

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**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 2022**

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**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS AND ADVISERS**  
**For the year ended 31 March 2022**

**Management Committee**

|                      |                       |
|----------------------|-----------------------|
| Catherine Macfarlane | (Chairperson)         |
| John McLardie        | (Vice Chairperson)    |
| Elizabeth Klein      | (Secretary)           |
| Keith Kintrea        | (Treasurer)           |
| Mujeeb Ur Rehman     |                       |
| Ghazala Hakeem       |                       |
| Barbara Robertson    |                       |
| James White          | Resigned January 2022 |
| Iain Doherty         |                       |
| Wilma Logan          |                       |
| Jennifer Cassells    |                       |
| Audrey Flanagan      | Co-opted January 2022 |
| Cheryl Miller        | Co-opted January 2022 |

**Executive officers**

|                |   |
|----------------|---|
| John Quinn     | (Director)                                |
| Alan McDonald  | (Head of Development & Property Services) |
| Alison Kevan   | (Head of Corporate Services & HR)         |
| Claire McGraw  | (Head of Tenancy Services)                |
| Shannon Watson | (Head of Finance & IT) until January 2022 |

**Registered office**

Samaritan House  
79 Coplaw Street  
Glasgow G42 7JG

**External Auditors**

RSM UK Audit LLP  
3<sup>rd</sup> Floor Centenary House  
69 Wellington Street  
Glasgow G2 6HG

**Internal Auditors**

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

**Bankers**

Barclays plc  
83 Argyle Street  
Glasgow G5 8DP

**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 2022**

The Management Committee has pleasure in presenting its report and the audited financial statements for the year ended 31 March 2022.

**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         | 2022         | 2021         |
|----------------------------------|--------------|--------------|
| General Needs Affordable Housing | 2,776        | 2,776        |
| Supported Housing                | 99           | 99           |
| Shared Equity                    | 2            | 3            |
| <b>Total</b>                     | <b>2,877</b> | <b>2,878</b> |

**COVID-19**

Due to the onset of the global pandemic in 2020, the Association, together with most businesses in the United Kingdom, was placed into lockdown on 23 March 2020.

While services have largely returned to normal, the Association has worked to the continuing obligations placed on it by The Health and Safety at Work Act in relation to Covid to ensure that as an employer safe working conditions are provided. Poor ventilation within the office building means that until that issue is addressed, the transmission of respiratory diseases is a potential hazard which is mitigated by operating with a reduced office capacity.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

**Financial Review**

The Association made a surplus in the year of £1,306,274 (2021 - £2,308,208). This surplus does not entirely represent additional cash funds generated.

We have reviewed our lenders' covenant requirements; we meet our lenders' requirements at the yearend and are projected to continue to do so for the foreseeable future despite the impact of the COVID-19 pandemic.

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 plan to spend substantial sums of money on our major repair investment programme in 2022/23 with work to achieve compliance with the Scottish Housing Quality Standards ("SHQS") and the Energy Efficiency Standard for Social Housing ("EESH") continuing subject to restrictions on activities, and maintaining the quality of the homes our tenants live in. The high inflation we are experiencing as a result of the economic re-opening, the war in Ukraine and labour and material shortages are expected to have an adverse impact on the delivery of our component replacement, refurbishment and new build programmes.

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. We then invest in the homes to bring them up to a safe, tolerable living standard and rent them out as affordable homes 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.

In March 2021 the Scottish Government and Glasgow City Council confirmed a funding package of £17.7m (including a £1.5m contribution from the Association) for the two years ending 31 March 2023. This extended funding will enable us to make targeted acquisitions of homes and complete the improvements needed to the homes that we have acquired, making them safe to let to tenants.

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. In particular, we are monitoring the requirements for net-zero carbon in homes and how this might impact on the financial resources of the Association.

**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 9) 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 setting of the Association's strategy, policy and overall direction of Govanhill Housing. It also monitors the operational activities of the Association which the Executive Officers undertake with delegated authority and 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 9) which are responsible for monitoring particular operational areas of the business and which receive regular reports from the Executive officers on activities undertaken and performance against targets.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

Following the retirement of the Head of Development and Regeneration Services, the Association restructured departmental roles and responsibilities to focus more clearly on the needs of tenants, and to improve the standard of its properties. New departmental leadership posts of Head of Tenancy Services and Head of Development and Property Services were created and existing staff teams realigned into the two new departments. The new Head of Development and Property Services was recruited internally and The Head of Tenancy Services was recruited externally.

Development & Property Services

These Services relate to all matters concerning the Association's properties and comprises a Repairs and Maintenance team, a Property Development team and a Factoring team.

The Repairs and 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 central heating systems, 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.

Although non-emergency repairs work was interrupted during the various lockdowns imposed as a result of COVID-19, this did not have a material negative impact on the results for the year under review.

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

|   | 2022            | 2021            |
|---|-----------------|-----------------|
| Day to day repairs to affordable homes          | £ 1,938k        | £ 1,389k        |
| Cyclical repairs to affordable homes            | £ 959k          | £ 864k          |
| <b>Total reactive and cyclical repair costs</b> | <b>£ 2,897k</b> | <b>£ 2,253k</b> |

The Factoring team manages services for 1,346 owners within 415 closes, supporting our operations and protecting our assets through effective property management with support from our Maintenance and Development sections.

Our aim is to provide cost effective common property management services to both the Association and homeowners within Govanhill and Merrylee.

The Property Development team continues to progress a number of projects for the Association including the acquisition of properties in South West Govanhill for refurbishment and let. These additions to our affordable housing stock are funded by grants. The subsequent major improvements to the properties in South West Govanhill are funded by a combination of grants and loan funds. The works to the properties owned were initially delayed by the pandemic but restarted during the second half of the 2020/21 year. However, subsequent shortages of materials and labour have led to slower completions than was envisioned.

The team also manage a number of component replacement and major repairs contracts to make improvements to our existing homes throughout 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.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

Tenancy Services

These Services relate to all tenancy matters and include Housing and Allocations Requests, Anti-Social Behaviour Concerns, Homelessness Support, Benefits Support, Rent Setting and Arrears Management.

In relation to the latter, Govanhill and Merrylee became Full Service areas for Universal Credit in September 2018. This has resulted in an increasing number of tenants are moved from Housing Benefits to Universal Credit. The risk of increased levels of arrears amongst tenants has to date been well managed by the team, and indeed as indicated below, the % of rent due has decreased.

Some key statistics on our housing management and arrears include:

|   | 2022   | 2021   |
|---|--------|--------|
| Number of homes let to tenants in the year  | 233    | 176    |
| Percentage of tenancy offers made in the year which were refused                      | 52.75% | 46.15% |
| Average time to re-let properties during the year (days)                              | 55.9   | 105.14 |
| Number of Anti-Social Behaviour cases reported in the year                            | 142    | 144    |
| Percentage of tenants satisfied with the management of the neighbourhood they live in | 82.77% | 78.58% |
| Gross rent arrears as a percentage of rent due  | 3.92%  | 5.20%  |

During 2019/20 we consulted with tenants on how we might change our rent setting policies and procedures, to make our rent setting fairer and more transparent. Our consultants used this feedback to create a new rent setting procedure and we agreed a plan to gradually introduce the changes to tenants' rents as a result of this over a number of years, to minimise the impact of any upwards or downwards movements in rent levels for both our tenants and the Association.

