



GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

Registered Housing Association Number 117
Financial Conduct Authority Number 1791 R (S)
Registered Charity Number SC010307

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2019

CONTENTS

	Page
Management Committee members, executive officers and advisers	1
Report of the Management Committee	2 - 11
Statement of the Management Committee's responsibilities	12
Management Committee's Statement on Internal Financial Controls	13
External Auditors' Report on Corporate Governance Matters	14
Independent Auditors' Report	15 - 16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Cashflows	19
Statement of Changes in Capital and Reserves	20
Notes to the Financial Statements	21 - 42

GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS AND ADVISERS
For the year ended 31 March 2019

Management Committee

Catherine Macfarlane	(Chairperson)
John McLardie	(Vice Chairperson)
Elizabeth Klein	(Secretary)
Keith Kintrea	(Treasurer)
Mujeeb Ur Rehman	
Ghazala Hakeem	
Barbara Robertson	
Jessica Yuill	
James White	
Iain Doherty	
Wilma Logan	
Robert Findlater	
Celine Lecompte Whitby	

Executive officers

John Quinn	(Director)
Alan McDonald	(Housing Services Manager)
Alison Kevan	(Corporate Services & HR Manager)
Kenneth MacDougall	(Development & Regeneration Manager)
Shannon Watson	(Finance & IT Manager)

Registered office

Samaritan House
79 Coplaw Street
Glasgow G42 7JG

External Auditors

RSM UK Audit LLP
3rd Floor Centenary House
69 Welling Street
Glasgow G2 6HG

Internal Auditors

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham PO14 1AH

Bankers

Bank of Scotland plc
464 Victoria Road
Glasgow G42 8PB

Solicitors

TC Young LLP
7 West George Street
Glasgow G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2019

The Management Committee has pleasure in presenting its report and the audited financial statements for the year ended 31 March 2019.

Principal activity

The principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

Our Vision and Mission is that everyone living in Govanhill and Merrylee should:

- Enjoy good quality, warm, safe and affordable housing that contributes to their health and wellbeing and to community pride; and
- Live in a neighbourhood that is clean and well cared for, with excellent neighbourhood services and opportunities for all.

Our Strategic Objectives are

- To provide good quality, cost-effective housing and services that meet customers' needs, while also raising levels of customer participation, service and satisfaction;
- To sustain quality and demand for the Association's existing housing stock, and develop new affordable housing in Govanhill where this can be done in a financially sustainable way;
- To contribute to the eradication of sub-standard housing and positive neighbourhood change in Govanhill, achieving long-term solutions that minimise risk to the Association;
- To work closely with Govanhill Community Development Trust and other partners, to deliver wider regeneration activities and services that will benefit the Govanhill and Merrylee communities;
- To make sure we have the sound governance and financial management needed to achieve our strategic objectives and plans; and
- To make sure our staff are well-trained, valued, receive good support and are motivated to provide the best possible services to our customers.

The Association has a wholly owned subsidiary, Govanhill Community Development Trust Limited ("GCDT"), the objective of which is to manage commercial properties for let in the community, supporting local businesses and giving them a base of operations in our community, together with managing a number of grant-funded activities aimed at supporting our community and enhancing its residents' lives.

The majority of our homes are traditional tenement buildings, and the table below shows the number of homes that we manage:

Managed Property Numbers	2019	2018
General Needs Affordable Housing	2,687	2,569
Supported Housing	99	99
Shared Equity	3	4
Total	2,789	2,672

Financial Review

The Association made a surplus in the year of £1,507,784 (2018 - £ 715,602).

The Association is a member of the Scottish Housing Associations' Pension Scheme. We provide both a Defined Contribution and Defined Benefit pension option for our staff. During the year the way that we account for the Defined Benefit pension costs and liabilities was changed.

The scheme had previously been accounted for as a defined contribution scheme in line with Financial Reporting Standard 102, with a liability of £1,211,000 recognised as at 31 March 2018

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

based on the Net Present Value of the past service deficit funding agreement. Due to recent developments as at 1 April 2018 the share of assets and liabilities per employer is now available such that the pension scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on pages 20 to 21 and note 27 to the financial statements.

The new defined benefit liability as at 1 April 2018 is £1,210,000, resulting in a remeasurement through other comprehensive income of £1,000. The new SHAPS defined benefit liability as at 31 March 2019 is £1,365,000. This has therefore resulted in an increase in the liability at 31 March 2019 of £155,000. The Strathclyde Pension Fund defined benefit liability at 31 March 2019 is £309,000. Actuarial losses totalling £315,000 for the year have been recorded in other comprehensive income.

We have reviewed our lenders' covenant requirements in light of these accounting changes; we meet our lenders' requirements at the yearend and are projected to continue to do so for the foreseeable future.

The cash surplus that we generate continues to be invested in homes for our tenants through our modest new build programme and our continuing investment in the quality of our existing homes.

Govanhill Housing remains in a strong financial position; we continue to spend substantial sums of money on our major repair investment programme with work to continue compliance with the Scottish Housing Quality Standards ("SHQS") and the Energy Efficiency Standard for Social Housing ("ESSH") by 2020, and maintaining the quality of the homes our tenants live in. We have budgeted for expenditure of £2.8 million on improvements to our homes in the coming year, with provision being made for the replacement and upgrading of the fire and smoke alarm systems in all of our homes over the next two years.

Over the past few years we have been involved in a programme funded primarily by the Scottish Government and Glasgow City Council, whereby we are making targeted acquisitions of sub-standard homes in South West Govanhill. In the year to 31 March 2019 we acquired 53 homes with this funding from this project. We then invest in the homes to bring them up to a safe, tolerable living standard and rent them out as affordable homes to families in the community. This work in partnership with the Scottish Government, Glasgow City Council, GCDT and other local enterprises, is contributing to the improvement of properties and residents' quality of life in this area of Govanhill.

Cash surpluses are expected to continue to be made over the next few years and will be used to fund our planned major repair programme and any new legislative changes introduced. We will continue to make efficiency savings in our operational costs wherever possible, and cash surpluses will continue to be invested into our homes to ensure our tenants are living in the best conditions possible.

Performance

This report details the main activities undertaken by Govanhill Housing and how we have performed.

Corporate Governance

Govanhill Housing has a Management Committee (detailed on page 10) which is elected by members of the Association and is made up of tenants and local residents. It is the responsibility of the Management Committee to undertake the strategy, setting of policy and overall direction of Govanhill Housing. It also monitors the operational activities of the Association which the Executive Officers undertake in line with the agreed policies throughout the year. The members of the Management Committee undertake their work in a voluntary, unpaid capacity.

In addition to its strategic oversight role, the Management Committee has a number of Sub-Committees (detailed on page 10) which are responsible for monitoring of particular operational areas

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

of the business and which receive regular reports from the Executive officers on activities undertaken and performance against targets.

The Management Committee appointed a consultant to work with it during 2017 and 2018 to review its compliance with the Scottish Housing Regulator's ("SHR's") regulatory standards of Governance and Financial Management. Overall our work was assessed as good and an action plan was put in place to ensure that the quality of our governance processes continued to improve. We are updating this review to take account of the new Regulatory Framework which was published by the SHR in February 2019.

