



GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023

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 2023

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GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS AND ADVISERS
For the year ended 31 March 2023

Management Committee

[REDACTED]

(Chairperson)
(Vice Chairperson)
(Secretary)
(Treasurer)

Executive officers

[REDACTED]

(Director)
(Head of Development & Property Services)
(Head of Corporate Services & HR)
(Head of Tenancy Services)
(Head of Finance & IT)

Registered office

Samaritan House
79 Coplaw Street
Glasgow G42 7JG

External Auditors

RSM UK Audit LLP
3rd 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 2023

The Management Committee has pleasure in presenting its report and the audited financial statements for the year ended 31 March 2023.

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:

Services	Deliver quality, value for money services that meet the varying needs and circumstances of our customers
Homes and neighbourhoods	Provide quality homes and work with our partners to make Govanhill a safer, cleaner, greener place
Assets	Manage our assets well, spend our resources wisely, and plan ahead for decarbonisation of our housing
Communities	As the community anchor organisation for Govanhill, work with the community and with partners to strengthen our community and benefit local people
Leadership and Financial	Maintain good governance and a strong financial business plan, to ensure we have the capacity to achieve our objectives
GhHA's people and organisation	Make sure GhHA is an effective and efficient organisation and that our staff are well trained, valued and supported, and 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.

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2023

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

Managed Property Numbers	2023	2022
General Needs Affordable Housing	2,776	2,776
Supported Housing	99	99
Shared Equity	2	2
Total	2,877	2,877

Financial Review

The Association made a surplus in the year of £2,041,594 (2022 - £1,573,947). This surplus does not represent additional cash funds generated.

We have reviewed our lenders' covenant requirements; we meet our lenders' requirements at the year-end and are projected to continue to do so for the foreseeable future.

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

Govanhill Housing remains in a strong financial position; we plan to spend substantial sums of money on our major repair investment programme in 2023/24 and beyond with work to achieve compliance with the Scottish Housing Quality Standards ("SHQS") and the Energy Efficiency Standard for Social Housing ("EESH") continuing. The high inflation we are experiencing is 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.

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

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2023

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

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, arranging the annual inspection of gas systems, inspecting tenement roofs and other activities needed to ensure tenants' homes are healthy, safe and secure.

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

	2023	2022
Day to day repairs to affordable homes	£2,319k	£ 1,938k
Cyclical repairs to affordable homes	£1,124k	£ 959k
Total reactive and cyclical repair costs	£3,443k	£ 2,897k

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. However, well publicised problems out with the control of the Association 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.

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.

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REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2023

Some key statistics on our housing management and arrears include:

	2023	2022
Number of homes let to tenants in the year	209	233
Percentage of tenancy offers made in the year which were refused	25.44%	52.75%
Average time to re-let properties during the year (days)	61.35	55.9
Number of Anti-Social Behaviour cases reported in the year	144	142
Percentage of tenants satisfied with the management of the neighbourhood they live in	78.58	82.77%
Gross rent arrears as a percentage of rent due	2.65%	3.92%

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, the Association began the process of implementing the restructure in 2023/24.

With inflation having exceeded 10% and food inflation remaining high, 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. Their focus, as always, is on ensuring the front-line teams and the Committees have the equipment and information to allow them to do their jobs.

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.

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.

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REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2023

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% with the 2022/23 increase limited to 3.6%. Recognising the impact inflation was inflicting on our community, a rent increase of 6.75%, well below the rate of inflation was implemented for 2023/24.

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;
- 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:

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REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2023

- *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.

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 expect to 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;

GOVANHILL HOUSING ASSOCIATION LIMITED REPORT OF THE MANAGEMENT COMMITTEE For the year ended 31 March 2023

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 2023 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 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.

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.

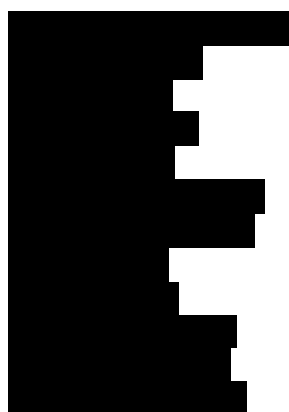
The Association remains open to opportunities to acquire or build more homes, particularly larger, family homes.

**GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2023**

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.

