



GOVANHILL HOUSING ASSOCIATION LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

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 2020

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GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS AND ADVISERS
For the year ended 31 March 2020

Management Committee

[REDACTED]	(Chairperson)
[REDACTED]	(Vice Chairperson)
[REDACTED]	(Secretary)
[REDACTED]	(Treasurer)
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	

Executive officers

[REDACTED]	(Director)
[REDACTED]	(Head of Housing & Property Services)
[REDACTED]	(Head of Corporate Services & HR)
[REDACTED]	(Head of Development & Regeneration)
[REDACTED]	(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

Bank of Scotland plc
464 Victoria Road
Glasgow G42 8PB

Solicitors

TC Young LLP
7 West George Street
Glasgow G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2020

The Management Committee has pleasure in presenting its report and the audited financial statements for the year ended 31 March 2020.

Principal activity

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

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

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

Our Strategic Objectives are

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

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

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

Managed Property Numbers	2020	2019
General Needs Affordable Housing	2,752	2,687
Supported Housing	99	99
Shared Equity	3	3
Total	2,854	2,789

COVID-19

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

While our offices were closed from that date, we continued to provide services to our customers remotely as best we could. Our reactive and cyclical repairs services had to stop almost entirely when lockdown commenced, so we worked with our maintenance contractors to keep our community clean and as litter-free as possible.

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We have carried out as many gas servicing checks as possible within 12 months of their last check, subject to tenants who could not give our contractor access due to them self-isolating, and we will complete the checks we have had to miss as soon as we are able once lockdown has eased.

We continue to work as a team to provide benefits advice to tenants and to work closely with those tenants who need advice and assistance in paying their rent and to keep our homes safe and secure for the tenants who live in them.

We are closely following government guidelines on when we can start services. Work has now started in homes which do not have tenants in them where our contractors have confirmed that they can follow all the necessary safety measures for their workers, and we hope to start getting through the backlog of repairs in and around our tenants' homes as soon it is safe to do so, after the Scottish Government has agreed that we can do this.

Financial Review

The Association made a surplus in the year of £14,278,408 (2019 - £1,507,784). This surplus does not represent additional cash funds generated, and is artificially high due to the Association reviewing the way in which we account for our housing properties, the components held within them and the amortisation of the grants that we have received to fund the acquisition and construction of these properties.

We reviewed our estimates of the value of components held in housing properties and their useful lives, and this gave rise to an additional Asset Depreciation charge of £12m in the year and an additional provision for Grant Amortisation income of £24m. This resulted in additional net income in the year of £12m.

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

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

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

Over the past few years we have been involved in a programme funded primarily by the Scottish Government and Glasgow City Council, whereby we are making targeted acquisitions of sub-standard homes in South West Govanhill. In the year to 31 March 2020 we acquired 65 homes with the funding from this project. We then invest in the homes to bring them up to a safe, tolerable living standard and rent them out as affordable homes 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.

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2020

Performance

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

Corporate Governance

Govanhill Housing has a Management Committee (detailed on page 10) which is elected by members of the Association and is made up of tenants and local residents. It is the responsibility of the Management Committee to undertake the 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 10) which are responsible for monitoring of particular operational areas of the business and which receive regular reports from the Executive officers on activities undertaken and performance against targets.

The Management Committee appointed a consultant to work with it during 2017 and 2018 to review its compliance with the Scottish Housing Regulator's ("SHR's") regulatory standards of Governance and Financial Management. Overall, our work was assessed as good and an action plan was put in place to ensure that the quality of our governance processes continued to improve. We have updated this review to take account of the new Regulatory Framework which was published by the SHR in February 2020, and continue to work on our action plan arising from this work.

In 2019 the SHR required the Management Committee to present it with an Annual Assurance Statement. This work was completed and the statement lodged with the regulator before the deadline, confirming that we comply with the Regulatory Framework, with no areas of material non-compliance. This year we will build on the substantial body of work created to support the first statement issued, so that we can provide an accurate, updated statement to the SHR before the end of October 2020.