This year the SHR requires the Management Committee to present it with an Annual Assurance Statement in October 2019; this is the first time that this report will be required to be submitted to the regulator.

Housing Services

This is a busy team, working with our tenants on a day to day basis.

The Maintenance team manages the reactive, and cyclical repairs to our tenants' homes while they are occupied and when they become empty. This includes repairs to the inside and outside of tenants' homes as needed, arranging the annual servicing of gas boilers, inspecting tenement roofs and other activities needed to ensure tenants' homes are healthy, safe and secure. The team also manages the periodic painting of stairwells and windows, as well as working with our contractors to keep backcourts and other common areas tidy and rubbish free.

Some key statistics on our repairs services include:

	2019	2018
Percentage of tenants satisfied with the quality of their home	91.90%	91.90%
Percentage of tenants who had repairs carried out in the past 12 months who were satisfied with our repairs & maintenance service	98.82%	90.42%
Average number of reactive repairs completed per home	3.62	3.41
Average time taken to complete emergency repairs	1.99 hours	2.16 hours
Average time taken to complete non-emergency repairs	4.32 days	5.26 days
Percentage of reactive repairs completed right first time	95.21%	96.38%

During the year the volume of repairs requested per home has increased while we have managed to improve our response times for both emergency and non-emergency repairs. Our percentage of repairs completed right first time (i.e. not needing to be revisited within 12 months) has fallen slightly but tenants' overall satisfaction with our service has improved significantly in the year.

In the year, in a drive to leverage improvements in quality of service and savings in costs, we re-tendered the contracts for both our home maintenance and grounds maintenance contractors, and new contractors were appointed. We hope to see real benefits from these changes coming in the new financial year.

Amounts spent on reactive and cyclical maintenance (excluding major repairs) in the year were:

	2019	2018
Day to day repairs to affordable homes	£ 1,701,800	£ 1,554,300
Cyclical repairs to affordable homes	£ 566,900	£ 824,700
Total reactive and cyclical repair costs	£ 2,268,700	£ 2,379,000

The Housing teams are out and about carrying out regular inspections of our estate, signing up new tenants and providing assistance to tenants who are experiencing difficulties with their tenancy or

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

their neighbours, and the Rents team supports our tenants to maintain their tenancies by monitoring the arrears on accounts and staying in touch with tenants who are struggling to pay their rent.

They had a busy year this year with the Development team handing over a total of 64 new build homes, most of which were used to give existing tenants who needed different accommodation an opportunity to move to homes more suited to their needs. This meant lots of new tenancy sign-ups for existing tenants moving and new tenants moving into the homes which had newly been vacated.

During the year we were able to get grant funding to enable us to employ an Income Maximisation Assistant who provides administration and front line support to tenants to help them make their Housing Benefit or Universal Credit claims and to keep on top of what the Department for Work and Pensions needs from tenants to ensure that their benefits are not stopped. We were also able to get grant funding for a Welfare Reform Officer who is working with tenants and residents who are struggling to understand the new system, while ensuring they know which other agencies are there to support them.

Tenants and residents are also helped by the Welfare Rights team which has a detailed knowledge of the benefits systems and what people are entitled to, helping them to appeal decisions and maximise the claims for benefits they are legally entitled to. Part of this team is also grant funded.

Govanhill and Merrylee became Full Service areas for Universal Credit (“UC”) in September 2018. At the end of the year 207 of our tenants were on the new benefits system, with this number increasing steadily month by month as tenants are moved from Housing Benefits to Universal Credit. This has had a small knock-on effect at the year end.

Some key statistics on our housing management and arrears include:

	2019	2018
Number of homes let to tenants in the year	340	227
Number of tenancy offers made in the year which were refused	50.51%	57.17%
Average time to re-let properties during the year	37.43 days	40.15 days
Number of Anti-Social Behaviour cases reported in the year	158	128
Percentage of tenants satisfied with the management of the neighbourhood they live in	85.81%	85.81%
Gross rent arrears as a percentage of rent due	4.98%	4.70%

Since the yearend we have started a consultation with tenants on how we might change our rent setting policies and procedures, to make our rent setting fairer and more transparent.

Our Factoring service has increased its client base within the year from 1,408 to 1,455 accounts within 409 closes, supporting our operations and protecting our assets through effective property management with support from our Maintenance and Development sections.

We expect our Factoring portfolio to increase further in the coming year, providing cost effective common property management services to both the Association and homeowners within Govanhill and Merrylee.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

Development and Regeneration

During the year the Development and Regeneration team took handover of 64 new build homes and acquired a number of homes in South West Govanhill; these additions to our affordable housing stock were funded by a combination of grants and loan funds:

	2019
118 - Inglefield Street	22
201-213 Victoria Road and 100-108 Butterbiggins Road	42
Acquisitions in South West Govanhill	53
Total homes added to the properties we manage	117

The Development and Regeneration team also managed a number of contracts to make improvements to our existing homes in the year as well as working with the Maintenance team to make a number of ad hoc upgrades to central heating systems and other parts of tenants' homes:

	2019
Window Replacements	£ 1,639,900
Central Heating Upgrades and Boiler Replacements	£ 706,100
Major Backcourt Improvements	£ 379,900
Kitchen Replacements	£ 355,800
Bathroom Replacements	£ 335,700
Roof Replacements	£270,900
Various Other Replacements	£ 98,800
Total spent on improvements to our homes	£ 3,787,100

Finance and IT

The Finance and IT team continued to support the work of Govanhill Housing Association and GCDT throughout the year. The IT team continued the implementation of the Housing Management software, building on the various activities that we use it for and creating opportunities for colleagues to work while out and about with mobile devices so that they can spend more time in our homes and our wider community, rather than at a desk.

We are continuing the roll-out of this project and are always looking for ways to save money by being smarter with the software and hardware that we use. The final phase of this project will see the roll-out of a customer portal where tenants will be able to view their account details, update their personal details and report repairs online at a time that suits them.

The Finance team re-tendered the insurance services of the Association during the year, achieving savings on these annual costs.

Human Resources and Corporate Services

The HR and Corporate Services team continued to support the work of Govanhill Housing Association and GCDT throughout the year. The introduction of the new General Data Protection Regulations in May 2018 enhanced the legal requirements around the protection of our stakeholders' data that we hold and we are working continuously to ensure that we meet the requirements of this legislation.

The team has had a busy year recruiting to fill new and existing posts as they become available, and providing essential support to the operational teams of the Association, including ensuring that we meet all Fire Safety and Health and Safety legislation for ourselves and our tenants.

In November 2019 Freedom of Information will become applicable to housing associations. This is expected to create a considerable burden for charitable organisations which are working hard to make the money tenants pay us stretch as far as possible.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

Govanhill Community Development Trust

The team at GCDT have worked hard to keep its commercial properties let and to reduce void losses in these units during the year. These units are a key asset for the community, attracting new and local businesses which provide economic benefits (and sometimes jobs) for the local community. GCDT also continued with a number of grant funded activities which all have the aim of supporting our local communities to thrive and encouraging integration and inclusion.

A number of the Management Committee of Govanhill Housing sit on the Board of GCDT, together with three independent board members recruited from the Glasgow business community, bringing with them specific skills to enhance the decision-making ability of the board of the subsidiary.