The introduction of the new rent structure was delayed from our planned start date of September 2020 so as not to cause unnecessary hardship to tenants during the pandemic. Now that the effects of the pandemic have eased, it is our intention to implement these changes in 2023/24 instead.

With inflation predicted to exceed 10% in 2022, driven by food and fuel prices, the Association is very aware of the need to balance funding future investment with the need to keep rents at an affordable level for our tenants.

Finance & IT

The Finance & IT team continued to support the work of Govanhill Housing Association and GCDT throughout the year. The IT team continued work to build on creating opportunities for colleagues to work while out and about with mobile devices so that they can spend more time in our tenants' homes and within our wider community rather than being office based.

In January 2022, the Head of Finance and IT, left the Association to take up the post of Director at a fellow Social Landlord. The team was supported by an interim manager for a period of three months whilst a successful recruitment process was carried out. The post was filled in May 2022

Corporate Services & HR

The Corporate Services & HR team continued to support the work of Govanhill Housing Association and GCDT throughout the year.

The team has had a busy year recruiting to fill new and existing posts as they become available, if required, and managing the flow of information and new working practices needed to ensure that our customers and staff are protected as much as is practicably possible during the changes brought about during and after the Covid pandemic.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

The team also provides essential support to the operational teams of the Association, including ensuring that we meet all Fire Safety and Health and Safety legislation for our staff and our office buildings. Staff also provide assistance in this area to our colleagues in Housing & Property Services who have similar responsibilities in relation to our services as a landlord.

Govanhill Community Development Trust ("GCDT")

The team at GCDT has worked hard to keep its workspaces let and to minimise 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) in the local area. GCDT also continued with modified versions of a number of grant funded activities which all have the aim of supporting our local communities to thrive and encouraging integration and inclusion.

Five members of the Management Committee of Govanhill Housing Association 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 the three years to 2019/20 our rent increases were at or below the level of inflation in the wider markets, and in 2020/21 we restricted increases to CPI + 0.5%. The rent increase for 2021/22 was limited to 1%.

As noted previously, the Management Committee is extremely aware of the cost of living crisis and the impact it is having on our tenants.

**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;



**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

- 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.

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

- *Impact of external political / financial factors*  
Uncertainty around the current global political and economic climate has resulted in maintenance, repair and major improvement costs in particular to rise sharply. 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.
- *Operational and Financial Risks created by the global climate affecting tenants*  
The global political and economic climate has caused personal and financial hardship for many people (e.g. rising inflation) and we are acutely aware of the impact this could have on our tenants. We are working hard to ensure that our core services which ensure our tenants' wellbeing and safety in their homes is maintained.
- *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.
- *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 is 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 in the area will ensure the external environment 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. A detailed review of void processes has been completed.

### **Sustainability and Asset Management**

We have 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.

The Management Committee and management team are working together to determine how the Association might meet the ambitious net-zero targets for carbon emissions set by the Scottish Government. We are working to gain clarity on the solutions which might suit our peculiar style of tenement housing and the complexities this presents for any retro-fitted solution, the associated costs of these and how this work might be funded.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

**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. We have incorporated an estimate of the impact of the global economic climate on our finances in the short to medium term into these budgets. These changes have not had a materially negative effect on our budgets and we should still meet our lenders' covenant requirements. The changes budgeted for include:

- Provision for void losses to be higher;
- Arrears levels will continue to be managed aware of their potential to increase as a result of external economic factors;
- Our planned start date on the new build project in Butterbiggins Road and the programme of buying and improving properties in South West Govanhill have been delayed which will impact on the rental income we plan to earn on these homes;

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 2022 the Association has a mix of fixed and variable rate borrowings which it considers appropriate at this time.

**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 had undrawn private finance facilities of £2m 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. As noted above, we have estimated the impact of global economic factors in the short to medium term. We do not expect these impacts to prevent us from continuing to operate as a going concern for the foreseeable future and we consider that 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.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

**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 at 159 Butterbiggins Road which was delayed by the pandemic. We 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 2023 after which time all the properties acquired as part of this project should be fully integrated into the mainstream housing activities of the Association. Delays created initially by the pandemic and subsequent global external economic factors have had an effect on some of this work but we will continue to monitor the position closely and work hard to catch up where we can.

As noted previously, Govanhill and Merrylee became Full Service areas for UC in September 2018. The number of tenants in receipt of UC continues 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 UC 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 until at least May 2023.

**The Management Committee**

The Management Committee of Govanhill Housing during the year to 31 March 2022 and up to 25 August 2022 was as follows:

|                      |  |
|----------------------|--|
| Catherine Macfarlane | (Chairperson)                            |
| John McLardie        | (Vice Chairperson)                       |
| Elizabeth Klein      | (Secretary)                              |
| Keith Kintrea        | (Treasurer)                              |
| Mujeeb Ur Rehman     |  |
| Barbara Robertson    |  |
| James White          |  |
| Iain Doherty         |  |
| Wilma Logan          |  |
| Ghazala Hakeem       |  |
| Jennifer Cassells    |  |
| Audrey Flannagan     | (Co-opted 26 <sup>th</sup> January 2022) |
| Cheryl Miller        | (Co-opted 26 <sup>th</sup> January 2022) |

**Sub-Committees**

|                          |
|--------------------------|
| F&GP, A&R, D&P, HS, GCDT |
| F&GP, A&R, D&P, HS       |
| F&GP, A&R, D&P, HS       |
| F&GP, A&R, D&P, GCDT     |
| F&GP, GCDT               |
| D&P, GCDT                |
| Resigned Jan 2022        |
| F&GP, HS                 |
| F&GP, A&R, D&P, HS, GCDT |
| TS                       |
| F&GP, A&R, D&P           |
| TS                       |
| TS                       |

**Sub-Committees**

Finance & General Purposes (F&GP)

Audit & Risk (A&R)

Development & Property (D&P)

Tenancy Services (TS)

Govanhill Community Development Trust Limited Board ("GCDT")

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**For the year ended 31 March 2022**

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 were no changes in the year, but K MacDougall, Head of Development & Regeneration retired on 9 April 2021 and Shannon Watson left to join another RSL on 28 January 2022. As noted above, the existing departments have been realigned to reflect the needs of tenants as customers in one service and to focus on those of the housing properties in another. The three most senior posts in these departments have been recruited and filled as of May 2022.

**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**


RSM UK Audit LLP has completed year three of its initial three year contract for the audit of the Association's accounts.

**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

  
Elizabeth Klein  
Secretary

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES**  
**For the year ended 31 March 2022**

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 instituting adequate systems of internal control and for:

- safeguarding assets; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The Management Committee is responsible for the maintenance and integrity of the financial information included on the Govanhill Housing Association website.