Housing & Property Services

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

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

Some key statistics on our repairs services include:

	2020	2019
Percentage of tenants satisfied with the quality of their home	91.90%	91.90%
Percentage of tenants who had repairs carried out in the past 12 months who were satisfied with our repairs & maintenance service	99.30%	98.82%
Average number of reactive repairs completed per home	3.58	3.62
Average time taken to complete emergency repairs	1.77 hours	1.99 hours
Average time taken to complete non-emergency repairs	5.00 days	4.32 days
Percentage of reactive repairs completed right first time	96.19%	95.21%

During the year the volume of repairs requested per home decreased. We improved our response times for emergency repairs, while non-emergency repairs took slightly longer on average. Our

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REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2020

percentage of repairs completed right first time (i.e. not needing to be revisited within 12 months) has improved and tenants' overall satisfaction with our service improved in the year.

While repairs work has had to stop almost entirely during the lockdown imposed as a result of COVID-19, this did not have a material impact on the results for the year under review.

Last year we re-tendered the contracts for both our home maintenance and grounds maintenance contractors, and new contractors were appointed. We began to see real benefits from these changes in the current financial year.

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

	2020	2019
Day to day repairs to affordable homes	£ 1,855,563	£ 1,701,800
Cyclical repairs to affordable homes	£ 805,141	£ 566,900
Total reactive and cyclical repair costs	£ 2,660,704	£ 2,268,700

Until lockdown, the Housing teams were out and about carrying out regular inspections of our estate, signing up new tenants and providing assistance to tenants who are experiencing difficulties with their tenancy or their neighbours. The Rents team supports our tenants to maintain their tenancies by monitoring the arrears on accounts and staying in touch with tenants who are struggling to pay their rent.

The teams are working hard with the South West Govanhill project team to ensure that houses which have been improved in the area are then allocated to new tenants as quickly as possible

For part of the year we had grant funding from the Scottish Government to enable us to employ an Income Maximisation Assistant who provided administration and front line support to tenants to help them make their Housing Benefit or Universal Credit ("UC") claims and to keep on top of what the Department for Work and Pensions needs from tenants to ensure that their benefits are not stopped. We also had grant funding from Glasgow City Council for a Welfare Reform Officer who is working with tenants and residents who are struggling to understand the new UC system, while ensuring they know which other agencies are there to support them. Tenants and residents are also helped by the Welfare Rights team which has a detailed knowledge of the benefits systems and what people are entitled to, helping them to appeal decisions and maximise the claims for benefits they are legally entitled to. Part of this team is also grant funded. These team members generated more than £3.4m in benefits paid to tenants and residents of our community in the year.

Govanhill and Merrylee became Full Service areas for UC in September 2018. At the end of the year 608 (2019 – 207) of our tenants were on the new benefits system, with this number increasing steadily month by month as tenants are moved from Housing Benefits to Universal Credit. This has had a knock-on effect on our arrears at the year end.

Some key statistics on our housing management and arrears include:

	2020	2019
Number of homes let to tenants in the year	334	340
Percentage of tenancy offers made in the year which were refused	61.03%	50.51%
Average time to re-let properties during the year (days)	31.34	37.43
Number of Anti-Social Behaviour cases reported in the year	171	158
Percentage of tenants satisfied with the management of the neighbourhood they live in	85.81%	85.81%
Gross rent arrears as a percentage of rent due	4.83%	4.98%

During the year 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 have used this

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feedback to create a new rent setting procedure and we are now formulating 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.

Our Factoring service has increased its client base within the year from 1,455 to 1,480 accounts within 415 closes, supporting our operations and protecting our assets through effective property management with support from our Maintenance and Development sections.

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

Development & Regeneration

During the year the Development & Regeneration team acquired a number of homes in South West Govanhill; these additions to our affordable housing stock were funded by grants: The subsequent major improvements to the properties in South West Govanhill are funded by a combination of grants and loan funds.

	2020
New build projects	0
Acquisitions in South West Govanhill	65
Total homes added to the properties we manage	65

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

	numbers	2020
Commencement of Window Replacements Ph 11	-	£ 18,000
Bathroom Replacements	4	£ 24,181
Upgrades to CO and Smoke detectors	1,069	£ 388,270
Major Backcourt Improvements	33	£ 390,008
Central Heating Upgrades and Boiler Replacements	125	£ 411,773
Kitchen Replacements	201	£ 979,203
Major Works to upgrade Void properties	10	£238,865
Various Other Replacements		£ 249,855
Total spent on improvements to our homes		£ 2,700,155

Finance & IT

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

We have almost completed this project with the final phase being the roll-out of a customer portal where tenants will be able to view their account details, update their personal details and report repairs online at a time that suits them. This has been delayed by the lockdown but will be picked up again as soon as possible once lockdown is lifted.