The Management Committee

The Management Committee of Govanhill Housing during the year to 31 March 2023 and up to 25 August 2023 was as follows:



(Chairperson till & resigned 15/09/22)
(Chairperson)
(Vice Chairperson)
(Secretary)
(Treasurer)

Sub-Committees

F&GP, A&R, D&P, HS, GCDT
F&GP, A&R, D&P, HS
F&GP, A&R, HS
F&GP, A&R, D&P, HS
F&GP, A&R, D&P, GCDT
F&GP, GCDT
D&P, GCDT
F&GP, HS
F&GP, A&R, D&P, HS, GCDT
TS
F&GP, A&R, D&P
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)

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. 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.

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2023

Auditors

RSM UK Audit LLP has completed a fifth year auditing 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



Secretary
25 August 2023

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2023

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



Secretary

GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS
For the year ended 31 March 2023

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 2023 until 25 August 2023. 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



Secretary

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2023

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

Basis of Opinion

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

Opinion

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



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

15 September 2023

Date

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

For the year ended 31 March 2023

Opinion

We have audited the financial statements of Govanhill Housing Association Limited (the 'Association') for the year ended 31 March 2023 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 2023 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 2023

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Management Committee

As explained more fully in the 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.

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

For the year ended 31 March 2023

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;
- 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, 2010, 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

15 September 2023

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2023

	Notes	2023 £	2022 £
REVENUE	2	17,940,992	19,659,619
Operating costs	2	(16,062,758)	(17,774,787)
OPERATING SURPLUS	2, 10	1,878,234	1,884,832
Release of negative goodwill	15	80,508	80,508
Gain on disposal of fixed assets		21,741	-
Interest receivable and other similar income		77,746	2,001
Interest payable and other similar charges	8	(586,635)	(423,394)
Other Finance Charges	9	570,000	31,000
SURPLUS FOR THE YEAR		2,041,594	1,573,947
OTHER COMPREHENSIVE INCOME			
Actuarial gain / (loss) recognised in respect of pension schemes - SHAPS	26	552,000	980,000
Actuarial gain / (loss) recognised in respect of pension schemes - SPF	26	(751,000)	293,000
TOTAL COMPREHENSIVE INCOME		1,842,594	2,846,947

The notes on pages 21 to 44 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2023

	Notes	2023 £	2022 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	13(a)	107,241,328	106,354,621
Shared Equity Scheme Loan		282,500	282,500
Shared Equity Scheme Grant		(282,500)	(282,500)
		-	-
Other tangible fixed assets	13(b)	2,319,997	2,414,925
		109,561,325	108,769,546
INVESTMENT	14	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	15	(3,059,243)	(3,139,751)
CURRENT ASSETS			
Debtors	16	1,495,711	803,439
Cash at bank and in hand		17,838,658	11,620,582
		19,334,369	12,424,021
CREDITORS: amounts falling due within one year	17	(4,188,789)	(6,028,307)
NET CURRENT ASSETS		15,145,580	6,395,714
TOTAL ASSETS LESS CURRENT LIABILITIES		121,647,762	112,025,609
CREDITORS: amounts falling due after more than one year	18	(21,709,102)	(16,588,375)
Defined Benefit Pension (Liability) - SHAPS	26	(498,000)	(147,000)
Defined Benefit Pension Asset - SPF	26	746,000	24,000
DEFERRED INCOME			
Social Housing Grants	19	(48,532,018)	(45,441,817)
Other Grants	19	(2,465,195)	(2,525,545)
		(50,997,213)	(47,967,362)
NET ASSETS		49,189,447	47,346,872
EQUITY			
Share capital	20	276	295
Revenue reserve		49,189,171	47,346,577
		49,189,447	47,346,872

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2023

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

Acting Chairperson	████████████████████	██████████
Secretary	████████████████████	██████████
Treasurer	████████████████████	██████████

The notes on pages 22 to 44 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 March 2023

	Notes	2023 £	2022 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	21(a)	3,391,411	4,087,134
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(3,759,687)	(1,469,892)
Improvements to housing properties		(283,655)	(694,598)
Social housing grants received		2,134,205	2,271,366
Proceeds of disposals of housing properties		21,741	50,444
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,887,396)	157,320
NET CASH INFLOW BEFORE FINANCING		1,504,015	4,244,454
FINANCING ACTIVITIES			
Issue of ordinary share capital		(19)	(18)
Loan advances received		6,000,000	2,500,000
Interest received		77,746	2,001
Interest paid		(586,635)	(424,394)
Loan principal repayments		(777,027)	(1,335,500)
NET CASH OUTFLOW FROM FINANCING		4,714,065	742,089
INCREASE IN CASH		6,218,076	4,986,543
OPENING CASH AND CASH EQUIVALENTS		11,620,582	6,634,039
CLOSING CASH AND CASH EQUIVALENTS		17,838,658	11,620,582