By order of the Management Committee



Elizabeth Klein  
Secretary

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS**  
**For the year ended 31 March 2022**

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.
- An internal auditor has been appointed in accordance with the requirements of Guidance Note 97/06. An audit plan was set and completed for the year. The results of the work confirm that the Association has satisfactory procedures for managing its finances.

The Management Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2022 until 7 September 2022. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Management Committee

  
Elizabeth Klein  
Secretary

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS**  
**For the year ended 31 March 2022**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained 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.



29 Sept 2022  
Date

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GOVANHILL HOUSING ASSOCIATION LIMITED  
For the year ended 31 March 2022**

**Opinion**

We have audited the financial statements of Govanhill Housing Association Limited (the 'Association') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including 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 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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**

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

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

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

**Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

**For the year ended 31 March 2022**

## **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 Statement of Management Committee's Responsibilities 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GOVANHILL HOUSING ASSOCIATION LIMITED  
For the year ended 31 March 2022**

- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Co-Operative and Community Benefit Societies Act 2014, the Scottish Housing Acts and the Scottish Housing Regulator's Determination of Accounting Requirements (February 2019). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, The Energy Efficiency Standard for Social Housing (EESH) and the Scottish Charity Regulator (OSCR). We performed audit procedures to inquire of management and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and the existence, completeness and valuation of rental income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, in relation to management override of internal controls. Audit procedures in relation to assertion risks for rental income included but were not limited to substantive analytical review to test the rental income that was recognised and assess whether it was recognised in accordance with rent review letters or signed tenancy agreements which agree to the housing management system.

A further description of our responsibilities for the audit of the financial statements is provided 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**  
Statutory Auditor  
Chartered Accountants  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

29 Sept 2022  
Date

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GOVANHILL HOUSING ASSOCIATION LIMITED  
For the year ended 31 March 2022**

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 March 2022

|  | Notes | 2022<br>£        | 2021<br>£        |
|--|-------|------------------|------------------|
| <b>REVENUE</b>   | 2     | 19,659,619       | 17,920,597       |
| Operating costs  | 2     | (17,774,787)     | (15,220,718)     |
| <b>OPERATING SURPLUS</b>   | 2, 10 | 1,884,832        | 2,699,879        |
| Release of negative goodwill   | 15    | 80,508           | 80,508           |
| Interest receivable and other similar income                             |       | 2,001            | 886              |
| Interest payable and other similar charges                               | 8     | (424,394)        | (466,065)        |
| Other Finance Charges  | 9     | 31,000           | (7,000)          |
| <b>SURPLUS FOR THE YEAR</b>  |       | <b>1,573,947</b> | <b>2,308,208</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>  |       |                  |                  |
| Actuarial gain / (loss) recognised in respect of pension schemes - SHAPS | 26    | 980,000          | (1,516,000)      |
| Actuarial gain / (loss) recognised in respect of pension schemes - SPF   | 26    | 293,000          | (52,000)         |
| <b>TOTAL COMPREHENSIVE INCOME</b>  |       | <b>2,846,947</b> | <b>740,208</b>   |

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

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended 31 March 2022**

|  | Notes | 2022<br>£    | 2021<br>£    |
|--|-------|--------------|--------------|
| <b>NON-CURRENT ASSETS</b>                                      |       |              |              |
| Housing properties - depreciated cost                          | 13(a) | 106,354,621  | 107,291,778  |
| Shared Equity Scheme Loan                                      |       | 282,500      | 282,500      |
| Shared Equity Scheme Grant                                     |       | (282,500)    | (282,500)    |
|  |       | -            | -            |
| Other tangible fixed assets                                    | 13(b) | 2,414,925    | 2,557,761    |
|  |       | 108,769,546  | 109,849,539  |
| <b>INVESTMENT</b>  | 14    | 100          | 100          |
| <b>INTANGIBLE FIXED ASSETS</b>                                 |       |              |              |
| Negative goodwill  | 15    | (3,139,751)  | (3,220,259)  |
| <b>CURRENT ASSETS</b>  |       |              |              |
| Debtors  | 16    | 803,439      | 1,174,235    |
| Cash at bank and in hand                                       |       | 11,620,582   | 6,634,039    |
|  |       | 12,424,021   | 7,808,274    |
| <b>CREDITORS: amounts falling due within one year</b>          | 17    | (6,028,307)  | (5,162,808)  |
| <b>NET CURRENT ASSETS</b>                                      |       | 6,395,714    | 2,645,466    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | 112,025,609  | 109,274,846  |
| <b>CREDITORS: amounts falling due after more than one year</b> | 18    | (16,588,375) | (15,481,582) |
| Defined Benefit Pension Liability - SHAPS                      | 26    | (147,000)    | (1,465,000)  |
| Defined Benefit Pension Liability - SPF                        | 26    | 24,000       | (222,000)    |
| <b>DEFERRED INCOME</b>   |       |              |              |
| Social Housing Grants  | 19    | (45,441,817) | (45,020,426) |
| Other Grants   | 19    | (2,525,545)  | (2,585,895)  |
|  |       | (47,967,362) | (47,606,321) |
| <b>NET ASSETS</b>  |       | 47,346,872   | 44,499,943   |
| <b>EQUITY</b>  |       |              |              |
| Share capital  | 20    | 295          | 313          |
| Revenue reserve  |       | 47,346,577   | 44,499,630   |
|  |       | 47,346,872   | 44,499,943   |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended 31 March 2022**

The financial Statements were approved by the management committee, authorised for issue and signed on its behalf on September 7 2022

**Vice Chairperson**

**J. MCLARDIE**

**Secretary**

**E. KLEIN**

**Treasurer**

**K. KINTREA**

The notes on pages 22 to 40 form part of these financial statements.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 March 2022

|  | Notes | 2022<br>£   | 2021<br>£   |
|--|-------|-------------|-------------|
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>   | 21(a) | 4,087,134   | 3,776,329   |
| <b>INVESTING ACTIVITIES</b>                        |       |             |             |
| Acquisition and construction of housing properties |       | (1,469,892) | (2,260,974) |
| Improvements to housing properties                 |       | (694,598)   | (2,176,971) |
| Purchase of other fixed assets                     |       | -           | (15,132)    |
| Social housing grants received                     |       | 2,271,366   | 3,831,447   |
| Proceeds of disposals of housing properties        |       | 50,444      | -           |
| Sales of other fixed assets                        |       | -           | -           |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>  |       | 157,320     | (621,630)   |
| <b>NET CASH INFLOW BEFORE FINANCING</b>            |       | 4,244,454   | 3,154,699   |
| <b>FINANCING ACTIVITIES</b>                        |       |             |             |
| Issue of ordinary share capital                    |       | (18)        | (19)        |
| Loan advances received                             |       | 2,500,000   | -           |
| Interest received                                  |       | 2,001       | 886         |
| Interest paid                                      |       | (424,394)   | (466,065)   |
| Loan principal repayments                          |       | (1,335,500) | (857,101)   |
| <b>NET CASH OUTFLOW FROM FINANCING</b>             |       | 742,089     | (1,322,299) |
| <b>INCREASE IN CASH</b>                            |       | 4,986,543   | 1,825,400   |
| <b>OPENING CASH AND CASH EQUIVALENTS</b>           |       | 6,634,039   | 4,808,639   |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>           |       | 11,620,582  | 6,634,039   |