During the year we successfully implemented an electronic management system for our supplier invoices as well as a new ICT infrastructure with secure remote access to all our systems. These systems were essential to us being able to continue working when lockdown started with no interruption to our core services to customers.

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Corporate Services & HR

The Corporate Services & HR team continued to support the work of Govanhill Housing Association and GCDT throughout the year. The introduction of the new General Data Protection Regulations in May 2018 and the application of Freedom of Information legislation to registered social landlords in November 2019 expanded the rights of customers and the wider public to access the information we hold. We have worked hard to ensure we have processes in place which meet the requirements of this legislation and also to advise customers of their rights. This can however create a considerable burden for charitable organisations which are working hard to make the money tenants pay us stretch as far as possible.

The team has also developed new systems for HR which streamline our processes and we hope to expand this to our recruitment processes in the coming year.

The team has had a busy year recruiting to fill new and existing posts as they become available, and providing essential support to the operational teams of the Association, including ensuring that we meet all Fire Safety and Health and Safety legislation for 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 reduce void losses in these units during the year. These units are a key asset for the community, attracting new and local businesses which provide economic benefits (and sometimes jobs) in the local area. GCDT also continued with a number of grant funded activities which all have the aim of supporting our local communities to thrive and encouraging integration and inclusion.

Five members of the Management Committee of Govanhill Housing Association sit on the Board of GCDT, together with two 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. There are currently two vacancies for independent board members in GCDT which we are looking to recruit.

Other Matters

Creditor Payment Policy

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

Rental Income

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

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

Risk Management Policy

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

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For the year ended 31 March 2020

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:

- *Operational and Financial Risks created by COVID-19*
The global pandemic has caused personal and financial hardship for many people and we are acutely aware of the impact the disease and the lockdown restrictions are having 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. We will continue to work to ensure that non-essential maintenance can restart as soon as possible and that we comply with all legislation which is required of us.
- *Loss of rental income due to Welfare Reform measures and COVID-19*
We will continue our joint working initiatives with Glasgow City Council and other agencies and provide feedback to the DWP whenever possible. The work of the Rents Team, the Welfare Rights Team and the Welfare Reform Officer are also key to supporting tenants to pay their rent during this transition which will help them to maintain their tenancies and hopefully restrict the losses incurred by the Association.
- *Impact of external political / financial factors*
Uncertainty around the current political and economic climate caused by Brexit. The Association is seeking to make savings in identified cost areas where possible and is closely managing its major repairs programme so that increasing costs can be factored in as they arise.
- *Strategic acquisitions and improvements in South West Govanhill*
Works contracts properly procured and closely managed to reduce the reputational and financial risks of this project. Work ongoing between the South West Govanhill project team and the mainstream Housing Management team to ensure that properties and new tenancies are well managed and costs minimised as far as possible. Continued expansion of the provision of factoring services to closes will ensure the external environment of the area is well managed.
- *Loss of rental income due to voids*
The Association is preparing an Asset Strategy to identify hard to let properties and the reasons for this so that efforts can be targeted in the right way. A detailed review of void processes is underway and we have already seen positive results in terms of reduced losses due to houses standing empty.

GOVANHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

For the year ended 31 March 2020

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.

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

- Provision for void losses to be higher;
- Arrears levels have increased since the start of lockdown;
- Our planned start date on the new build project in Butterbiggins Road and the programme of buying and improving properties in South West Govanhill have been delayed which will impact on the rental income we planned to earn on these homes;
- While reactive and cyclical repairs have been very low through lockdown we expect a surge in repair requests after lockdown lifts and so expect to spend about 90% of our normal levels; and
- While some of our major repairs works programme will be delayed in to 2021/22, we hope that we can still complete the component replacements we had planned to do in 2020/21.