Other Matters

Creditor Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the payment terms set out by its suppliers. Where possible, our average payment period is no longer than 30 days.

Rental Income

Our rent setting procedure is based on the size, type and facilities available to each home. The rent charged is reviewed annually to ensure that rents received cover required costs, and the Management Committee decision arrives at the lowest increase possible each year to try and keep rents affordable while maintaining our services at current levels. In each of the last three years, our rent increases have been at or below the level of inflation in the wider markets.

As noted above, we are working with tenants and external consultants to review the way that our rents are set, to ensure that they are fair and transparent and as affordable as possible within the constraints of the expenditure we need to make to maintain our homes and manage our tenancies.

Risk Management Policy

The Management Committee has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the key risks to the Association, assessing their potential impact and likelihood of occurrence and then identifying the means by which we mitigate the risks.

As part of this process, the Management Committee reviewed the adequacy of the Association's current internal controls. The Management Committee has set policies and procedures which include internal controls to cover the following:

- Consideration of the type of risks Govanhill Housing faces;
- The level of risk which it regards as acceptable;
- The likelihood of the risks concerned materialising;
- The Association's ability to reduce the incidence and impact on it of risks that materialise; and
- Management of the costs of operating particular controls, relative to the benefit obtained.

In order to ensure that these policies are adhered to, management has:

- Clarified the responsibility of management to implement the Management Committee's policies and to identify and evaluate risks for the Committee's consideration;
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- Embedded the control system in the Association's operations so that it becomes part of the culture of Govanhill Housing;
- Developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- Included procedures for reporting failings immediately to appropriate levels of management and the Management Committee together with details of corrective action being taken.

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2019

The Association holds a strategic risk register which is regularly reviewed and we have identified the following key risks in the year, and actions taken to mitigate their impact are as follows:

- *Loss of rental income due to Welfare Reform measures*
We will continue our joint working initiatives with Glasgow City Council and other agencies and provide feedback to the DWP whenever possible. The work of the Rents Team, the Welfare Rights Team and the Welfare Reform Officer are also key to supporting tenants to pay their rent during this transition which will help them to maintain their tenancies and hopefully restrict the losses incurred by the Association.
- *Impact of external political / financial factors*
Uncertainty around the current political and economic climate caused by Brexit. The Association is seeking to make savings in identified cost areas where possible and is closely managing its major repairs programme so that increasing costs can be factored in as they arise.
- *Strategic acquisitions and improvements in South West Govanhill*
Works contracts properly procured and closely managed to reduce the reputational and financial risks of this project. Work ongoing between the South West Govanhill project team and the mainstream Housing Management team to ensure that properties and new tenancies are well managed and costs minimised as far as possible. Continued expansion of the provision of factoring services to closes will ensure the external environment of the area is well managed.
- *Loss of rental income due to voids*
The Association is preparing an Asset Strategy to identify hard to let properties and the reasons for this so that efforts can be targeted in the right way. An interim Depute Housing Manager has been appointed to undertake a detailed review of void processes, among others, and to redesign systems and day to day practices where necessary.

Sustainability and Asset Management

Govanhill Housing has a focus on sustaining the Association as a business which will continue to be able to improve the quality of life for the residents in our community.

The Association has a long term programme of major repairs to cover work needed to our homes, including works required for subsequent legislative changes such as SHQS and EESSH. This includes replacement of, or repairs to, parts of the properties which have come to the end of their useful economic lives. The costs of these repairs are charged to the Statement of Comprehensive Income unless it is agreed that they can be capitalised within the terms outlined in the Statement of Recommended Practice for Registered Social Landlords.

Budgetary Process

Each year the Management Committee approves the five-year budgets and the rolling three-year Business Plan in which key risk areas are identified. Performance is monitored and relevant action taken if needed throughout the year through quarterly reporting to the Finance & General Purposes Sub-Committee on variances from budget and updated forecasts for the year where necessary. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

Govanhill Housing has an active treasury management function which operates in accordance with the Financial Regulations, Policies and Procedures 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, while minimising excess cash and liquid resources held as far as possible.

Govanhill Housing, as a matter of policy, does not enter into financial transactions of a speculative nature. At 31 March 2019 the Association has a mix of fixed and variable rate borrowings which it considers appropriate at this time.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

Going Concern

Based on the budgetary process detailed above, the Management Committee has a reasonable expectation that the Association has adequate resources available to continue in operational existence for the foreseeable future. We have undrawn private finance facilities of £4.75m at the end of the year which are sufficient to meet our funding requirements for the new build and South West Govanhill projects planned over the coming two years. We carefully plan our major repairs work to ensure that we balance the cost of reactive and major repairs against our projected income levels to maintain cash levels as positive, and we will continue to meet our lenders' financial covenants. We have therefore continued to adopt the going concern basis of accounting in the preparation of the annual financial statements.

Quality and Integrity of Staff

The integrity and competence of staff is ensured through our high standards for recruitment and the subsequent training and development of our staff. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Executive Officers. Our staff also have opportunities to take part in a range of training activities to enhance and refresh their skills and knowledge.

Employee Involvement and Health and Safety

Govanhill Housing encourages employee involvement in all major operational initiatives and in maintaining Health and Safety standards in all areas.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to make modifications to their working environment or retrain them in order that their employment with the Association may continue. It is the policy of Govanhill Housing that training, career development and promotion opportunities should be available to all employees.

Future Prospects

Govanhill Housing will continue with its policy of improving the quality of housing and housing services within its community, working with its existing and new partners.

The Association has a new build project in the pipeline in Butterbiggins Road and will continue to consider new opportunities on their own merit as they arise. The project to improve living conditions in South West Govanhill is planned to continue to March 2021 after which time all the properties acquired as part of this project will be fully integrated into the mainstream housing activities of the Association.

As noted previously, Govanhill and Merrylee became Full Service areas for UC in September 2018. At the end of this financial year the number of tenants on UC was a small percentage of our total tenants but this number has continued to increase and the level of areas which the tenants on UC are trying to manage has also continued to grow. This system presents challenges to the Association and its tenants, many of whom are not able to interact with system which is managed almost wholly online and only in English. We anticipate that this system will continue to present a challenge for our tenants over the coming years. In order to provide as much support as possible we will continue to provide the Welfare Rights team resource which is partially grant funded at present, and we will retain the Welfare Reform Officer post which is fully grant funded at present to at least March 2020.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

The Management Committee

The Management Committee of Govanhill Housing during the year to 31 March 2019 and up to 21 August 2019 was as follows:

		Sub-Committees
Catherine Macfarlane	(Chairperson)	F&GP, A&R, Development, Housing, GCDT
John McLardie	(Vice Chairperson)	F&GP, A&R, Development, Housing
Elizabeth Klein	(Secretary)	F&GP, A&R, Development, Housing
Keith Kintrea	(Treasurer)	F&GP, A&R, Development, GCDT
Mujeeb Ur Rehman		F&GP
Ghazala Hakeem		Development
Barbara Robertson		Development, GCDT
Jessica Yuill		F&GP, A&R, Housing, GCDT
James White		F&GP, A&R, Development, GCDT
Iain Doherty		F&GP, Housing
Robert Findlater	(Co-opted 23-Jan-2019)	Development
Wilma Logan	(Co-opted 6-Mar-2019)	Development, Housing
Celine Lecompte Whitby	(Co-opted 22-May-2019)	
Henry Rooney	(Resigned 6-Sep-2018)	
Ann Scott	(Deceased 3-Nov-2018)	
Christina Roche	(Resigned 18-Feb-2019)	

Sub-Committees

Finance & General Purposes ("F&GP")

Audit & Risk ("A&R")

Development

Housing

Govanhill Community Development Trust Limited Board ("GCDT")

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

The Executive Officers are listed on page 1 of this document. There have been no changes in the year.