The notes on pages 22 to 40 form part of these financial statements.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF CHANGES IN CAPITAL AND RESERVES**  
**For the year ended 31 March 2022**

|  | <b>Share<br/>Capital</b> | <b>Revenue<br/>Reserve</b> | <b>Total</b>      |
|--|--------------------------|----------------------------|-------------------|
|  | <b>£</b>                 | <b>£</b>                   | <b>£</b>          |
| Balance as at 1 April 2021               | 313                      | 44,499,630                 | 44,499,943        |
| Issue of Shares                          | 4                        | -                          | 4                 |
| Forfeited Shares written off in the year | (22)                     | -                          | (22)              |
| Surplus for the year                     | -                        | 1,573,947                  | 1,573,947         |
| Other comprehensive income               | -                        | 1,273,000                  | 1,273,000         |
| <b>Balance as at 31 March 2022</b>       | <b>295</b>               | <b>47,346,577</b>          | <b>47,346,872</b> |

|  | <b>Share<br/>Capital</b> | <b>Revenue<br/>Reserve</b> | <b>Total</b>      |
|--|--------------------------|----------------------------|-------------------|
|  | <b>£</b>                 | <b>£</b>                   | <b>£</b>          |
| Balance as at 1 April 2020               | 332                      | 43,759,422                 | 43,759,754        |
| Issue of Shares                          | 4                        | -                          | 4                 |
| Forfeited Shares written off in the year | (23)                     | -                          | (23)              |
| Surplus for the year                     | -                        | 2,308,208                  | 2,308,208         |
| Other comprehensive income               | -                        | (1,568,000)                | (1,568,000)       |
| <b>Balance as at 31 March 2021</b>       | <b>313</b>               | <b>44,499,630</b>          | <b>44,499,943</b> |

The notes on pages 22 to 40 form part of these financial statements.



**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2022**

**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 8.

**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. We have incorporated an estimate of the continuing impact of COVID-19 on our finances in the short to medium term into our budgets. These changes have not had a materially negative effect on our budgets and we should still meet our lenders' covenant requirements. The changes budgeted for include:

- Provision for void losses to be higher;
- Arrears levels are likely to continue to increase;
- Our planned start date on the new build project in Butterbiggins Road and the programme of buying and improving properties in South West Govanhill have been delayed which will impact on the rental income we plan to earn on these homes;
- While reactive and cyclical repairs have been very low through lockdown we expect repair requests to increase after lockdown lifts and so expect to spending to reach normal levels very quickly; and
- Our major repairs works programme was delayed into 2021/22.

We are confident that, after making appropriate changes to our activities in line with government regulations, we will continue to be in a sufficiently strong position to operate as a going concern for the foreseeable future.

**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.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2022**

**1. ACCOUNTING POLICIES (continued)**

**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.

**Retirement Benefit Schemes**

The Association participated 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. The SHAPS DB scheme was closed to all employees from 1 April 2021 and employees were transferred to the Association's Defined Contribution scheme.

As at the year ended 31 March 2022, the net defined benefit pension deficit liability was £147,000 (2021 - £1,465,000), which has been included within the defined benefit pension liability in the financial statements. 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 26 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 2022, the net defined benefit pension deficit surplus was £24,000 (2021 – deficit £222,000), which has been included within the defined benefit pension liability in the financial statements.

**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 new build development activities for which we receive grant funding are capitalised based on the time spent by staff on this activity, in line with the capitalisation of the grant funds received by the Association.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2022**

**1. ACCOUNTING POLICIES (continued)**

**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                | 15 years                              |
| External Windows & Doors       | 30 years                              |
| Door entry systems & Other M&E | 30 years                              |
| Lifts                          | 15 years                              |
| Roofs                          | 50 years                              |
| Structure                      | 70 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 and Commercial Premises | 2% Straight Line        |
| Computer Equipment             | 33 ⅓% Straight Line     |
| Office Equipment               | 20%-33 ⅓% Straight Line |

**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.

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2022**

**1. ACCOUNTING POLICIES (continued)**

**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.

**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.

**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.

Categorisation of improvements to Housing Properties

The Association reviews all expenditure incurred on housing properties in the year and considers which expenditure should be capitalised and which should be accounted for as revenue expenditure. A reasonable proportion of expenditure on contracts in progress at the yearend is capitalised to housing properties at the yearend and then costs are subsequently allocated to components and accounted for as such within completed housing properties.

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 26).

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2022**

**1. ACCOUNTING POLICIES (continued)**

**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. These properties are primarily held for social benefit, let to social enterprises and charities address food insecurity and youth engagement, 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 2,854 for asset management purposes.
- d) **Consideration of what is included in Operating Surplus**  
 The Association considers that any gains or losses incurred when disposing of housing properties or replacing components within those properties should be accounted for within Operating Surplus reported.

**2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS**

|                               |      | 2022              |                     |                               |
|-------------------------------|------|-------------------|---------------------|-------------------------------|
|                               |      | Revenue           | Operating costs     | Operating surplus / (deficit) |
|                               | Note | £                 | £                   | £                             |
| Affordable letting activities | 3    | 18,348,782        | (17,000,811)        | 1,347,971                     |
| Other activities              | 4    | 1,310,837         | (773,976)           | 536,861                       |
| <b>Total</b>                  |      | <b>19,659,619</b> | <b>(17,774,787)</b> | <b>1,884,832</b>              |

|                               |      | 2021              |                     |                               |
|-------------------------------|------|-------------------|---------------------|-------------------------------|
|                               |      | Revenue           | Operating costs     | Operating surplus / (deficit) |
|                               | Note | £                 | £                   | £                             |
| Affordable letting activities | 3    | 15,923,867        | (13,327,667)        | 2,596,200                     |
| Other activities              | 4    | 1,996,730         | (1,893,051)         | 103,679                       |
| <b>Total</b>                  |      | <b>17,920,597</b> | <b>(15,220,718)</b> | <b>2,699,879</b>              |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS**