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 2020 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 have undrawn private finance facilities of £3.75m at the end of the year which are sufficient to meet our funding requirements for the new build and South West Govanhill projects planned over the coming two years. We carefully plan our major repairs work to ensure that we balance the cost of reactive and major repairs against our projected income levels to maintain cash levels as positive. As noted above, we have estimated the impact of COVID-19 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2020

Quality and Integrity of Staff

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

Employee Involvement and Health and Safety

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

Disabled Employees

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

Future Prospects

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

The Association has a new build project in the pipeline in Butterbiggins Road and will continue to consider new opportunities on their own merit as they arise. The project to improve living conditions in South West Govanhill is planned to continue to March 2021 after which time all the properties acquired as part of this project should be fully integrated into the mainstream housing activities of the Association. The lockdown imposed as a result of COVID-19 has delayed some of this work but we will continue to monitor the position closely and work hard to catch up where we can.

As noted previously, Govanhill and Merrylee became Full Service areas for UC in September 2018. At the end of this financial year the percentage of tenants on UC was 24% of our live tenancies. This number continues to increase and the level of areas which the tenants on UC are trying to manage has also continued to grow. This system presents challenges to the Association and its tenants, many of whom are not able to interact with system which is managed almost wholly online and only in English. We anticipate that UC will continue to present a challenge for our tenants over the coming years. In order to provide as much support as possible we will continue to provide the Welfare Rights team resource which is partially grant funded at present, and we will retain the Welfare Reform Officer post until at least May 2023.

The Management Committee

The Management Committee of Govanhill Housing during the year to 31 March 2020 and up to 19 August 2020 was as follows:

		Sub-Committees
████████████████████	(Chairperson)	F&GP, A&R, Development, Housing, GCDDT
████████████████	(Vice Chairperson)	F&GP, A&R, Development, Housing
████████████████	(Secretary)	F&GP, A&R, Development, Housing
████████████████	(Treasurer)	F&GP, A&R, Development, GCDDT
████████████████████		F&GP, GCDDT
████████████████████		Development
████████████████████		Development, GCDDT
████████████████		F&GP, A&R, Development, GCDDT

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REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2020

The Management Committee (continued)

[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	(Co-opted 22-May-2019)
[REDACTED]	(Retired 5-Sep-2019)

Sub-Committees

F&GP, Housing
Housing
F&GP, A&R, Development,
Housing
Housing

Sub-Committees

Finance & General Purposes ("F&GP")
Audit & Risk ("A&R")
Development
Housing
Govanhill Community Development Trust Limited Board ("GCDT")

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

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

Management Committee and Officers' Insurance

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

Related party transactions

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

Auditors

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

Statement of Disclosure to Auditor

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

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

By order of the Management Committee

[REDACTED]

[REDACTED]
Secretary

2 September 2020

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2020

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that the financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

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

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

GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL
For the year ended 31 March 2020

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

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

It is the governing body's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

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

The Management Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2020 and until 19 August 2020. 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

2 September 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2020**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 13 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained 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 13 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.

8 September 2020

Date



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

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

For the year ended 31 March 2020

Opinion

We have audited the financial statements of Govanhill Housing Association Limited (the "Association") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in capital and reserves, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

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

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

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

For the year ended 31 March 2020

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Management Committee

As explained more fully in the Management Committee's responsibilities statement set out on page 12, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

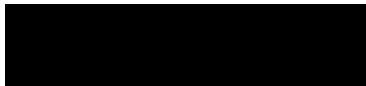
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.


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

8 September 2020

Date

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	2020 £	2019 £
REVENUE	2	43,461,974	15,599,686
Operating costs	2	(28,687,598)	(13,617,955)
OPERATING SURPLUS	2, 10	14,774,376	1,981,731
Release of negative goodwill	15	80,507	80,507
Interest receivable and other similar income		7,419	4,890
Interest payable and other similar charges	8	(547,894)	(524,344)
Other Finance Charges	9	(36,000)	(35,000)
SURPLUS FOR THE YEAR		14,278,408	1,507,784
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit scheme - SHAPS	27	-	1,000
Actuarial gain / (loss) recognised in respect of pension schemes - SHAPS	27	957,000	(205,000)
Actuarial gain / (loss) recognised in respect of pension schemes - SPF	27	187,000	(110,000)
TOTAL COMPREHENSIVE INCOME		15,422,408	1,303,784

