071,736 |
| Charge for year | 13,723 | 22,690 | 19,039 | 72,507 | 127,959 |
| At 31 March 2021 | 163,810 | 382,592 | 366,311 | 286,982 | 1,199,695 |
| NET BOOK VALUE | | | | | |
| At 31 March 2021 | 522,352 | 33,240 | 687,911 | 4,746 | 1,248,249 |
| At 31 March 2020 | 536,075 | 25,871 | 706,950 | 77,253 | 1,346,149 |

13. FIXED ASSET INVESTMENTS

| | 2021 £ | 2020 £ |
|-------------------------|-----------|-----------|
| Subsidiary undertakings | 1 | 1 |

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.

| | 2021 | Profit / (Loss) | 2020 | Profit / (Loss) |
|-----------------------|---------------|--------------------|---------------|--------------------|
| | Reserves £ | £ | Reserves £ | £ |
| Govan Home Team C.I.C | (205,658) | (223,565) | 17,909 | (59,245) |

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.

During the year, the Association was charged £2,183,457 (2020 - £2,131,160) 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 £196,914 (2020 - £193,575). A management fee of £36,769 (2020 - £40,131) 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 2021 was paid in the year.

In addition to the loan balance, the subsidiary owed the Association £922,672 (2020 - £311,283), represented by an intercompany debtor. This is shown within current debtors (note 15). The Association owed the subsidiary £65,472 (2020 - £nil), represented by an intercompany creditor.

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 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

14. RECEIVABLE AMOUNTS DUE AFTER MORE THAN ONE YEAR

| | 2021 | 2020 |
|---------------------------|------|---------|
| | £ | £ |
| Loans due from subsidiary | - | 275,000 |

15. RECEIVABLES

| | 2021 | 2020 |
|--|------------------|------------------|
| | £ | £ |
| Gross arrears of rent and service charges | 319,466 | 409,576 |
| Less: Provision for doubtful debts | (230,325) | (269,267) |
| <i>Net arrears of rent and service charges</i> | 89,141 | 140,309 |
| Social housing grant receivable | 384,874 | 411,923 |
| Other receivables | 265,270 | 225,087 |
| Amounts due from group undertakings | 1,197,673 | 311,283 |
| | <u>1,936,958</u> | <u>1,088,602</u> |

16. STOCK AND WORK IN PROGRESS

| | 2021 | 2020 |
|-----------------------------|----------------|---------------|
| | £ | £ |
| Stock of contract materials | 209,014 | 94,889 |
| | <u>209,014</u> | <u>94,889</u> |

17. CASH AND CASH EQUIVALENTS

| | 2021 | 2020 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash at bank and in hand | 2,918,344 | 4,152,615 |
| | <u>2,918,344</u> | <u>4,152,615</u> |

GOVAN HOUSING ASSOCIATION LIMITED

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

18. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans | 409,930 | 400,090 |
| Motor Vehicle Leases | 97,143 | 42,648 |
| Trade payables | 124,417 | 6,562 |
| Rent received in advance | 521,567 | 628,318 |
| Other taxation and social security | 528 | 38,774 |
| Amounts due to group undertakings | 65,471 | - |
| Other payables | 442,163 | 490,185 |
| Accruals and deferred income | 429,288 | 525,194 |
| | <u>2,090,507</u> | <u>2,131,771</u> |

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

| | 2021 | 2020 |
|----------------------|------------------|------------------|
| | £ | £ |
| Bank loans | 8,908,756 | 9,318,726 |
| Motor Vehicle Leases | 9,507 | 106,650 |
| | <u>8,918,263</u> | <u>9,425,376</u> |

20. DEBT ANALYSIS - BORROWINGS

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Bank Loans | | |
| Amounts due within one year | 409,930 | 400,090 |
| Amounts due in one year or more but less than two years | 420,285 | 409,887 |
| Amounts due in two years or more but less than five years | 1,225,208 | 1,273,927 |
| Amounts due in more than five years | 7,263,263 | 7,634,912 |
| | <u>9,318,686</u> | <u>9,718,816</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.

Motor Vehicle Leases

| | | |
|---|----------------|----------------|
| Amounts due within one year | 97,143 | 42,648 |
| Amounts due in one year or more but less than two years | 9,507 | 36,809 |
| Amounts due in two years or more but less than five years | - | 69,844 |
| | <u>106,650</u> | <u>149,301</u> |

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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.