|   | General<br>Needs<br>Housing<br>£ | Supported<br>Social<br>Housing<br>Accommo-<br>dation<br>£ | Shared<br>Equity<br>Housing<br>£ | 2022<br>Total<br>£ | 2021<br>Total<br>£ |
|---|----------------------------------|---|----------------------------------|--------------------|--------------------|
| <b>Revenue from lettings</b>                                      |                                  |   |                                  |                    |                    |
| Rent receivable net of identifiable service charges               | 12,482,310                       | 456,235   | 3,423                            | 12,941,968         | 12,580,179         |
| Service charges receivable  | 293,075                          | 6,790   | 459                              | 300,324            | 288,917            |
| <b>Gross rents receivable</b>                                     | <b>12,775,385</b>                | <b>463,025</b>  | <b>3,882</b>                     | <b>13,242,292</b>  | <b>12,869,096</b>  |
| Less rent losses from voids                                       | (484,280)                        | (5,514)   | -                                | (489,794)          | (599,688)          |
| <b>Net rents receivable</b>                                       | <b>12,291,105</b>                | <b>457,511</b>  | <b>3,882</b>                     | <b>12,752,498</b>  | <b>12,269,408</b>  |
| Amortisation of Social Housing & Other Grants                     | 1,417,632                        | -   | -                                | 1,417,632          | 1,257,660          |
| Revenue grants from local authorities and other agencies          | 4,178,652                        | -   | -                                | 4,178,652          | 2,396,799          |
| Other Revenue grants  | -                                | -   | -                                | -                  | -                  |
| <b>Total income from social letting</b>                           | <b>17,887,389</b>                | <b>457,511</b>  | <b>3,882</b>                     | <b>18,348,782</b>  | <b>15,923,867</b>  |
| <b>Expenditure on social letting activities</b>                   |                                  |   |                                  |                    |                    |
| Management and maintenance  |                                  |   |                                  |                    |                    |
| administration costs  | (4,958,008)                      | (124,884)   | (966)                            | (5,083,858)        | (4,434,723)        |
| Loss on write off of historic components                          | -                                | -   | -                                | -                  | (428,237)          |
| Service costs   | (275,954)                        | (16,055)  | (447)                            | (292,456)          | (374,015)          |
| Planned and cyclical maintenance including major repairs          | (6,405,585)                      | (48,009)  | -                                | (6,453,594)        | (3,546,293)        |
| Reactive maintenance  | (1,856,150)                      | (81,498)  | -                                | (1,937,648)        | (1,388,940)        |
| Bad debts - rents and service charges                             | (92,194)                         | -   | -                                | (92,194)           | (111,606)          |
| Depreciation of social housing                                    | (3,020,758)                      | (120,303)   | -                                | (3,141,061)        | (3,043,853)        |
| Impairment of affordable let properties                           | -                                | -   | -                                | -                  | -                  |
| Operating costs of social letting                                 | (16,608,649)                     | (390,749)   | (1,413)                          | (17,000,811)       | (13,327,667)       |
| <b>Operating surplus / (deficit) on social letting activities</b> | <b>1,298,972</b>                 | <b>66,762</b>   | <b>2,469</b>                     | <b>1,347,971</b>   | <b>2,596,200</b>   |
| <b>2021</b>   | <b>2,502,385</b>                 | <b>90,501</b>   | <b>3,314</b>                     | <b>2,596,200</b>   |                    |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2022

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

|   | Grants from Scottish Ministers | Other revenue grants | Other income     | Total Turnover   | Operating Costs - Bad debts (write off)/ recovery | Other operating costs | Operating surplus / (deficit) 2022 | Operating surplus / (deficit) 2021 |
|---|--------------------------------|----------------------|------------------|------------------|---|-----------------------|------------------------------------|------------------------------------|
|   | £                              | £                    | £                | £                | £   | £                     | £                                  | £                                  |
| Wider role activities undertaken to support the community, other than the provision, construction improvement and management of housing | 245,122                        | 39,243               | -                | 284,365          | -   | (159,067)             | 125,298                            | -                                  |
| Care and repair   | -                              | -                    | -                | -                | -   | -                     | -                                  | -                                  |
| Investment property activities  | -                              | -                    | -                | -                | -   | -                     | -                                  | -                                  |
| Factoring   | -                              | -                    | 913,037          | 913,037          | (2,563)   | (566,264)             | 344,210                            | -                                  |
| 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  | -                              | -                    | -                | -                | -   | -                     | -                                  | 20,803                             |
| Other activities  |                                |                      |                  |                  |   |                       |                                    |                                    |
| - Management expenses charged to subsidiary companies   | -                              | -                    | 34,999           | 34,999           | -   | (34,999)              | -                                  | -                                  |
| - Rental of commercial property   | -                              | -                    | 11,083           | 11,083           | -   | (11,083)              | -                                  | -                                  |
| - Hire of conference hall   | -                              | -                    | -                | -                | -   | -                     | -                                  | -                                  |
| - Charges to 3rd parties for staff time   | -                              | -                    | -                | -                | -   | -                     | -                                  | -                                  |
| - Sale of other fixed assets  | -                              | -                    | 67,353           | 67,353           | -   | -                     | 67,353                             | -                                  |
| - Donation received   | -                              | -                    | -                | -                | -   | -                     | -                                  | -                                  |
| <b>TOTAL FROM OTHER ACTIVITIES</b>  | <b>245,122</b>                 | <b>39,243</b>        | <b>1,026,472</b> | <b>1,310,837</b> | <b>(2,563)</b>                                    | <b>(771,413)</b>      | <b>536,861</b>                     | <b>20,803</b>                      |
| <b>TOTAL FROM OTHER ACTIVITIES FOR 2021</b>   | <b>796,187</b>                 | <b>94,367</b>        | <b>1,106,176</b> | <b>1,996,730</b> | <b>(34,045)</b>                                   | <b>(1,859,006)</b>    | <b>103,679</b>                     |                                    |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2022**

**5. BOARD MEMBERS AND OFFICERS EMOLUMENTS**

The officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, the executive officers and employees of the Association reporting directly to the Director or the Management Committee.

No emoluments have been paid to any member of the Management Committee (2021: None)

3 officers of the Association received emoluments greater than £60,000  
(2021:5)

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>£</b>      | <b>£</b>      |
| Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)   | 223,777       | 460,289       |
| Pension contributions paid on behalf of officers with emoluments greater than £60,000   | 29,091        | 57,810        |
| Emoluments payable to the Director (excluding pension contributions)  | 85,680        | 95,933        |
| Pension contributions paid on behalf of the Director  | 11,139        | 16,915        |
|   |               |               |
|   | <b>Number</b> | <b>Number</b> |
| Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges: | <b>2022</b>   | <b>2021</b>   |
| £60,001 - £70,000   | 2             | 4             |
| £70,001 - £80,000   | -             | -             |
| £80,001 - £90,000   | 1             | 1             |
|   |               |               |
| Total expenses reimbursed in so far as not chargeable to United Kingdom income tax:   |               |               |
| Management Committee  | -             | -             |

**6. EMPLOYEE INFORMATION**

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| Staff costs during the year:  |                  |                  |
| Wages and salaries  | 2,539,547        | 2,609,075        |
| Social security costs   | 225,003          | 262,483          |
| Pension costs   | 302,513          | 431,464          |
|   | <b>3,067,063</b> | <b>3,303,022</b> |
|   |                  |                  |
|   | <b>Number</b>    | <b>Number</b>    |
| The average number of full time equivalent persons employed during the year was | 71               | 71               |



**GOVANHILL HOUSING ASSOCIATION LIMITED**  
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The average total number of employees employed during the year was

**7. GAIN/ (LOSS) ON DISPOSALS OF HOUSING STOCK**

Including in the operating surplus for the year are the following gains incurred on housing stock:

|   |
|---|
| Net book value of components replaced in properties |
| Gain/(Loss) on disposals of housing stock           |

|  | 79     | 79        |
|--|--------|-----------|
|  | 2022   | 2021      |
|  | £      | £         |
|  | 67,533 | (428,237) |
|  | -      | (428,237) |