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

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	2020 £	2019 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	13(a)	106,325,923	110,863,925
Shared Equity Scheme Loan		282,500	282,500
Shared Equity Scheme Grant		(282,500)	(282,500)
		-	-
Other tangible fixed assets	13(b)	2,733,376	2,749,894
		109,059,299	113,613,819
INVESTMENT	14	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	15	(3,300,767)	(3,381,274)
CURRENT ASSETS			
Stock and work in progress	16	-	3,768
Debtors	17	1,351,685	1,179,176
Cash at bank and in hand		4,808,639	4,084,216
		6,160,324	5,267,160
CREDITORS: amounts falling due within one year	18	(5,390,317)	(5,544,148)
NET CURRENT ASSETS / (LIABILITIES)		770,007	(276,988)
TOTAL ASSETS LESS CURRENT LIABILITIES		106,528,639	109,955,657
CREDITORS: amounts falling due after more than one year	19	(16,394,951)	(16,222,979)
Defined Benefit Pension Liability - SHAPS	27	(284,000)	(1,365,000)
Defined Benefit Pension Liability - SPF	27	(155,000)	(309,000)
DEFERRED INCOME			
Social Housing Grants	20	(43,288,689)	(61,014,724)
Other Grants	20	(2,646,245)	(2,706,595)
		(45,934,934)	(63,721,319)
NET ASSETS		43,759,754	28,337,359
EQUITY			
Share capital	21	332	345
Revenue reserve		43,759,422	28,337,014
		43,759,754	28,337,359

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

Chairperson

Secretary

Treasurer

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

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	2020 £	2019 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	22(a)	3,755,412	3,258,630
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(4,995,911)	(5,990,343)
Improvements to housing properties		(6,245,458)	(3,388,775)
Purchase of other fixed assets		(133,736)	(164,730)
Social housing grants received		8,746,234	4,532,414
Proceeds of disposals of housing properties		-	-
Sales of other fixed assets		-	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(2,628,871)	(5,011,434)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		1,126,541	(1,752,804)
FINANCING ACTIVITIES			
Issue of ordinary share capital		14	7
Loan advances received		1,000,000	2,500,000
Interest received		7,419	4,890
Interest paid		(583,894)	(524,344)
Loan principal repayments		(825,657)	(790,167)
NET CASH INFLOW FROM FINANCING		(402,118)	1,190,386
INCREASE / (DECREASE) IN CASH		724,423	(562,418)
OPENING CASH AND CASH EQUIVALENTS		4,084,216	4,646,634
CLOSING CASH AND CASH EQUIVALENTS		4,808,639	4,084,216

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

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
For the year ended 31 March 2020

	Share Capital £	Restricted Reserve £	Revenue Reserve £	Total £
Balance as at 1 April 2019	345	-	28,337,014	28,337,359
Issue of Shares	14	-	-	14
Forfeited Shares written off in the year	(27)	-	-	(27)
Surplus for the year	-	-	14,278,408	14,278,408
Other comprehensive income	-	-	1,144,000	1,144,000
Balance as at 31 March 2020	332	-	43,759,422	43,759,754

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

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

GOVANHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

Legal status

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

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

Statement of Compliance

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

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

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

The following principal accounting policies have been applied:

Functional and Presentation Currency

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

Going Concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Association, its long-term financial forecasts and the certainty of cash flow from rental of social housing stock. We have incorporated an estimate of the impact of COVID-19 on our finances in the short to medium term into our budgets. These changes have not had a materially negative effect on our budgets and we should still meet our lenders' covenant requirements. The changes budgeted for include:

- Provision for void losses to be higher;
- Arrears levels have increased since the start of lockdown;
- Our planned start date on the new build project in Butterbiggins Road and the programme of buying and improving properties in South West Govanhill have been delayed which will impact on the rental income we planned to earn on these homes;
- While reactive and cyclical repairs have been very low through lockdown we expect a surge in repair requests after lockdown lifts and so expect to spend about 90% of our normal levels; and
- While some of our major repairs works programme will be delayed in to 2021/22, we hope that we can still complete the component replacements we had planned to do in 2020/21.