Management Committee and Officers' Insurance

Govanhill Housing has purchased and maintains insurance to cover the Management Committee and officers of the Association against liabilities in relation to their duties carried out on behalf of Govanhill Housing, as authorised by the Association's rules.

Related party transactions

Several members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Auditors

During the year the services of External Auditor were put out to competitive tender. As a result of this exercise, French Duncan LLP resigned as auditor of the Association and RSM UK Audit LLP was appointed as auditor in their place.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019

Statement of Disclosure to Auditor

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

- so far as the Management Committee is aware, there is no relevant audit information of which the Association's auditor is unaware, and
- it has taken all the steps it ought to have taken as the Management Committee in order to make itself aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Management Committee

[REDACTED]

[REDACTED]

Secretary

21 August 2019

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2019

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that the financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and 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 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 being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Account Requirements 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

**MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL
For the year ended 31 March 2019**

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

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

It is the governing body'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 misstatement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules 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 Executive Officers and the Management Committee 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;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up-to-date financial and other information with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Audit & Risk Sub-Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weakness identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2019 and until 21 August 2019. 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.

By order of the Management Committee

[Redacted signature block]

Secretary

21 August 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2019**

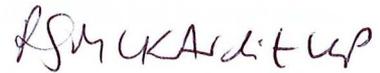
In addition to our audit of the Financial Statements, we have reviewed your statement on page 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council by enquiry of certain members of the Management Committee and the Executive Officers of the Association, and examination of relevant documents. 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 on Internal Financial Control on page 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory 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.



RSM UK Audit LLP
Statutory Auditors
Third Floor Centenary House
69 Wellington Street
Glasgow
G2 6HG

26/3/19

Date

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

For the year ended 31 March 2019

Opinion

We have audited the financial statements of Govanhill Housing Association Limited (the "Association") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in capital and reserves, and notes to the financial statements, 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 FRS 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 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Management Committee in respect of a previous year of account for the subsidiary (Govanhill Community Development Trust Limited) to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2019**

- the grounds given by the Management Committee for that reason.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account 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 Management Committee's responsibilities statement set out on page 11, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or 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.

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

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Third Floor Centenary House
69 Wellington Street
Glasgow
G2 6HG

20/0/19

Date

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 £	2018 £
REVENUE	2	15,599,686	16,182,843
Operating costs	2	(13,617,955)	(15,252,050)
OPERATING SURPLUS	2, 10	1,981,731	930,793
Gain on sale of housing stock	7	-	132,347
Release of negative goodwill	15	80,507	101,673
Interest receivable and other similar income		4,890	967
Interest payable and other similar charges	8	(524,344)	(415,020)
Other Finance Charges	9	(35,000)	(35,158)
SURPLUS FOR THE YEAR		1,507,784	715,602
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit scheme - SHAPS	27	1,000	-
Actuarial (loss) / gain recognised in respect of pension schemes - SHAPS	27	(205,000)	-
Actuarial (loss) / gain recognised in respect of pension schemes - SPF	27	(110,000)	400,000
TOTAL COMPREHENSIVE INCOME		1,193,784	1,115,602

The results for the year relate wholly to continuing activities.

The notes on pages 21 to 42 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 £	2018 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	13(a)	110,863,925	104,571,781
Shared Equity Scheme Loan		282,500	282,500
Shared Equity Scheme Grant		(282,500)	(282,500)
		-	-
Other tangible fixed assets	13(b)	2,749,894	2,774,804
		113,613,819	107,346,585
INVESTMENT	14	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	15	(3,381,274)	(3,461,781)
CURRENT ASSETS			
Stock and work in progress	16	3,768	4,757
Debtors	17	1,179,176	1,162,133
Cash at bank and in hand		4,084,216	4,646,634
		5,267,160	5,813,524
CREDITORS: amounts falling due within one year	18	(5,544,148)	(5,582,634)
NET CURRENT (LIABILITIES) / ASSETS		(276,988)	230,890
TOTAL ASSETS LESS CURRENT LIABILITIES		109,955,657	104,115,794
CREDITORS: amounts falling due after more than one year	19	(16,222,979)	(15,440,334)
Defined Benefit Pension Liability - SHAPS	27	(1,365,000)	-
Defined Benefit Pension Liability - SPF	27	(309,000)	(168,000)
DEFERRED INCOME			
Social Housing Grants	20	(61,014,724)	(58,598,060)
Other Grants	20	(2,706,595)	(2,765,832)
		(63,721,319)	(61,363,892)
NET ASSETS		28,337,359	27,143,568
EQUITY			
Share capital	21	345	1,306
Restricted reserves		-	16,900
Revenue reserve		28,337,014	27,125,362
		28,337,359	27,143,568

The financial Statements were approved by the management committee, authorised for issue and signed on its behalf on 21 August 2019

Chairperson

Secretary

Treasurer

The notes on pages 21 to 42 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	Notes	2019 £	2018 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	3,258,630	2,258,967
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(5,990,343)	(8,062,871)
Improvements to housing properties		(3,388,775)	(3,136,772)
Purchase of other fixed assets		(164,730)	(123,433)
Social housing grants received		4,532,414	6,403,217
Proceeds of disposals of housing properties		-	161,894
Sales of commercial properties		-	-
Sales of other fixed assets		-	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(5,011,434)	(4,757,965)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(1,752,804)	(2,498,998)
FINANCING ACTIVITIES			
Issue of ordinary share capital		7	8
Loan advances received		2,500,000	5,200,000
Interest received		4,890	967
Interest paid		(524,344)	(415,020)
Loan principal repayments		(790,167)	(743,308)
NET CASH INFLOW FROM FINANCING		1,190,386	4,042,647
(DECREASE) / INCREASE IN CASH		(562,418)	1,543,649
OPENING CASH AND CASH EQUIVALENTS		4,646,634	3,102,985
CLOSING CASH AND CASH EQUIVALENTS		4,084,216	4,646,634

The notes on pages 21 to 42 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
For the year ended 31 March 2019

	Share Capital	Restricted Reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	1,306	16,900	27,125,362	27,143,568
Issue of Shares	7	-	-	7
Forfeited Shares written off in the year	(968)	-	968	-
Surplus for the year	-	-	1,507,784	1,507,784
Other comprehensive income	-	-	(314,000)	(314,000)
Transfer between reserves	-	(16,900)	16,900	-
Balance as at 31 March 2019	345	-	28,337,014	28,337,359

	Share Capital	Restricted Reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2017	1,298	16,900	26,009,760	26,027,958
Issue of Shares	8	-	-	8
Surplus for the year	-	-	715,602	715,602
Other comprehensive income	-	-	400,000	400,000
Balance as at 31 March 2018	1,306	16,900	27,125,362	27,143,568

GOVANHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. ACCOUNTING POLICIES

Legal status

Govanhill Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 and registered by the Financial Conduct Authority. The Association is constituted under its Rule Book and registered with the Scottish Housing Regulator as a Registered Social Landlord under the Housing (Scotland) Act 2010. The Association is a registered Scottish Charity with the number SC010307.