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

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Fair value of plan assets | 7,827,000 | 7,173,000 |
| Present value of defined benefit obligation | 8,660,000 | 7,306,000 |
| Surplus / (deficit) in plan | (833,000) | (133,000) |
| Defined benefit asset / (liability) to be recognised | (833,000) | (133,000) |

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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

| | 2021 | 2020 |
|--|-----------|-----------|
| | £ | £ |
| Defined benefit obligation at the start of period | 7,306,000 | 8,469,000 |
| Current service cost | 27,000 | 87,000 |
| Expenses | 7,000 | 8,000 |
| Interest expense | 168,000 | 195,000 |
| Contributions by plan participants | 29,000 | 41,000 |
| Actuarial losses (gains) due to scheme experience | 205,000 | (413,000) |
| Actuarial losses (gains) due to changes in demographic assumptions | - | (47,000) |
| Actuarial losses (gains) due to changes in financial assumptions | 1,434,000 | (846,000) |
| Benefits paid and expenses | (516,000) | (188,000) |
| Defined benefit obligation at the end of period | 8,660,000 | 7,306,000 |

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

| | 2021 | 2020 |
|---|-----------|-----------|
| | £ | £ |
| Fair value of plan assets at start of period | 7,173,000 | 7,257,000 |
| Interest income | 168,000 | 169,000 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | 694,000 | (423,000) |
| Contributions by the employer | 279,000 | 317,000 |
| Contributions by plan participants | 29,000 | 41,000 |
| Benefits paid and expenses | (516,000) | (188,000) |
| Fair value of plan assets at the end of period | 7,827,000 | 7,173,000 |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £862,000).

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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

| | 2021 £ | 2020 £ |
|---|---------------|----------------|
| Current service cost | 27,000 | 87,000 |
| Expenses | 7,000 | 8,000 |
| Net interest expense | - | 26,000 |
| | <u>34,000</u> | <u>121,000</u> |
| Defined benefit costs recognised in statement of comprehensive income | 34,000 | 121,000 |

Defined benefit costs recognised in the other comprehensive income

| | 2021 £ | 2020 £ |
|---|------------------|----------------|
| Experience on plan assets (excluding amounts included in interest income) - gain/(loss) | 694,000 | (423,000) |
| Experience gains and losses arising on plan liabilities - (loss) / gain | (205,000) | 413,000 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain/(loss) | - | 47,000 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - (loss) / gain | (1,434,000) | 846,000 |
| | <u>(945,000)</u> | <u>883,000</u> |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - (loss) / gain | (945,000) | 883,000 |
| | <u>(945,000)</u> | <u>883,000</u> |
| Total amount recognised in other comprehensive income - (loss) / gain | (945,000) | 883,000 |

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

| | 2021 | 2020 | 2019 |
|-------------------------------|------------------|------------------|------------------|
| | £ | £ | £ |
| Absolute Return | 386,000 | 440,000 | 615,000 |
| Alternative Risk Premia | 314,000 | 575,000 | 405,000 |
| Corporate Bond Fund | 590,000 | 524,000 | 509,000 |
| Credit Relative Value | 226,000 | 173,000 | 126,000 |
| Distressed Opportunities | 267,000 | 131,000 | 124,000 |
| Emerging Markets Debt | 315,000 | 255,000 | 233,000 |
| Fund of Hedge Funds | - | - | 20,000 |
| Global Equity | 1,211,000 | 987,000 | 1,168,000 |
| Infrastructure | 437,000 | 423,000 | 304,000 |
| Insurance-Linked Securities | 164,000 | 192,000 | 188,000 |
| Liability Driven Investment | 1,882,000 | 1,889,000 | 2,582,000 |
| Long Lease Property | 182,000 | 175,000 | 88,000 |
| Net Current Assets | 58,000 | 54,000 | 8,000 |
| Over 15 Year Gilts | 4,000 | 91,000 | 186,000 |
| Private Debt | 184,000 | 142,000 | 94,000 |
| Property | 140,000 | 134,000 | 144,000 |
| Risk Sharing | 280,000 | 227,000 | 210,000 |
| Secured Income | 430,000 | 398,000 | 253,000 |
| Opportunistic Illiquid Credit | 200,000 | 175,000 | - |
| Liquid Credit | 135,000 | 188,000 | - |
| High Yield | 205,000 | - | - |
| Opportunistic Credit | 214,000 | - | - |
| Cash | 3,000 | - | - |
| Total assets | <u>7,827,000</u> | <u>7,173,000</u> | <u>7,257,000</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

| | 2021 | 2020 | 2019 |
|---|--------------------------|--------------------------|--------------------------|
| Discount Rate | 2.2% | 2.4% | 2.3% |
| Inflation (RPI) | 3.3% | 2.6% | 3.3% |
| Inflation (CPI) | 2.9% | 1.6% | 2.3% |
| Salary Growth | 3.9% | 2.6% | 3.3% |
| | 75% of | 75% of | 75% of |
| Allowance for commutation of pension for cash at retirement | <u>maximum allowance</u> | <u>maximum allowance</u> | <u>maximum allowance</u> |