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

Turnover and Revenue Recognition

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

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

Taxation

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

Retirement Benefit Schemes

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

As at the year ended 31 March 2020, the net defined benefit pension deficit liability was £284,000 (2019: £1,365,000), 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 27 for more details.

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

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

As at the year ended 31 March 2020, the net defined benefit pension deficit liability was £155,000 (2019: £309,000), which has been included within the defined benefit pension liability in the financial statements. Refer to note 27 for more details.

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 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.

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

During the year ended 31 March 2020 we reviewed our estimates of the value of components held in housing properties and their useful lives, and this gave rise to an additional Asset Depreciation charge of £12m in the year and an additional provision for Grant Amortisation income of £24m.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

Shared Equity Properties

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

Goodwill

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

Leases/Leased Assets

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

Mortgages

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

Financial Instruments – Basic

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

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

Estimation Uncertainty

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

Rent Arrears - Bad Debt Provision

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

Categorisation of improvements to Housing Properties

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

Useful Lives of Components

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

Obligations under SHAPS and SPF defined benefit Schemes

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

Key Judgements made in the application of Accounting Policies

- a) The Categorisation of Housing Properties
In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS102.
- b) The Categorisation of Commercial Properties
The Association owns three small shop units which are held within tenement blocks owned for social housing. One of the units is used by a social enterprise addressing food poverty in the community, another is void but was previously used by a youth project delivering services in the community, and the third unit houses a shop. These properties are primarily held for social benefit and so they have been classified as Property, Plant and Equipment.
- c) Identification of Cash Generating Units
The Association considers its cash-generating units to be 2,854 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 2020

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

		2020		
		Revenue	Operating costs	Operating surplus / (deficit)
	Note	£	£	£
Affordable letting activities	3	41,810,106	(27,077,430)	14,732,676
Other activities	4	1,651,868	(1,610,168)	41,700
Total		43,461,974	(28,687,598)	14,774,376

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Social Housing Accommodation	Shared Equity Housing	2020 Total	2019 Total
	£	£	£	£	£
Revenue from lettings					
Rent receivable net of identifiable service charges	11,626,726	436,612	5,306	12,068,644	11,343,200
Service charges receivable	258,562	16,253	805	275,620	250,754
Gross rents receivable	11,885,288	452,865	6,111	12,344,264	11,593,954
Less rent losses from voids	(552,917)	(4,290)	-	(557,207)	(579,353)
Net rents receivable	11,332,371	448,575	6,111	11,787,057	11,014,601
Amortisation of Social Housing & Other Grants	27,927,793	-	-	27,927,793	1,929,631
Revenue grants from local authorities and other agencies	2,095,256	-	-	2,095,256	1,042,222
Other Revenue grants	-	-	-	-	-
Total income from social letting	41,355,420	448,575	6,111	41,810,106	13,986,454
Expenditure on social letting activities					
Management and maintenance administration costs	(4,164,077)	(180,941)	(2,437)	(4,347,455)	(4,137,077)
Loss on write off of historic components	(890,893)	-	-	(890,893)	-
Service costs	(165,883)	(10,427)	(516)	(176,826)	(213,392)
Planned and cyclical maintenance including major repairs	(4,633,420)	(85,501)	-	(4,718,921)	(2,635,377)
Reactive maintenance	(1,855,563)	(64,989)	-	(1,920,552)	(1,859,235)
Bad debts - rents and service charges	(134,305)	-	-	(134,305)	(99,546)
Depreciation of social housing	(14,776,303)	(112,175)	-	(14,888,478)	(3,086,974)
Impairment of affordable let properties	-	-	-	-	-
Operating costs of social letting	(26,620,444)	(454,033)	(2,953)	(27,077,430)	(12,031,601)
Operating surplus / (deficit) on social letting activities	14,734,976	(5,458)	3,158	14,732,676	1,954,853
2019	1,815,859	135,400	3,594	1,954,853	