The notes on pages 22 to 44 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
For the year ended 31 March 2023

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2022	295	47,346,577	47,346,872
Issue of Shares	4	-	4
Forfeited Shares written off in the year	(23)	-	(23)
Surplus for the year	-	2,041,594	1,753,662
Other comprehensive income	-	(199,000)	(199,000)
Balance as at 31 March 2023	276	49,189,171	48,901,515

	Share Capital	Revenue Reserve	Total
	£	£	£
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
Balance as at 31 March 2022	295	47,346,577	47,346,872

The notes on pages 22 to 44 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 are 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

Each year the Board approves the five-year budgets and rolling thirty-year strategic plan. Keyrisk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year where necessary together with information on the key risk areas.

On that basis the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. As a result, we continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 2023

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 2023, the net defined benefit pension deficit liability was £498,000 (2022 - £147,000), 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 2023, the net defined benefit pension surplus was £Nil (2022 – £24,000), 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 2023

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 2023

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

Borrowings are initially recognized at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognized on the basis of the effective interest method and is included in interest payable and other similar charges. 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 year-end 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.

GOVANHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. ACCOUNTING POLICIES (continued)

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).

Value Added Tax

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not the group.

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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

		2023		
	Note	Revenue £	Operating costs £	Operating surplus £
Affordable letting activities	3	16,592,555	(15,597,547)	995,008
Other activities	4	1,348,437	(465,211)	883,226
Total		17,940,992	(16,062,758)	1,878,234

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommo- dation £	Shared Equity Housing £	2023 Total £	2022 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	13,347,794	473,336	3,546	13,824,676	12,941,968
Service charges receivable	296,455	20,339	476	317,270	300,324
Gross rents receivable	13,644,249	493,675	4,022	14,141,946	13,242,292
Less rent losses from voids	(454,234)	(741)	-	(454,975)	(489,794)
Net rents receivable	13,190,015	492,934	4,022	13,686,971	12,752,498
Amortisation of Social Housing & Other Grants	268,229	-	-	268,229	1,417,632
Revenue grants from local authorities and other agencies	2,637,355	-	-	2,637,355	4,178,652
Other Revenue grants	-	-	-	-	-
Total income from social letting	16,095,599	492,934	4,022	16,592,555	18,348,782
Expenditure on social letting activities					
Management and maintenance					
administration costs	(5,038,639)	(258,558)	(1,020)	(5,298,217)	(5,083,858)
Loss on write off of historic components					
Service costs	(504,641)	(34,570)	(52)	(539,263)	(292,456)
Planned and cyclical maintenance including major repairs	(4,373,019)	(96,371)	-	(4,469,390)	(6,453,594)
Reactive maintenance	(2,211,658)	(107,472)	-	(2,319,130)	(1,937,648)
Bad debts - rents and service charges	153,949	-	-	153,949	(92,194)
Depreciation of social housing	(3,000,476)	(125,020)	-	(3,125,496)	(3,141,061)
Operating costs of social letting	(14,974,484)	(621,991)	(1,072)	(15,597,547)	(17,000,811)
Operating surplus / (deficit) on social letting activities	1,121,115	(129,057)	2,950	995,008	1,347,971
2022	1,278,740	66,762	2,469	1,347,971	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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) 2023	Operating surplus / (deficit) 2022
	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction improvement and management of housing	278,574	75,660	-	354,234	-	(170,094)	184,140	125,298
Care and repair	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-
Factoring	-	-	938,904	938,904	(2,925)	(236,893)	699,086	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	-	-	-	-	-	-	-	-
Other activities								
- Management expenses charged to subsidiary companies	-	-	43,494	43,494	-	(43,494)	-	-
- Rental of commercial property	-	-	11,805	11,805	-	(11,805)	-	-
- Hire of conference hall	-	-	-	-	-	-	-	-
- Charges to 3rd parties for staff time	-	-	-	-	-	-	-	-
- Sale of other fixed assets	-	-	-	-	-	-	-	67,353
- Donation received	-	-	-	-	-	-	-	-
TOTAL FROM OTHER ACTIVITIES	278,574	75,660	994,203	1,348,437	(2,925)	(462,286)	883,226	536,861
TOTAL FROM OTHER ACTIVITIES FOR 2022	245,122	39,243	1,026,472	1,310,837	(2,563)	(771,413)	536,861	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 (2022 - None)