The Association's address is listed on page 1. Its principal activities and the nature of its operations are detailed on pages 2 to 7.

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102") and the Statement of Recommended Practice for Registered Social Housing Providers, and comply with the requirements of the Determination of Accounting Requirements (February 2019) issued by the Scottish Housing Regulator and under the historical cost convention.

The Association meets the definition of a Public Benefit Entity in terms of its compliance with FRS102.

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

The following principal accounting policies have been applied:

Functional and Presentation Currency

The Association's functional and presentation currency is the Pound Sterling.

Going Concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Association, its long-term financial forecasts and the certainty of cash flow from rental of social housing stock.

Turnover and Revenue Recognition

Revenue represents rental and service charge income receivable net of losses from voids, management charges to the subsidiary (excluding VAT), income from the sale of properties, and fees and revenue-based grants receivable from the Scottish Government, local authorities and other agencies.

Rental income is recognised from the point when properties under development or acquisitions subject to major refurbishment works reach practical completion or otherwise become available for letting, net of any void losses. Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

Taxation

The Association has charitable status and is registered with the Office of the Scottish Charity Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

GOVANHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Retirement Benefit Schemes

The Association participates in the Scottish Housing Association Defined Benefit Pension ("SHAPS DB") Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme.

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS DB scheme. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £1,211,000, within creditors, based on the net present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within creditors of £1,211,000 was derecognised on 1 April 2018, and an initial net defined benefit pension liability of £1,210,000 was recognised at this date in the Statement of Financial Position. The resulting net difference of £1,000 on initial recognition of the SHAPS DB scheme obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £1,365,000, which has been included within the defined benefit pension liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to note 27 for more details.

The Association also participates in the Scottish Housing Association Defined Contribution Pension Scheme and contributions made on behalf of employees are recognised as costs in the Statement of Comprehensive Income as they are made.

At the time of Second Stage Transfer the Association took on employees who are members of the Strathclyde Pension Fund ("SPF"), a Defined Benefit Pension scheme. In accordance with FRS102, the operating and financing costs of pension and post Retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £309,000, which has been included within the defined benefit pension liability in the financial statements. Refer to note 27 for more details.

Mortgages

Mortgage loans are advanced by local authorities, the Scottish Government or private lending institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Social Housing Grant by the Scottish Government.

Stock and work in progress

Stock and work in progress comprises the costs to the balance sheet date of:

- stocks of postage, stationery and maintenance materials.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Restricted Reserves

Other

This reserve was created from charitable donations to finance hostel assets to be used for the replacement of these assets, at the discretion of the Management Committee, as the need arises. The reserve has been transferred to general reserves in the year as this was a designation rather than a restriction and the replacement of assets will be funded from the Association's rentals earned.

Valuation of Housing Properties and Components

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent. Completed housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Development administration costs relating to development activities and improvement of properties are capitalised based on the time spent by staff on this activity.

Depreciation of Housing Properties

Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight-line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 13.

<u>Component</u>	<u>Estimated Useful Economic Life</u>
Kitchens	15 years
Bathrooms	20 years
Central Heating	20 years
External Windows	30 years
Door entry systems	15 years
Lifts	30 years
Roofs	50 years
Structure	50 years

Depreciation of Other Non-Current Assets

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

Office Premises	2% Straight Line
Computer Equipment	33 ⅓% Straight Line
Office Equipment	20%-33 ⅓% Straight Line
Hostel Equipment	20% Straight Line
Motor Vehicles	20% Straight Line

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that any fixed assets (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed only if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Social Housing Grant and Other 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 it relates.

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

Social Housing Grant and other grants from non-government sources received in respect of revenue expenditure are recognised using the performance model. Grants are recognised when the associated performance conditions are met.

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.

Shared Equity Properties

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.

Goodwill

Negative goodwill arose on the acquisition of housing assets and the related rent arrears from Glasgow Housing Association as part of a Second Stage Transfer. The fair value of the assets acquired exceeded the consideration paid by the Association. Negative goodwill is written back to the Statement of Comprehensive Income in equal instalments over a period of 50 years. Refer to note 15.

Leases/Leased Assets

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Financial Instruments – Basic

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Estimation Uncertainty

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

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.

Useful Lives 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.

Obligations under SHAPS and SPF defined benefit Schemes

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 27).

Key Judgements made in the application of Accounting Policies

- a) **The 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 FRS102.
- b) **The Categorisation of Commercial Properties**
The Association owns three small shop units which are held within tenement blocks owned for social housing. One of the units is used by a social enterprise addressing food poverty in the community, another is void but was previously used by a youth project delivering services in the community, and the third unit houses a shop. These properties are primarily held for social benefit and so they have been classified as Property, Plant and Equipment.
- c) **Identification of Cash Generating Units**
The Association considers its cash-generating units to be 2,789 for asset management purposes.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT)

		2019		Operating surplus / (deficit)
	Note	Revenue	Operating costs	(deficit)
		£	£	£
Affordable letting activities	3	13,986,454	(12,031,601)	1,954,853
Other activities	4	1,613,232	(1,586,354)	26,878
Total		15,599,686	(13,617,955)	1,981,731

		2018		Operating surplus/ (deficit)
	Note	Revenue	Operating costs	(deficit)
		£	£	£
Affordable letting activities	3	14,574,740	(13,586,237)	988,503
Other activities	4	1,608,103	(1,665,813)	(57,710)
Total		16,182,843	(15,252,050)	930,793

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Social Housing Accommodation	Shared Ownership Housing	Other Shared Equity Housing	2019 Total	2018 Total
	£	£	£	£	£	£
Revenue from lettings						
Rent receivable net of identifiable service charges	10,914,019	422,207	-	6,974	11,343,200	10,661,942
Service charges receivable	233,712	16,046	-	996	250,754	225,810
Gross rents receivable	11,147,731	438,253	-	7,970	11,593,954	10,887,752
Less rent losses from voids	(578,107)	-	-	(1,246)	(579,353)	(379,236)
Net rents receivable	10,569,624	438,253	-	6,724	11,014,601	10,508,516
Amortisation of Social Housing & Other Grants	1,929,631	-	-	-	1,929,631	1,706,801
Revenue grants from local authorities and other agencies	1,042,222	-	-	-	1,042,222	2,359,423
Other Revenue grants	-	-	-	-	-	-
Total income from social letting	13,541,477	438,253	-	6,724	13,986,454	14,574,740
Expenditure on social letting activities						
Management and maintenance administration costs	(3,982,690)	(152,105)	-	(2,282)	(4,137,077)	(3,395,312)
Service costs	(198,889)	(13,655)	-	(848)	(213,392)	(210,588)
Planned and cyclical maintenance including major repairs	(2,579,372)	(56,005)	-	-	(2,635,377)	(5,017,661)
Reactive maintenance	(1,778,147)	(81,088)	-	-	(1,859,235)	(1,574,366)
Bad debts - rents and service charges	(99,546)	-	-	-	(99,546)	(91,572)
Depreciation of social housing	(3,086,974)	-	-	-	(3,086,974)	(3,296,738)
Impairment of affordable let properties	-	-	-	-	-	-
Operating costs of social letting	(11,725,618)	(302,853)	-	(3,130)	(12,031,601)	(13,586,237)
Operating surplus / (deficit) on social letting activities	1,815,859	135,400	-	3,594	1,954,853	988,503
2018	759,372	230,026	-	(895)	988,503	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