GOVANHILL HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2020

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating Costs - Bad debts (write off)/ recovery £	Other operating costs £	Operating surplus or (deficit) 2020 £	Operating surplus or (deficit) 2019 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	704,006	53,169	-	-	757,175	-	(736,278)	20,897	(425)
Care and repair	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	817,895	817,895	(18,255)	(799,640)	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Amortisation of grant on other tangible assets	-	-	-	20,803	20,803	-	-	20,803	22,350
Other activities									
- Management expenses charged to subsidiary companies	-	-	-	46,793	46,793	-	(46,793)	-	-
- Rental of commercial property	-	-	-	5,713	5,713	-	(5,713)	-	2,937
- Hire of conference hall	-	-	-	2,654	2,654	-	(2,654)	-	2,016
- Charges to 3rd parties for staff time	-	-	-	835	835	-	(835)	-	-
- Sale of other fixed assets	-	-	-	-	-	-	-	-	-
- Donation received	-	-	-	-	-	-	-	-	-
TOTAL FROM OTHER ACTIVITIES	704,006	53,169	-	894,693	1,651,868	(18,255)	(1,591,913)	41,700	26,878
TOTAL FROM OTHER ACTIVITIES FOR 2019	736,947	38,509	-	837,776	1,613,232	(9,561)	(1,576,793)	26,878	

GOVANHILL HOUSING ASSOCIATION LIMITED
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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. (2019: None)

5 officers of the Association received emoluments greater than £60,000.

	2020 £	2019 £
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	300,594	293,046
Pension contributions paid on behalf of officers with emoluments greater than £60,000	25,485	24,912
Emoluments payable to the Director (excluding pension contributions)	94,015	89,876
Pension contributions paid on behalf of the Director	10,541	8,587

	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:	2020	2019
£60,001 - £70,000	-	-
£70,001 - £80,000	4	4
£80,001 - £90,000	1	1

Total expenses reimbursed in so far as not chargeable to United Kingdom income tax:		
Management Committee	401	722

6. EMPLOYEE INFORMATION

	2020 £	2019 £
Staff costs during the year:		
Wages and salaries	2,571,149	2,508,327
Social security costs	259,362	253,134
Pension costs	462,898	509,972
	3,293,409	3,271,433

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

The average total number of employees employed during the year was	80	80
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GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

7. (LOSS) GAIN ON DISPOSALS OF HOUSING STOCK

	2020 £	2019 £
Including in the operating surplus for the year are the following (losses) / gains incurred on housing stock:		
Net proceeds of disposals of housing properties	-	-
Net book value of housing property disposals	-	-
Net book value of components replaced in properties	(890,893)	
(Loss) / gain on disposals of housing stock	(890,893)	-

During the year the Association undertook a detailed review of its historic component accounting assumptions and estimates. As a result of this, components with a net book value of £890,893 were written off as a one-off adjustment to the carrying value of the housing properties, together with cumulative adjustments made to depreciation of housing properties and amortisation of the grants received to fund their construction or acquisition and improvement.

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2020 £	2019 £
Bank loans and overdrafts	547,894	524,344

9. OTHER FINANCE CHARGES

	2020 £	2019 £
Defined Benefit pension costs	36,000	35,000

10. OPERATING SURPLUS FOR THE YEAR

	2020 £	2019 £
Surplus is stated after charging / (crediting):		
Auditor's remuneration - audit services	13,803	16,006
- other services	3,918	-
Operating lease rentals (note 24)	46,662	47,397
Depreciation of tangible owned fixed assets	15,038,699	3,276,614
Amortisation of Capital Grants	(27,948,596)	(1,951,981)

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

	2020 Number	2019 Number
The number of units of accommodation in management at the year end was:		
General needs - new build	272	272
- rehabilitation	2,480	2,414
Supported housing	99	99
Shared equity	3	4
	2,854	2,789

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

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	2020 Total
	£	£	£	£
COST				
At start of year	148,465,434	1,367,176	187,681	150,020,291
Additions	4,794,727	6,446,642	-	11,241,369
Disposals	(9,850,694)	-	-	(9,850,694)
Transfers	52,595	-	(52,595)	-
At end of year	143,462,062	7,813,818	135,086	151,410,966
DEPRECIATION				
At start of year	38,968,685	-	187,681	39,156,366
Charged during year	14,888,478	-	-	14,888,478
Eliminated on disposal	(8,959,801)	-	-	(8,959,801)
Transfers	52,595	-	(52,595)	-
At end of year	44,949,957	-	135,086	45,085,043
NET BOOK VALUE				
At end of year	98,512,105	7,813,818	-	106,325,923
At start of year	109,496,749	1,367,176	-	110,863,925

Development administration costs capitalised in the year amounted to £nil (2019 - £46,346) for which Social Housing Grants amounting to £nil (2019 - £46,346) were received in the year.