**8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES**

|                           |
|---------------------------|
| Bank loans and overdrafts |
|---------------------------|

|  | 2022    | 2021    |
|--|---------|---------|
|  | £       | £       |
|  | 424,394 | 466,065 |

**9. OTHER FINANCE CHARGES**

|                               |
|-------------------------------|
| Defined Benefit pension costs |
|-------------------------------|

|  | 2022   | 2021  |
|--|--------|-------|
|  | £      | £     |
|  | 31,000 | 7,000 |

**10. OPERATING SURPLUS FOR THE YEAR**

Surplus is stated after charging / (crediting):

|   |
|---|
| Auditor's remuneration - audit services     |
| - other services                            |
| Operating lease rentals (note 23)           |
| Depreciation of tangible owned fixed assets |
| Amortisation of Capital Grants              |

|  | 2022        | 2021        |
|--|-------------|-------------|
|  | £           | £           |
|  | 15,785      | 14,350      |
|  | -           | 3,000       |
|  | 8,400       | 40,415      |
|  | 3,296,254   | 3,234,602   |
|  | (1,417,632) | (1,278,463) |

**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**

The number of units of accommodation in management at the year end was:

|                           |
|---------------------------|
| General needs - new build |
| - rehabilitation          |
| Supported housing         |
| Shared equity             |

|  | 2022   | 2021   |
|--|--------|--------|
|  | Number | Number |
|  | 272    | 272    |
|  | 2,504  | 2,504  |
|  | 99     | 99     |
|  | 2      | 3      |
|  | 2,877  | 2,878  |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2022

**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 | 2022 Total  |
|---------------------------------------|-------------------------------------|--|---|-------------|
|                                       | £                                   | £  | £   | £           |
| <b>COST</b>                           |                                     |  |   |             |
| At start of year                      | 149,322,092                         | 5,321,854  | 135,086                                   | 154,779,032 |
| Additions                             | 694,598                             | 1,469,892  | -   | 2,164,490   |
| Disposals                             | (7,997)                             | -  | -   | (7,997)     |
| Transfers                             | -                                   | -  | -   | -           |
| Schemes / Works completed in the year | -                                   | -  | -   | -           |
| At end of year                        | 150,008,693                         | 6,791,746  | 135,086                                   | 156,935,525 |
| <b>DEPRECIATION</b>                   |                                     |  |   |             |
| At start of year                      | 47,352,168                          | -  | 135,086                                   | 47,487,254  |
| Charged during year                   | 3,136,280                           | -  | -   | 3,136,280   |
| Eliminated on disposal                | (42,630)                            | -  | -   | (42,630)    |
| At end of year                        | 50,445,818                          | -  | 135,086                                   | 50,580,904  |
| <b>NET BOOK VALUE</b>                 |                                     |  |   |             |
| At end of year                        | 99,562,875                          | 6,791,746  | -   | 106,354,621 |
| At start of year                      | 101,969,924                         | 5,321,854  | -   | 107,291,778 |

Development administration costs capitalised in the year amounted to £nil (2021 - £nil) for which Social Housing Grants amounting to £nil (2021 - £nil) were received in the year.

The Association spent £6,477,504 on Major Repairs to its housing properties in the year (2021 - £5,218,375). Included in the total above, capitalised major repairs costs in the year amounted to £694,598 (2021 - £2,176,971).

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**  
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**13(b). NON CURRENT ASSETS**

| Other Tangible Assets | Heritable<br>office<br>property | Computer<br>and office<br>equipment | Hostels<br>equipment | Commercial<br>premises | 2022<br>Total |
|-----------------------|---------------------------------|-------------------------------------|----------------------|------------------------|---------------|
|                       | £                               | £                                   | £                    | £                      | £             |
| <b>COST</b>           |                                 |                                     |                      |                        |               |
| At start of year      | 3,425,433                       | 868,630                             | -                    | 81,990                 | 4,376,053     |
| Additions             | -                               | 12,353                              | -                    | -                      | 12,353        |
| Disposals             | -                               | -                                   | -                    | -                      | -             |
| At end of year        | 3,425,433                       | 880,983                             | -                    | 81,990                 | 4,388,406     |
| <b>DEPRECIATION</b>   |                                 |                                     |                      |                        |               |
| At start of year      | 1,052,402                       | 746,212                             | -                    | 19,678                 | 1,818,292     |
| Charged during year   | 68,508                          | 85,041                              | -                    | 1,640                  | 155,189       |
| Disposals             | -                               | -                                   | -                    | -                      | -             |
| At end of year        | 1,120,910                       | 831,253                             | -                    | 21,318                 | 1,973,481     |
| <b>NET BOOK VALUE</b> |                                 |                                     |                      |                        |               |
| At end of year        | 2,304,523                       | 49,730                              | -                    | 60,672                 | 2,414,925     |
| At start of year      | 2,373,031                       | 122,418                             | -                    | 62,312                 | 2,557,761     |

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.

**14. INVESTMENT**

|                  | 2022<br>£ | 2021<br>£ |
|------------------|-----------|-----------|
| At start of year | 100       | 100       |
| New investment   | -         | -         |
| At end of year   | 100       | 100       |

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 2022 are as follows:

|  | 2022<br>£ | 2021<br>£ |
|--|-----------|-----------|
| Govanhill Community Development Trust Limited: |           |           |
| Profit / (Loss) for the year after tax         | 3,852     | (42,289)  |
| Net Assets                                     | 750,413   | 746,561   |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. NEGATIVE GOODWILL**

|                       | 2022      | 2021      |
|-----------------------|-----------|-----------|
|                       | £         | £         |
| At start of year      | 3,220,259 | 3,300,767 |
| Amortised in the year | (80,508)  | (80,508)  |
| At end of year        | 3,139,751 | 3,220,259 |

Govanhill Housing Association Limited acquired 710 homes under a second stage transfer arrangement from Glasgow Housing Association in 2011. Negative Goodwill amounting to £4,192,482 was created at that time. Due to Right to Buy disposals this was reduced to £4,029,016 before amortisation adjustments between 2011 and 2018.