5 officers of the Association received emoluments greater than £60,000 (2022 - 3)

	2023	2022
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	367,605	223,777
Pension contributions paid on behalf of officers with emoluments greater than £60,000	43,524	29,091
Emoluments payable to the Director (excluding pension contributions)	89,644	85,680
Pension contributions paid on behalf of the Director	11,595	11,139
	Number	Number
Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:	2023	2022
£60,001 - £70,000	1	2
£70,001 - £80,000	3	-
£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

	2023	2022
	£	£
Staff costs during the year:		
Wages and salaries	2,673,704	2,539,547
Social security costs	251,032	225,003
Pension costs	322,495	302,513
	3,247,231	3,067,063
	Number	Number
The average number of full time equivalent persons employed during the year was	70	71
The average total number of employees employed during the year was	77	79

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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

	2023	2022
	£	£
Including in the operating surplus for the year are the following gains incurred on housing stock:		
Net book value of components replaced in properties	21,741	67,533
Gain/(Loss) on disposals of housing stock	-	-

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2023	2022
	£	£
Bank loans and overdrafts	586,635	424,394

9. OTHER FINANCE CHARGES

	2023	2022
	£	£
Defined Benefit pension (income)/costs	570,000	31,000

10. OPERATING SURPLUS FOR THE YEAR

	2023	2022
	£	£
Surplus is stated after charging / (crediting):		
Auditor's remuneration - audit services	18,150	15,785
Operating lease rentals (note 23)	8,400	8,400
Depreciation of tangible owned fixed assets	3,238,065	3,296,254
Amortisation of Capital Grants	(268,229)	(1,417,632)

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

	2023	2022
	Number	Number
The number of units of accommodation in management at the year end was:		
General needs - new build	272	272
- rehabilitation	2,504	2,504
Supported housing	99	99
Shared equity	2	2
	2,877	2,877

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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	2023 Total
	£	£	£	£
COST				
At start of year	150,008,693	6,791,746	135,086	156,935,525
Additions	283,655	3,759,687	-	4,043,342
Disposals	(106,837)	-	-	(106,837)
Transfers	-	-	-	-
Schemes / Works completed in the year	-	-	-	-
At end of year	150,185,511	10,551,433	135,086	160,872,030
DEPRECIATION				
At start of year	50,445,818	-	135,086	50,580,904
Charged during year	3,125,496	-	-	3,125,496
Eliminated on disposal	(75,698)	-	-	(75,698)
At end of year	53,495,616	-	135,086	53,630,702
NET BOOK VALUE				
At end of year	96,689,895	10,551,433	-	107,241,328
At start of year	99,562,875	6,791,746	-	106,354,621

Development administration costs capitalised in the year amounted to £nil (2022 - £nil) for which Social Housing Grants amounting to £nil (2022 - £nil) were received in the year.

The Association spent £6,363,266 on Major Repairs to its housing properties in the year (2022 - £6,477,504). Included in the total above, capitalised major repairs costs in the year amounted to £1,893,876 (2022 - £694,598).

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

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

13(b). NON CURRENT ASSETS

Other Tangible Assets	Heritable office property	Computer and office equipment	Commercial premises	2023 Total
	£	£	£	£
COST				
At start of year	3,425,433	880,983	81,990	4,388,406
Additions	-	17,641	-	17,641
Disposals	-	-	-	-
At end of year	3,425,433	898,624	81,990	4,406,047
DEPRECIATION				
At start of year	1,120,910	831,253	21,318	1,973,481
Charged during year	68,509	41,190	2,870	112,569
Disposals	-	-	-	-
At end of year	1,189,419	872,443	24,188	2,086,050
NET BOOK VALUE				
At end of year	2,236,014	26,181	57,802	2,319,997
At start of year	2,304,523	49,730	60,672	2,414,925

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

	2023 £	2022 £
At start of year	100	100
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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