**4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)
FROM OTHER ACTIVITIES**

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating Costs - Bad debts (write off)/ recovery £	Other operating costs £	Operating surplus or (deficit) 2019 £	Operating surplus or (deficit) 2018 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	736,947	38,509	-	-	775,456	-	(775,881)	(425)	(5,059)
Care and repair	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	746,603	746,603	(9,561)	(737,042)	-	(66,841)
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Amortisation of grant on other tangible assets	-	-	-	22,350	22,350	-	-	22,350	20,627
Other activities									
- Management expenses charged to subsidiary companies	-	-	-	59,810	59,810	-	(59,810)	-	-
- Rental of commercial property	-	-	-	6,486	6,486	-	(3,549)	2,937	(9,127)
- Hire of conference hall	-	-	-	2,527	2,527	-	(511)	2,016	2,690
TOTAL FROM OTHER ACTIVITIES	736,947	38,509	-	837,776	1,613,232	(9,561)	(1,576,793)	26,878	(57,710)
TOTAL FROM OTHER ACTIVITIES FOR 2018	624,934	-	-	983,169	1,608,103	16,093	(1,681,906)	(57,710)	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

5. KEY MANAGEMENT PERSONNEL EMOLUMENTS

The Key Management Personnel are defined as the members of the Management Committee, the Director and the Executive Officers reporting directly to the Director or the Management Committee, as listed on page 1.

No emoluments have been paid to any member of the Management Committee. (2018: None)

5 members of the Key Magement Personnel of the Association received emoluments greater than £60,000 per year.

	2019	2018
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	293,046	273,540
Pension contributions paid on behalf of officers with emoluments greater than £60,000	24,912	34,466
Emoluments payable to the director (excluding pension contributions)	89,876	80,928
Pension contributions paid on behalf of the director	8,587	10,197

	Number	Number
--	---------------	---------------

Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

	2019	2018
	No	No
£60,001 - £70,000	-	3
£70,001 - £80,000	4	-
£80,001 - £90,000	1	1

	£	£
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax: Management Committee	722	716

6. EMPLOYEE INFORMATION

	2019	2018
	£	£
Staff costs during the year:		
Wages and salaries	2,508,327	2,326,282
Social security costs	253,134	236,398
Other pension costs	509,972	266,216
	3,271,433	2,828,896

	Number	Number
The average number of full time equivalent persons employed during the year was	72	67

The average total number of employees employed during the year was	80	76
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GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

7. GAIN ON SALE OF HOUSING STOCK

	2019	2018
	£	£
Net proceeds of disposals of housing properties	-	161,894
Net book value of housing property disposals	-	(29,547)
Gain on sale of housing stock	-	132,347

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2019	2018
	£	£
Bank loans and overdrafts	524,344	415,020

9. OTHER FINANCE CHARGES

	2019	2018
	£	£
Defined Benefit pension costs	35,000	-
Unwinding of discounted liabilities	-	35,158
	35,000	35,158

10. OPERATING SURPLUS FOR THE YEAR

	2019	2018
	£	£
Surplus is stated after charging / (crediting):		
Auditors' remuneration - audit services	16,006	13,000
- other services	-	-
Operating lease rentals (note 24)	47,397	44,733
Depreciation of tangible owned fixed assets	3,276,614	3,534,723
Amortisation of Capital Grants	(1,951,981)	(1,728,975)

11. TAXATION

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

12. HOUSING STOCK

	2019	2018
	Number	Number
The number of units of accommodation in management at the year end was:		
General needs - new build	272	208
- rehabilitation	2,414	2,361
Supported housing	99	99
Shared equity	4	4
	2,789	2,672

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13(a). NON CURRENT ASSETS

Housing Properties

	Housing properties held for letting	Housing properties in the course of construction	Shared equity properties held for letting	2019 Total
	£	£	£	£
COST				
At start of year	133,945,281	6,508,211	187,681	140,641,173
Additions	5,781,166	3,597,952	-	9,379,118
Disposals	-	-	-	-
Transfers to stock	-	-	-	-
Schemes completed in the year	8,738,987	(8,738,987)	-	-
At end of year	148,465,434	1,367,176	187,681	150,020,291
DEPRECIATION				
At start of year	35,881,711	-	187,681	36,069,392
Charged during year	3,086,974	-	-	3,086,974
Eliminated on disposal	-	-	-	-
At end of year	38,968,685	-	187,681	39,156,366
NET BOOK VALUE				
At end of year	109,496,749	1,367,176	-	110,863,925
At start of year	98,063,570	6,508,211	-	104,571,781

Development administration costs capitalised in the year amounted to £46,346 (2018 - £534,376) for which Social Housing Grants amounting to £46,346 (2018 - £86,107) were received in the year.

The Association spent £5,389,486 on Major Repairs to its housing properties in the year (2018: £7,161,653). Included in the total above, capitalised major repairs costs in the year amounted to £3,388,775 (2018 - £3,136,772); this included £2,224,844 of components capitalised in the year and £1,163,931 of other major works to structures.

The properties acquired at Second Stage transfer on 31 January 2011 were included at fair value using the EUV-SH basis of valuation.

The Association would not be able to sell the properties at these values without also repaying Social Housing Grant from the proceeds of sale, but Social Housing Grant would be subordinated behind any private loans charged on these properties. Other grants received are repayable under certain circumstances.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13(b). NON CURRENT ASSETS

Other Tangible Assets	Heritable office property £	Computer and office equipment £	Hostels equipment £	Commercial premises £	2019 Total £
COST					
At start of year	3,425,433	888,386	34,275	81,990	4,430,084
Transfers	-	-	-	-	-
Additions	-	164,730	-	-	164,730
Disposals	-	-	-	-	-
At end of year	3,425,433	1,053,116	34,275	81,990	4,594,814
DEPRECIATION					
At start of year	846,876	759,371	34,275	14,758	1,655,280
Charged during year	68,509	119,491	-	1,640	189,640
Disposals	-	-	-	-	-
At end of year	915,385	878,862	34,275	16,398	1,844,920
NET BOOK VALUE					
At end of year	2,510,048	174,254	-	65,592	2,749,894
At start of year	2,578,557	129,015	-	67,232	2,774,804

Grants received to fund the acquisition and development of commercial premises are repayable in certain circumstances. Where this arises from the sale of properties, repayment of the grant would be subordinated behind any private loan charged on these properties.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

14. INVESTMENT

	2019	2018
	£	£
At start of year	100	100
New investment	-	-
At end of year	<u>100</u>	<u>100</u>

This represents: a 100% shareholding Govanhill Housing Association Limited has in its subsidiary company, Govanhill Community Development Trust Limited, a company registered in Scotland.