**16. DEBTORS**

|                                      | 2022      | 2021      |
|--------------------------------------|-----------|-----------|
|                                      | £         | £         |
| Amounts falling due within one year: |           |           |
| Rental debtors - housing benefit     | 90,392    | 111,245   |
| - other                              | 476,865   | 645,622   |
| Less: provision for bad debts        | (552,932) | (552,932) |
| Amounts due by subsidiary companies  | 46,598    | 34,684    |
| Other debtors                        | 508,579   | 740,561   |
| Prepayments and accrued income       | 233,937   | 195,055   |
|                                      | 803,439   | 1,174,235 |

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | 2022      | 2021      |
|--|-----------|-----------|
|  | £         | £         |
| Housing loans (note 18a)                 | 919,372   | 861,665   |
| Deferred Income due within one year      | 1,890,176 | 1,417,600 |
| Trade payables                           | 1,160,947 | 735,284   |
| Other taxation and social security costs | 66,844    | 68,135    |
| Social Housing Grant repayable           | 81,616    | 62,555    |
| Other creditors                          | 509,213   | 615,378   |
| Accruals and deferred income             | 91,774    | 204,402   |
| Rent in advance                          | 748,274   | 665,349   |
| Factoring in advance                     | 478,162   | 478,162   |
| Pensions creditor                        | 45,929    | 54,278    |
|  | 6,028,307 | 5,162,808 |

**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|               | 2022       | 2021       |
|---------------|------------|------------|
|               | £          | £          |
| Housing loans | 16,588,375 | 15,481,582 |

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

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2022**

18(a). Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest on instalments due as follows:

|                               | 2022              | 2021              |
|-------------------------------|-------------------|-------------------|
|                               | £                 | £                 |
| In one year or less (note 17) | 919,372           | 861,665           |
| Between one and two years     | 927,304           | 892,143           |
| Between two and five years    | 2,828,801         | 2,692,975         |
| In five years or more         | 12,832,270        | 11,896,464        |
|                               | <u>17,507,747</u> | <u>16,343,247</u> |

**19. DEFERRED INCOME**

|  | 2022              | 2021              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| <b>Social Housing Grants</b>                     |                   |                   |
| Balance at start of year                         | 46,377,676        | 43,764,339        |
| Additions in year                                | 2,271,366         | 3,831,450         |
| Released/Repaid as a result of property disposal | (20,117)          | -                 |
| Amortisation in year                             | (1,357,282)       | (1,218,113)       |
| Balance at end of year                           | <u>47,271,643</u> | <u>46,377,676</u> |

**Other Grants**

|  |                  |                  |
|--|------------------|------------------|
| Balance at start of year                         | 2,646,245        | 2,706,595        |
| Additions in year                                | -                | -                |
| Released/Repaid as a result of property disposal | -                | -                |
| Amortisation in year                             | (60,350)         | (60,350)         |
| Balance at end of year                           | <u>2,585,895</u> | <u>2,646,245</u> |

This is expected to be released to the Statement of Comprehensive Income as follows:

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Amounts due within one year     | 1,890,176         | 1,417,600         |
| Amounts due in one year or more | 47,967,362        | 47,606,321        |
|                                 | <u>49,857,538</u> | <u>49,023,921</u> |

**20. SHARE CAPITAL**

|  | 2022       | 2021       |
|--|------------|------------|
|  | £          | £          |
| Shares of £1 each fully paid and issued: |            |            |
| At start of year                         | 313        | 332        |
| Shares issued during year                | 4          | 4          |
| Shares forfeited during year             | (22)       | (23)       |
| At end of year                           | <u>295</u> | <u>313</u> |

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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.

**21(a). STATEMENT OF CASH FLOWS**

**Reconciliation of operating surplus to balance as at 31 March**

|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
|  | <b>£</b>         | <b>£</b>         |
| Operating surplus                          | 1,617,159        | 2,699,879        |
| Depreciation charges                       | 3,296,254        | 3,234,602        |
| Amortisation of grants                     | (1,417,632)      | (1,278,463)      |
| Loss on write off of historic components   | -                | 428,237          |
| Decrease in stock                          | -                | -                |
| Decrease / (Increase) in debtors           | 469,489          | 177,450          |
| (Decrease) / Increase in creditors         | 2,141,272        | (1,165,376)      |
| Non-cash changes to employer pension costs | (2,019,408)      | (320,000)        |
| Net cash inflow from operating activities  | <u>4,087,134</u> | <u>3,776,329</u> |

**21(b). ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR**

|                                   | <b>2021</b>        | <b>Cash flows</b> | <b>2022</b>        |
|-----------------------------------|--------------------|-------------------|--------------------|
|                                   | <b>£</b>           | <b>£</b>          | <b>£</b>           |
| Cash at bank and in hand          | 6,634,039          | 4,986,543         | 11,620,582         |
| Debt due within one year          | (861,665)          | (57,707)          | (919,372)          |
| Debt due after more than one year | (15,481,582)       | (1,106,793)       | (16,588,375)       |
|                                   | <u>(9,709,208)</u> | <u>3,822,043</u>  | <u>(5,887,165)</u> |

**21(c). RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT**

|                                     | <b>2022</b>        | <b>2021</b>         |
|-------------------------------------|--------------------|---------------------|
|                                     | <b>£</b>           | <b>£</b>            |
| Increase / decrease in cash in year | 4,986,543          | 1,825,400           |
| Loans repaid                        | 1,335,500          | 857,101             |
| Cash received from new loans        | (2,500,000)        | -                   |
| Change in net debt                  | <u>3,822,043</u>   | <u>2,682,501</u>    |
| Net debt at 1 April 2021            | <u>(9,709,208)</u> | <u>(12,391,709)</u> |
| Net debt at 31 March 2022           | <u>(5,887,165)</u> | <u>(9,709,208)</u>  |

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**22. CAPITAL COMMITMENTS**

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| Expenditure contracted less certified                                 | <u>2,396,000</u> | <u>4,430,000</u> |
| Funded by:  |                  |                  |
| Social Housing Grant  | 1,523,000        | 4,150,000        |
| Other grants and contributions  | -                | 250,000          |
| Reserves  | <u>873,000</u>   | <u>30,000</u>    |
|   | <u>2,396,000</u> | <u>4,430,000</u> |
| Expenditure authorised by the Management Committee not contracted for |                  |                  |
|   | <u>5,141,065</u> | <u>6,685,000</u> |
| Funded by:  |                  |                  |
| Social Housing Grant  | 1,946,065        | 2,740,000        |
| Other grants and contributions  | -                | -                |
| Reserves  | <u>3,195,000</u> | <u>3,945,000</u> |
|   | <u>5,141,065</u> | <u>6,685,000</u> |

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2022. Expenditure which was under contract but not yet carried out by McGill Facilities Management Limited at 31 March 2022 has been moved to Expenditure authorised by the Management Committee not contracted for following the 25 August 2022 move of that company into administration.

**23. OBLIGATIONS UNDER OPERATING LEASES**

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>£</b>      | <b>£</b>      |
| The total minimum lease payments under non-cancellable operating leases for fixed assets are: |               |               |
| Operating leases which expire:  |               |               |
| Within One Year   | 8,400         | 8,400         |
| Within two to five years  | <u>21,000</u> | <u>29,400</u> |
|   | <u>29,400</u> | <u>37,800</u> |

**24. 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.

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Transactions with Management Committee members are as follows:

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Rent received from tenants on the Committee:   | 35,578      | 32,023      |
| At the year end total rent arrears owed by the tenant members of the Committee were:   | £nil        | £nil        |
| Charges received from factored owners on the Committee:                                | £1,476      | £1,215      |
| At the year end total factors arrears owed by the owner members of the Committee were: | £nil        | £nil        |

Transactions between the Association and its subsidiary are as follows:

|   | <b>2022</b>            |                        | <b>2021</b>            |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | <b>£</b>               | <b>£</b>               | <b>£</b>               | <b>£</b>               |
|   | <b>Purchases</b>       | <b>Sales</b>           | <b>Purchases</b>       | <b>Sales</b>           |
| Govanhill Community Development Trust Limited | 17,849                 | 84,627                 | 37,079                 | 86,979                 |
|   | <b>Amounts due to:</b> | <b>Amounts due by:</b> | <b>Amounts due to:</b> | <b>Amounts due by:</b> |
| Govanhill Community Development Trust Limited | 12,193                 | 46,598                 | -                      | 34,684                 |

## **25. 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. Taking advantage of this exemption is still considered appropriate.