15. NEGATIVE GOODWILL

	2023	2022
	£	£
At start of year	3,139,751	3,220,259
Amortised in the year	(80,508)	(80,508)
At end of year	<u>3,059,243</u>	<u>3,139,751</u>

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

	2023	2022
	£	£
Amounts falling due within one year:		
Rental debtors - housing benefit	90,248	90,392
- other	326,356	476,865
Less: provision for bad debts	(318,212)	(552,932)
Amounts due by subsidiary companies	45,394	46,598
Capital grants receivable	556,949	-
Other debtors	557,342	508,579
Prepayments and accrued income	237,634	233,937
	<u>1,495,711</u>	<u>803,439</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Housing loans (note 18a)	1,021,618	919,372
Deferred Income due within one year	726,297	1,890,176
Trade payables	935,771	1,160,947
Other taxation and social security costs	76,805	66,844
Social Housing Grant repayable	81,616	81,616
Other creditors	94,444	509,213
Accruals and deferred income	213,666	91,774
Rent in advance	507,190	784,274
Factoring in advance	478,162	478,162
Pensions creditor	53,220	45,929
	<u>4,188,789</u>	<u>6,028,307</u>

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

	2023	2022
	£	£
Housing loans	<u>21,709,102</u>	<u>16,588,375</u>

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
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

18(a). Loans are secured by a charge on specified Association properties – the total of the secured items are 780 units. The interest rates of the bank loans range between 2.9% and Base +1.85%.

	2023	2022
	£	£
In one year or less (note 17)	1,021,618	919,372
Between one and two years	926,041	927,304
Between two and five years	2,846,806	2,828,801
In five years or more	17,936,255	12,832,270
	<u>22,730,720</u>	<u>17,507,747</u>

19. DEFERRED INCOME

	2023	2022
	£	£
Social Housing Grants		
Balance at start of year	47,271,643	46,377,676
Additions in year	2,134,205	2,271,366
Released/Repaid as a result of property disposal	-	(20,117)
Amortisation in year	(207,879)	(1,357,282)
Balance at end of year	<u>49,197,969</u>	<u>47,271,643</u>

Other Grants

Balance at start of year	2,585,895	2,646,245
Amortisation in year	(60,350)	(60,350)
Balance at end of year	<u>2,525,545</u>	<u>2,585,895</u>

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

Amounts due within one year	726,297	1,890,176
Amounts due in one year or more	50,539,149	47,967,362
	<u>51,265,446</u>	<u>49,857,538</u>

20. SHARE CAPITAL

	2023	2022
	£	£
Shares of £1 each fully paid and issued:		
At start of year	295	313
Shares issued during year	4	4
Shares forfeited during year	(23)	(22)
At end of year	<u>276</u>	<u>295</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2023

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

	2023	2022
	£	£
Operating surplus	1,878,234	1,617,159
Depreciation charges	3,238,061	3,296,254
Amortisation of grants	(268,299)	(1,417,632)
Decrease / (Increase) in debtors	(692,272)	469,489
(Decrease) / Increase in creditors	3,281,209	2,141,272
Non-cash changes to employer pension costs	(4,045,596)	(2,019,408)
Net cash inflow from operating activities	3,391,411	4,087,134

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

	2022	Cash Flows	2023
Cash at bank and in hand	11,620,582	6,218,076	17,838,658
Debt due within one year	(919,372)	(102,246)	(1,021,618)
Debt due after more than one year	(16,588,375)	(5,120,727)	(21,709,102)
	(5,887,165)	995,103	(4,892,062)

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

	2023	2022
Increase / decrease in cash in year	6,196,339	4,986,543
Loans repaid	777,027	1,335,500
Cash received from new loans	(6,000,000)	(2,500,000)
Change in net debt	973,366	3,822,043
Net debt at 1 April 2022	(5,887,165)	(9,709,208)
Net debt at 31 March 2023	(4,913,799)	(5,887,165)

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

22. CAPITAL COMMITMENTS

	2023	2022
	£	£
Expenditure contracted less certified	<u>4,780,744</u>	<u>2,396,000</u>
Funded by:		
Social Housing Grant	1,763,979	1,523,000
Other grants and contributions	-	-
Reserves	<u>3,016,765</u>	<u>873,000</u>
	<u>4,780,744</u>	<u>2,396,000</u>
Expenditure authorised by the Management Committee not contracted for	<u>2,099,286</u>	<u>5,141,065</u>
Funded by:		
Social Housing Grant	699,060	1,946,065
Other grants and contributions	-	-
Reserves	<u>1,400,226</u>	<u>3,195,000</u>
	<u>2,099,286</u>	<u>5,141,065</u>

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2023.