The results and net assets of the subsidiary company at 31 March 2019 are as follows:

	2019	2018
	£	£
Govanhill Community Development Trust Limited:		
(Loss) for the year after tax	<u>(16,914)</u>	<u>(62,168)</u>
Net Assets	<u>814,765</u>	<u>831,679</u>

15. NEGATIVE GOODWILL

	2019	2018
	£	£
At start of year	3,461,781	3,563,454
Amortised in the year	<u>(80,507)</u>	<u>(101,673)</u>
At end of year	<u>3,381,274</u>	<u>3,461,781</u>

16. STOCK AND WORK IN PROGRESS

	2019	2018
	£	£
Postage, stationery and maintenance stock	<u>3,768</u>	<u>4,757</u>

17. DEBTORS

	2019	2018
	£	£
Amounts falling due within one year:		
Rental debtors - housing benefit	71,620	84,840
- other	462,194	388,822
Less: provision for bad debts	<u>(313,172)</u>	<u>(292,943)</u>
Amounts due by subsidiary company	-	21,694
Capital grants receivable	40,664	342,119
Corporation tax	-	-
Other debtors	368,474	312,208
Prepayments and accrued income	<u>549,396</u>	<u>305,393</u>
	<u>1,179,176</u>	<u>1,162,133</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Housing loans (note 19a)	803,026	779,838
Liability for SHAPS past service deficit contribution arrangements	-	307,000
Deferred Income due within one year	1,951,981	1,728,975
Amounts due to subsidiary company	9,327	8,421
Trade payables	1,098,381	1,559,009
Other taxation and social security costs	64,424	61,115
Social Housing Grant repayable	62,555	62,555
Other creditors	666,305	363,374
Accruals and deferred income	258,002	201,351
Rent in advance	446,864	424,135
Factoring in advance	143,986	83,877
Pensions creditor	39,297	2,984
	5,544,148	5,582,634

During the year the way we account for Defined Benefit pension costs and liabilities changed; the liability for the SHAPS past service contribution arrangements has been removed from the accounts and a new Defined Benefit Pension Liability accounted for on the face of the Statement of Financial Position (note 27).

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

	2019	2018
	£	£
Housing loans	16,222,979	14,536,334
Liability for SHAPS past service deficit contribution arrangements	-	904,000
	16,222,979	15,440,334

During the year the way we account for Defined Benefit pension costs and liabilities changed; the liability for the SHAPS past service contribution arrangements has been removed from the accounts and a new Defined Benefit Pension Liability accounted for on the face of the Statement of Financial Position (note 27).

Included within housing loans is £84,750 of monies held on behalf of sharing owners who participated in the shared equity scheme.

19 (a). Loans are secured by specific charges on the Association's properties and are repayable by instalment at varying rates of interest ranging from 1.13% to 5.21% (2018: 1.16% to 5.21%).

Based on the lenders' earliest repayment date, borrowings are repayable as follows:

	2019	2018
	£	£
In one year or less (note 18)	803,026	779,838
Between one and two years	831,438	779,838
Between two and five years	2,436,418	2,512,293
In five years or more	12,955,123	11,244,203
	17,026,005	15,316,172

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

20. DEFERRED INCOME

	2019	2018
	£	£
Social Housing Grants		
Balance at start of year	60,265,572	55,529,867
Additions in year	4,532,414	6,403,217
Released/Repaid as a result of property disposal	-	-
Amortisation in year	(1,891,631)	(1,667,512)
Balance at end of year	62,906,355	60,265,572
Other Grants		
Balance at start of year	2,827,295	2,888,758
Additions in year	-	-
Released/Repaid as a result of property disposal	-	-
Amortisation in year	(60,350)	(61,463)
Balance at end of year	2,766,945	2,827,295
This is expected to be released to the Statement of Comprehensive Income as follows:		
Amounts due within one year	1,951,981	1,728,975
Amounts due in one year or more	63,721,319	61,363,892
	65,673,300	63,092,867

21. SHARE CAPITAL

	2019	2018
	£	£
Shares of £1 each fully paid and issued:		
At start of year	351	365
Shares issued during year	7	8
Shares forfeited during year	(13)	(22)
At end of year	345	351
Forfeited shares:		
At start of year	955	933
Transferred from share capital during year	13	22
Written off in the year	(968)	-
At end of year	-	955
Total share capital:		
At start of year	1,306	1,298
At end of year	345	1,306

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

22. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March

	2019	2018
	£	£
Operating surplus	1,981,731	930,793
Depreciation charges	3,276,614	3,534,723
Amortisation of grants	(1,951,981)	(1,728,975)
Decrease / (Increase) in stock	989	(946)
(Increase) / Decrease in debtors	(17,043)	347,849
Decrease / (Increase) in creditors	22,320	(529,319)
Unwinding of discount on pension liability	-	(35,158)
Non-cash changes to employer pension costs	(54,000)	(260,000)
Net cash inflow from operating activities	3,258,630	2,258,967

23. CAPITAL COMMITMENTS

	2019	2018
	£	£
Expenditure contracted less certified	1,400,000	2,868,000
Funded by:		
Social Housing Grant	-	-
Other grants and contributions	200,000	-
Reserves	1,200,000	2,868,000
	1,400,000	2,868,000
Expenditure authorised by the management committee not contracted for	10,560,000	11,837,000
Funded by:		
Social Housing Grant	8,825,000	7,750,000
Other grants and contributions	-	270,000
Reserves	1,735,000	3,817,000
	10,560,000	11,837,000

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2019.

24. OBLIGATIONS UNDER OPERATING LEASES

	2019	2018
	£	£
The total minimum lease payments under non-cancellable operating leases for fixed assets are:	£ nil	£ nil

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

25. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by FRS102.

The related party relationships of the members of the Management Committee are summarised as:

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

Transactions with Management Committee members are as follows:

Rent received from tenants on the Committee:	£25,028
At the year end total rent arrears owed by the tenant members of the Committee were:	£nil
Charges received from factored owners on the Committee:	£1,407
At the year end total factors arrears owed by the owner members of the Committee were:	£nil

Transactions between the Association and its subsidiary are as follows:

	2019		2018	
	£		£	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Govanhill Community Development Trust Limited	96,068	106,411	78,074	51,755
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>
	<u>due to:</u>	<u>due by:</u>	<u>due to:</u>	<u>due by:</u>
Govanhill Community Development Trust Limited	9,327	-	8,421	21,694

26. GROUP ACCOUNTS EXEMPTION

From the period commencing 1 April 2015 the Association gained exemption from the Financial Conduct Authority for providing Group Accounts. This was obtained under Section 99 of the Co-operative and Community Benefit Societies Act 2014 and had the agreement of the Auditor.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

27. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Defined Benefit Scheme (“SHAPS”)

Govanhill Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme). The Scheme is a multi-employer defined benefit (“DB”) scheme in the UK which provides benefits to some 150 non-associated employers.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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

For financial years ending on or before 28 February 2019, it was not possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association accounted for the Scheme as a defined contribution scheme and the contributions payable from the association to the SHAPS DB scheme under the terms of its funding agreement for past deficits was recognised as a liability within creditors in the Association's financial statements. The net present value for this contractual obligation at 31 March 2018 was £1,211,000.