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

| | Life expectancy at age 65 years (years) |
|-------------------------|---|
| Male retiring in 2021 | 21.5 |
| Female retiring in 2021 | 23.4 |
| Male retiring in 2041 | 22.8 |
| Female retiring in 2041 | <u>25</u> |

GOVAN HOUSING ASSOCIATION LIMITED

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

22. DEFERRED INCOME

| | Social Housing Grants £ | Non Housing Grants £ | Total £ |
|--------------------------------|----------------------------------|-------------------------------|-------------------|
| Capital grants received | | | |
| At 1 April 2020 | 76,781,213 | 938,345 | 77,719,558 |
| Additions in the year | 1,614,975 | - | 1,614,975 |
| Eliminated on disposal | (249,852) | - | (249,852) |
| At 31 March 2021 | <u>78,146,336</u> | <u>938,345</u> | <u>79,084,681</u> |
| Amortisation | | | |
| At 1 April 2020 | 29,640,118 | 301,217 | 29,941,335 |
| Amortisation in year | 1,586,519 | 16,728 | 1,603,247 |
| Eliminated on disposal | (212,314) | - | (212,314) |
| At 31 March 2021 | <u>31,014,323</u> | <u>317,945</u> | <u>31,332,268</u> |
| Net book value | | | |
| At 31 March 2021 | <u>47,132,013</u> | <u>620,400</u> | <u>47,752,413</u> |
| At 31 March 2020 | <u>47,141,095</u> | <u>637,128</u> | <u>47,778,223</u> |
| Total at 31 March 2021 | <u>47,132,013</u> | <u>620,400</u> | <u>47,752,413</u> |
| Total at 31 March 2020 | <u>47,141,095</u> | <u>637,128</u> | <u>47,778,223</u> |

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

| | 2021 £ | 2020 £ |
|-----------------------------------|-------------------|-------------------|
| Amounts due within one year | 1,568,988 | 1,551,733 |
| Amounts due in more than one year | 46,183,424 | 46,226,488 |
| | <u>47,752,412</u> | <u>47,778,221</u> |

23. SHARE CAPITAL

| Shares of £1 each, issued and fully paid | 2021 £ | 2020 £ |
|--|-----------|-----------|
| At 1 April | 90 | 108 |
| Issued in year | 5 | - |
| Cancelled in year | (12) | (18) |
| At 31 March | <u>83</u> | <u>90</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 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

24. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

| | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| | £ | £ |
| Decrease in cash | (1,234,271) | (177,745) |
| Cashflow from change in net debt | 400,130 | 388,704 |
| Movement in net debt during the year | (834,141) | 210,959 |
| Net debt at 1 April | (5,566,201) | (5,777,160) |
| Net debt at 31 March | (6,400,342) | (5,566,201) |

| | At 01 April 2020 | Cashflows | Other Changes | At 31 March 2021 |
|------------------------------|---------------------|-------------|------------------|---------------------|
| | £ | £ | £ | £ |
| Cash and cash equivalents | 4,152,615 | (1,234,271) | - | 2,918,344 |
| | 4,152,615 | (1,234,271) | - | 2,918,344 |
| Debt: Due within one year | (400,090) | 400,130 | (409,970) | (409,930) |
| Due after more than one year | (9,318,726) | - | 409,970 | (8,908,756) |
| Net debt | (5,566,201) | (834,141) | - | (6,400,342) |

25. CAPITAL COMMITMENTS

| | 2021 | 2020 |
|--|-----------|-----------|
| | £ | £ |
| Capital Expenditure that has been contracted for but has not been provided for in the financial statements | 8,845,785 | 8,184,093 |

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

| | 2021 | 2020 |
|--|-------|-------|
| | £ | £ |
| Other | | |
| Expiring in the next year | 3,629 | 4,407 |
| Expiring later than one year and not later than five years | 4,838 | 8,467 |

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

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

28. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £2,750 (2020 - £2,574) in the year by way of reimbursement of expenses. No remuneration is paid to members in respect of their duties to the Association.

GOVAN HOUSING ASSOCIATION LIMITED

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

29. HOUSING STOCK

| The number of units of accommodation in management at the year end was:- | 2021 No. | 2020 No. |
|--|--------------|--------------|
| General needs | 1,608 | 1,594 |
| Supported housing | 24 | 24 |
| Shared ownership | 22 | 22 |
| | <u>1,654</u> | <u>1,640</u> |

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

| Name of Organisation | Number of Units | |
|-------------------------|-----------------|-------------|
| | 2021 No. | 2020 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 Reporting Standard 102.

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:

| | 2021 £ | 2020 £ |
|---|---------------|---------------|
| Rent received from tenants on the Management Committee and their close family members | <u>27,323</u> | <u>22,225</u> |

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £146 (2020 - £422).

| | | |
|---|---|---|
| Members of the Management Committee who are tenants | 7 | 8 |
|---|---|---|