23. OBLIGATIONS UNDER OPERATING LEASES

	2023	2022
	£	£
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>12,600</u>	<u>21,000</u>
	<u>21,000</u>	<u>29,400</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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.

Transactions with Management Committee members are as follows:

	2023	2022
	£	£
Rent received from tenants on the Committee:	36,831	35,578
At the year end total rent arrears owed by the tenant members of the Committee were:	93	£nil
Charges received from factored owners on the Committee:	£1,028	£1,476
At the year end total factors arrears owed by the owner members of the Committee were:	£17,390	£nil

Transactions between the Association and its subsidiary are as follows:

	2023		2022	
	£	£	£	£
	Purchases	Sales	Purchases	Sales
Govanhill Community Development Trust Limited	9,214	96,996	17,849	84,627
	Amounts due to:	Amounts due by:	Amounts due to:	Amounts due by:
Govanhill Community Development Trust Limited	6,811	45,394	12,193	46,598

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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.

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 2022. As of this date the estimated employer debt for the Association was £6,919.

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

	31 March 2023	31 March 2022
Assumptions as at:		
Inflation (CPI)	2.74%	3.20%
Inflation (RPI)	3.2%	3.59%
Salary increases	3.74%	4.20%
Discount rate	4.88%	2.79%
Allowance for commutation of pension for cash at retirement	75% max	75% max

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Males	Females
Current pensioners	20.5 years	23.0 years
Future pensioners	21.7 years	24.4 years

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

	31 March 2023	31 March 2022
Fair value of plan assets	8,401,000	13,058,000
Present value of defined benefit obligation	8,899,000	13,205,000
Deficit in plan	(498,000)	(147,000)
Unrecognised surplus	-	-
<u>Defined benefit liability to be recognised</u>	<u>(498,000)</u>	<u>(147,000)</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

<u>Reconciliation of opening and closing balances of the defined benefit obligation</u>	
	31 March 2023
Defined benefit obligation at start of period	13,205,000
Current service cost	-
Expenses	11,000
Interest expense	362,000
Member contributions	-
Benefits paid	(445,000)
Actuarial losses due to scheme experience	(752,000)
Actuarial gains due to changes in demographic assumptions	(200,000)
Actuarial gains due to changes in financial assumptions	(3,282,000)
<u>Defined benefit obligation at end of period</u>	<u>8,899,000</u>

<u>Reconciliation of opening and closing balances of the fair value of plan assets</u>	
	31 March 2023
Fair value of plan assets at start of period	13,058,000
Interest income	361,000
Member contributions	-
Employer contributions	213,000
Benefits paid	(445,000)
Experience on plan assets (excluding amounts included in interest income) – gain	(4,786,000)
<u>Fair value of plan assets at end of period</u>	<u>8,401,000</u>

<u>Defined Benefit costs recognised in statement of comprehensive income</u>	
	31 March 2023
Current service cost	-
Expenses	11,000
Net interest expense	1,000
<u>Defined benefit costs recognised in statement of comprehensive income (SoCI)</u>	<u>12,000</u>

<u>Defined Benefit costs recognised in other comprehensive income</u>	
	31 March 2023
Experience on plan assets (excluding amounts included in interest cost) – loss	(4,786,000)
Experience gains and losses arising on the plan liabilities – gain	752,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations – gain	200,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations – gain	3,282,000
<u>Total amount recognised in other comprehensive income – gain</u>	<u>(552,000)</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

The plan assets were:

	31 March 2023	31 March 2022
Global Equity	222,000	2,582,000
Absolute Return	114,000	599,000
Distressed Opportunities	258,000	468,000
Credit Relative Value	320,000	419,000
Alternative Risk Premia	49,000	539,000
Emerging Markets Debt	65,000	486,000
Risk Sharing	612,000	426,000
Insurance-Linked Securities	234,000	274,000
Property	350,000	338,000
Infrastructure	905,000	815,000
Private Debt	375,000	329,000
Opportunistic Illiquid Credit	371,000	433,000
High Yield	43,000	127,000
Opportunistic Credit	1,000	46,000
Cash	35,000	36,000
Corporate Bond Fund	11,000	825,000
Liquid Credit	-	84,000
Long Lease Property	282,000	376,000
Secured Income	562,000	698,000
Over 15 Year Gilts	-	5,000
Liability Driven Investment	3,557,000	3,159,000
Currency Hedging	16,000	(48,000)
Net Current Assets	19,000	42,000
Total assets	8,401,000	13,058,000

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 2023 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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26. RETIREMENT BENEFIT OBLIGATIONS (continued)

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.