## **26. RETIREMENT BENEFIT OBLIGATIONS**

### **Scottish Housing Association Defined Benefit Scheme ("SHAPS")**

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

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



**GOVANHILL HOUSING ASSOCIATION LIMITED**  
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**26. RETIREMENT BENEFIT OBLIGATIONS (continued)**

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) 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 accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2019 and 30 September 2019. The liability figure from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

The 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 2019. As of this date the estimated employer debt for the Association was £8,354,748.

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

|   | <b>31 March<br/>2022</b> | <b>31 March<br/>2021</b> |
|---|--------------------------|--------------------------|
| Assumptions as at:  |                          |                          |
| Inflation (CPI)   | 3.20%                    | 2.86%                    |
| Inflation (RPI)   | 3.59%                    | 3.29%                    |
| Salary increases  | 4.20%                    | 3.86%                    |
| Discount rate   | 2.79%                    | 2.15%                    |
| Allowance for commutation of pension for cash at retirement | 75% max                  | 75% max                  |

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

|                    | <b>Males</b> | <b>Females</b> |
|--------------------|--------------|----------------|
| Current pensioners | 21.6 years   | 23.9 years     |
| Future pensioners  | 22.9 years   | 25.4 years     |

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

|   | <b>31 March<br/>2022</b> | <b>31 March<br/>2021</b> |
|---|--------------------------|--------------------------|
| Fair value of plan assets                   | 13,058,000               | 12,929,000               |
| Present value of defined benefit obligation | 13,205,000               | 14,394,000               |
| Deficit in plan                             | (147,000)                | (1,465,000)              |
| Unrecognised surplus                        | -                        | -                        |
| Defined benefit liability to be recognised  | (147,000)                | (1,465,000)              |

Reconciliation of opening and closing balances of the defined benefit obligation

|   | <b>31 March<br/>2022</b> |
|---|--------------------------|
| Defined benefit obligation at start of period             | 14,394,000               |
| Current service cost                                      | -                        |
| Expenses  | 11,000                   |
| Interest expense  | 304,000                  |
| Member contributions                                      | -                        |
| Benefits paid   | (461,000)                |
| Actuarial losses due to scheme experience                 | 21,000                   |
| Actuarial gains due to changes in demographic assumptions | 42,000                   |
| Actuarial gains due to changes in financial assumptions   | (1,106,000)              |
| Defined benefit obligation at end of period               | 13,205,000               |

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**26. RETIREMENT BENEFIT OBLIGATIONS (continued)**

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

|  | <b>31 March<br/>2022</b> |
|--|--------------------------|
| Fair value of plan assets at start of period                                     | 12,929,000               |
| Interest income  | 277,000                  |
| Member contributions   | -                        |
| Employer contributions   | 376,000                  |
| Benefits paid  | (461,000)                |
| Experience on plan assets (excluding amounts included in interest income) – gain | (63,000)                 |
| Fair value of plan assets at end of period                                       | <u>13,058,000</u>        |

Defined Benefit costs recognised in statement of comprehensive income

|  | <b>31 March<br/>2022</b> |
|--|--------------------------|
| Current service cost   | -                        |
| Expenses   | 11,000                   |
| Net interest expense   | 27,000                   |
| Defined benefit costs recognised in statement of comprehensive income (SoCI) | <u>38,000</u>            |

Defined Benefit costs recognised in other comprehensive income

|  | <b>31 March<br/>2022</b> |
|--|--------------------------|
| Experience on plan assets (excluding amounts included in interest cost) – gain   | (63,000)                 |
| Experience gains and losses arising on the plan liabilities – loss   | (21,000)                 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations – gain | (42,000)                 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations – loss   | 1,106,000                |
| Total amount recognised in other comprehensive income – gain   | <u>980,000</u>           |

The plan assets were:

|                               | <b>31 March<br/>2022</b> | <b>31 March<br/>2021</b> |
|-------------------------------|--------------------------|--------------------------|
| Global Equity                 | 2,582,000                | 2,000,000                |
| Absolute Return               | 599,000                  | 637,000                  |
| Distressed Opportunities      | 468,000                  | 442,000                  |
| Credit Relative Value         | 419,000                  | 373,000                  |
| Alternative Risk Premia       | 539,000                  | 519,000                  |
| Emerging Markets Debt         | 486,000                  | 521,000                  |
| Risk Sharing                  | 426,000                  | 462,000                  |
| Insurance-Linked Securities   | 274,000                  | 270,000                  |
| Property                      | 338,000                  | 232,000                  |
| Infrastructure                | 815,000                  | 722,000                  |
| Private Debt                  | 329,000                  | 305,000                  |
| Opportunistic Illiquid Credit | 433,000                  | 331,000                  |
| High Yield                    | 127,000                  | 339,000                  |
| Opportunistic Credit          | 46,000                   | 353,000                  |
| Cash                          | 36,000                   | 5,000                    |
| Corporate Bond Fund           | 825,000                  | 975,000                  |
| Liquid Credit                 | 84,000                   | 223,000                  |
| Long Lease Property           | 376,000                  | 300,000                  |
| Secured Income                | 698,000                  | 710,000                  |
| Over 15 Year Gilts            | 5,000                    | 6,000                    |
| Liability Driven Investment   | 3,159,000                | 3,108,000                |
| Currency Hedging              | (48,000)                 | -                        |
| Net Current Assets            | 42,000                   | 96,000                   |
| Total assets                  | <u>13,058,000</u>        | <u>12,929,000</u>        |

**GOVANHILL HOUSING ASSOCIATION LIMITED**  
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**26. RETIREMENT BENEFIT OBLIGATIONS (continued)**

*Govanhill Housing Association Limited closed the Scheme to all its employees.*

*During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 19.9% of pensionable salaries. Member contributions were paid at a rate of 12.5%. At the balance sheet date there were 44 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,540,450.*

The Association has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over recent years. The Trustee has been advised to seek clarification from the Court on potential changes to the pension liability. The process is ongoing and the Association understands that the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the Court process is known, it is not possible to calculate the impact on the liabilities of this issue, particularly on an individual employer basis, with any accuracy for the purposes of the 31 March 2022 financial statements. Accordingly no adjustment has been made in these financial statements in respect of this potential issue.

**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.

Govanhill Housing Association Limited paid contributions at the rate of 0% during the accounting period. Members paid contributions at an average rate of 20% 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.