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Under the defined benefit pension accounting approach, the SHAPS DB scheme net deficit as at 1 April 2018 is £1,210,000 and is £1,365,000 as at 31 March 2019.

FRS102 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £1,000, which has been recognised at 1 April 2018 in other comprehensive income.

The main financial assumptions used by the Pension Trust's actuary in their FRS102 calculations are as follows:

	31 March 2019	31 March 2018
Assumptions as at:		
Inflation (CPI)	2.30%	2.20%
Inflation (RPI)	3.30%	3.20%
Salary increases	2.40%	2.65%
Discount rate	2.30%	2.55%
Allowance for commutation of pension for cash at retirement	75% max	75% max

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Males	Females
Current pensioners	21.7 years	23.4 years
Future pensioners	23.1 years	24.7 years

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

<u>Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)</u>		
	31 March 2019	31 March 2018
Fair value of plan assets	10,796,000	10,072,000
Present value of defined benefit obligation	12,161,000	11,282,000
Deficit in plan	(1,365,000)	(1,210,000)
Unrecognised surplus	-	-
<u>Defined benefit liability to be recognised</u>	<u>(1,365,000)</u>	<u>(1,210,000)</u>

<u>Reconciliation of opening and closing balances of the defined benefit obligation</u>		31 March 2019
Defined benefit obligation at start of period		11,282,000
Current service cost		397,000
Expenses		9,000
Interest expense		289,000
Plan participants' contributions		196,000
Benefits paid		(473,000)
Actuarial gains due to scheme experience		(153,000)
Actuarial losses due to changes in demographic assumptions		32,000
Actuarial losses due to changes in financial assumptions		582,000
<u>Defined benefit obligation at end of period</u>		<u>12,161,000</u>

<u>Reconciliation of opening and closing balances of the fair value of plan assets</u>		31 March 2019
Fair value of plan assets at start of period		10,072,000
Interest income		259,000
Plan participants' contributions		196,000
Employer contributions		486,000
Benefits paid		(473,000)
Experience on plan assets (excluding amounts included in interest income) – gain		256,000
<u>Fair value of plan assets at end of period</u>		<u>10,796,000</u>

<u>Defined Benefit costs recognised in statement of comprehensive income</u>		31 March 2019
Current service cost		397,000
Expenses		9,000
Net interest expense		30,000
<u>Defined benefit costs recognised in statement of comprehensive income (SoCI)</u>		<u>436,000</u>

<u>Defined Benefit costs recognised in other comprehensive income</u>		31 March 2019
Experience on plan assets (excluding amounts included in interest income) – gain		256,000
Experience gains and losses arising on the plan liabilities – gain		153,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations – loss		(32,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations – loss		(582,000)
<u>Total amount recognised in other comprehensive income - loss</u>		<u>(205,000)</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

The plan assets were:

	31 March 2019	31 March 2018
Global Equity	1,737,000	1,812,000
Absolute Return	915,000	1,195,000
Distressed Opportunities	184,000	46,000
Credit Relative Value	187,000	-
Alternative Risk Premia	603,000	381,000
Fund of Hedge Funds	30,000	289,000
Emerging Markets Debt	346,000	345,000
Risk Sharing	313,000	92,000
Insurance-Linked Securities	280,000	276,000
Property	214,000	398,000
Infrastructure	453,000	184,000
Private Debt	139,000	93,000
Corporate Bond Fund	757,000	703,000
Long Lease Property	131,000	-
Secured Income	377,000	369,000
Over 15 Year Gilts	277,000	325,000
Liability Driven Investment	3,842,000	3,545,000
Net Current Assets	11,000	19,000
Total assets	10,796,000	10,072,000

Govanhill Housing Association Limited continues to offer membership of the Scheme to its employees.

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 12.6% of pensionable salaries. Member contributions were paid at a rate of 12.5%. At the balance sheet date there were 49 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,648,093.

The Pensions Trust Growth Plan

Govanhill Housing Association Limited participates in TPT Retirement Solutions Growth Plan (the Plan). The Plan is funded and is a multi-employer pension plan which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m.

Govanhill Housing Association Limited paid contributions at the rate of 0% during the accounting period. Members paid contributions at an average rate of 20.04% during the accounting period. As at the balance sheet date there were 4 active members of the Plan employed by Govanhill Housing Association Limited. Govanhill Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS102 represents the employer contribution payable.

Govanhill Housing Association has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2017. As of this date the estimated employer debt for Govanhill Housing Association was £27,182.

Strathclyde Pension Fund ("SPF")

As a result of the second stage transfer, 7 employees were transferred from Glasgow Housing Association Limited to Govanhill Housing Association Limited on 31 January 2011. Of these 7 employees, 4 (2018: 5) are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by Glasgow City Council's actuary, Hymans Robertson, in their FRS102 calculations are as follows:

	31 March 2019	31 March 2018
Assumptions as at:		
Pension increase rate (CPI)	2.5%	2.4%
Salary increases	3.7%	3.6%
Discount rate	2.4%	2.7%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2016 model with an allowance for smoothing of recent mortality experience and long term rates of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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

	31 March 2019	31 March 2018
Fair value of plan assets	1,602,000	1,531,000
Present value of defined benefit obligation	1,911,000	1,699,000
Deficit in plan	(309,000)	(168,000)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(309,000)	(168,000)

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2019
Defined benefit obligation at start of period	1,699,000
Current service cost	53,000
Interest expense	46,000
Plan participants' contributions	9,000
Benefits paid	(56,000)
Actuarial losses due to changes in financial assumptions	160,000
Defined benefit obligation at end of period	1,911,000

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

	31 March 2019
Fair value of plan assets at start of period	1,531,000
Interest income	41,000
Plan participants' contributions	9,000
Employer contributions	27,000
Benefits paid	(56,000)
Experience on plan assets (excluding amounts included in interest income) – gain	50,000
Fair value of plan assets at end of period	1,602,000

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Defined Benefit costs recognised in statement of comprehensive income

	31 March 2019
Current service cost	53,000
Net interest expense	5,000
<u>Defined benefit costs recognised in statement of comprehensive income (SoCI)</u>	<u>58,000</u>

Defined Benefit costs recognised in other comprehensive income

	31 March 2019
Experience on plan assets (excluding amounts included in interest income) – gain	50,000
Actuarial losses due to changes in financial assumptions	(160,000)
<u>Total amount recognised in other comprehensive income - loss</u>	<u>(110,000)</u>

The major categories of plan assets as a percentage of total plan assets were:

	31 March 2019	31 March 2018
Equities	64%	70%
Bonds	24%	18%
Property	10%	11%
Cash	2%	1%

During the year Govanhill Housing Association Limited paid contributions at a rate of 20.5% to 23.5% of pensionable salaries. Member contributions were paid at a rate of between 6.3% and 7.0%.

The pension liability included in these financial statements does not include the potential effects of the McCloud judgement given the uncertainty surrounding the final situation in terms of employer pension liabilities and the financial impact of this.