Strathclyde Pension Fund

As a result of the second stage transfer, 7 employees were transferred from Glasgow Housing Association Limited to Govanhill Housing Association Limited on January 31 2011. Of these 7 employees, 4 are current members of the Strathclyde Pension (SPF), a defined benefit scheme administered by Glasgow City Council. The scheme is a multi-employer scheme. Annual contributions to the scheme are based on the recommendation of the scheme actuary. Current and past service costs and are charged to the Statement of Comprehensive Income so as to spread the expected cost of providing pensions over the employees' period of service with GHA. Employees contribute between 5.1% and 6.9% of their salary. Employers' contributions were 25.17% for 2022-23 (2021-22: 25.17%).

Unfunded early retirement pension enhancements for which GHA is liable are provided for in full when employees retire and are charged against the provision when paid.

Employer contributions for the year to 31 March 2023 were £33,916.

A formal valuation of the SPF was carried out as at 31 March 2020 by a qualified independent actuary, Hymans Robertson LLP. In order to assess the actuarial value of the SPF's liabilities as at 31 March 2023, the Scheme's actuaries have rolled forward the actuarial value of the liabilities allowing for changes in financial assumptions as prescribed under FRS 102, the Financial Reporting Standard applicable in the UK and Ireland.

The pension liability included in these financial statements includes the effect of the McCloud judgement and GMP equalisation.

The principal assumptions used as at 31 March 2023 were as follows:

	31 March 2023	31 March 2022
Assumptions as at:		
Pension increase rate (CPI)	2.95%	3.20%
Salary increases	3.65%	3.90%
Discount rate	4.75%	2.70%

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 21 years.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2021 model with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

	Males	Females
Current pensioners	19.3 years	22.2 years
Future pensioners	20.5 years	24.2 years
<u>Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)</u>		
	31 March 2023	31 March 2022
Fair value of plan assets	2,129,000	2,145,000
Present value of defined benefit obligation	<u>1,383,000</u>	<u>2,121,000</u>
Surplus/(Deficit) in plan	746,000	24,000
Unrecognised surplus	-	-
Defined benefit asset/(liability) to be recognised	<u><u>746,000</u></u>	<u><u>24,000</u></u>

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2023
Defined benefit obligation at start of period	2,121,000
Current service cost	64,000
Interest expense	58,000
Plan participants' contributions	9,000
Benefits paid	(26,000)
Actuarial losses due to changes in demographic assumptions	(14,000)
Actuarial gains due to changes in financial assumptions	(899,000)
Actuarial gains due to other experience	70,000
Defined benefit obligation at end of period	<u><u>1,383,000</u></u>

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

	31 March 2023
Fair value of plan assets at start of period	2,145,000
Interest income	58,000
Plan participants' contributions	9,000
Employer contributions	35,000
Benefits paid	(26,000)
Experience on plan assets (excluding amounts included in interest income) – loss	(92,000)
Actuarial losses due to other experience	-
Fair value of plan assets at end of period	<u><u>2,129,000</u></u>

Defined Benefit costs recognised in statement of comprehensive income

	31 March 2023
Current service cost	64,000
Net interest expense	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u><u>64,000</u></u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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26. RETIREMENT BENEFIT OBLIGATIONS (continued)

<u>Defined Benefit costs recognised in other comprehensive income</u>	31 March 2023
Experience on plan assets (excluding amounts included in interest income) – gain	(92,000)
Actuarial gains due to changes in demographic assumptions	14,000
Actuarial losses due to changes in financial assumptions	899,000
Actuarial losses due to other experience	(70,000)
Total amount recognised in other comprehensive income - loss	751,000

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

	31 March 2023	31 March 2022
Equities	60%	61%
Bonds	28%	26%
Property	10%	11%
Cash	2%	2%