The Association spent £9,659,782 on Major Repairs to its housing properties in the year (2019 - £5,389,486). Included in the total above, capitalised major repairs costs in the year amounted to £6,225,019 (2019 - £3,388,775); this included £2,658,687 (2019 - £2,224,844) of components capitalised in the year and £3,566,332 (2019 - £1,163,931) of other major works to structures.

The Association spent a further £388,270 on CO and Smoke Alarm upgrades to 1,069 houses in the year.

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 2020

13(b). NON CURRENT ASSETS

Other Tangible Assets	Heritable office property £	Computer and office equipment £	Hostels equipment £	Commercial premises £	2020 Total £
COST					
At start of year	3,425,433	1,053,116	34,275	81,990	4,594,814
Additions	-	133,705	-	-	133,705
Disposals	-	(333,323)	(34,275)	-	(367,598)
At end of year	3,425,433	853,498	-	81,990	4,360,921
DEPRECIATION					
At start of year	915,385	878,862	34,275	16,398	1,844,920
Charged during year	68,509	80,074	-	1,640	150,223
Disposals	-	(333,323)	(34,275)	-	(367,598)
At end of year	983,894	625,613	-	18,038	1,627,545
NET BOOK VALUE					
At end of year	2,441,539	227,885	-	63,952	2,733,376
At start of year	2,510,048	174,254	-	65,592	2,749,894

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

14. INVESTMENT

	2020 £	2019 £
At start of year	100	100
New investment	-	-
At end of year	100	100

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

The results and net assets of the subsidiary company at 31 March 2020 are as follows:

	2020 £	2019 £
Govanhill Community Development Trust Limited:		
(Loss) for the year after tax	(25,915)	(16,914)
Net Assets	788,850	814,765

15. NEGATIVE GOODWILL

	2020 £	2019 £
At start of year	3,381,274	3,461,781
Amortised in the year	(80,507)	(80,507)
At end of year	3,300,767	3,381,274

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. STOCK AND WORK IN PROGRESS

	2020 £	2019 £
Postage, stationery and maintenance stock	-	3,768

17. DEBTORS

	2020 £	2019 £
Amounts falling due within one year:		
Rental debtors - housing benefit	110,950	71,620
- other	639,392	462,194
Less: provision for bad debts	(531,056)	(313,172)
Amounts due by subsidiary companies	18,572	-
Capital grants receivable	-	40,664
Other debtors	448,423	368,474
Prepayments and accrued income	665,404	549,396
	1,351,685	1,179,176

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing loans (note 19a)	805,397	803,026
Deferred Income due within one year	536,000	1,951,981
Amounts due to subsidiary company	-	9,327
Trade payables	1,876,485	1,098,381
Other taxation and social security costs	62,534	64,424
Social Housing Grant repayable	62,555	62,555
Other creditors	976,970	666,305
Accruals and deferred income	219,814	258,002
Rent in advance	512,297	446,864
Factoring in advance	296,863	143,986
Pensions creditor	41,402	39,297
	<u>5,390,317</u>	<u>5,544,148</u>

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

	2020	2019
	£	£
Housing loans	<u>16,394,951</u>	<u>16,222,979</u>

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

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

	2020	2019
	£	£
In one year or less (note 18)	805,397	803,026
Between one and two years	750,898	831,438
Between two and five years	2,482,488	2,436,418
In five years or more	13,161,565	12,955,123
	<u>17,200,348</u>	<u>17,026,005</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

20.DEFERRED INCOME

	2020	2019
	£	£
Social Housing Grants		
Balance at start of year	62,906,355	60,265,572
Additions in year	8,746,230	4,532,414
Released/Repaid as a result of property disposal	-	-
Amortisation in year	(27,888,246)	(1,891,631)
Balance at end of year	<u>43,764,339</u>	<u>62,906,355</u>
Other Grants		
Balance at start of year	2,766,945	2,827,295
Additions in year	-	-
Released/Repaid as a result of property disposal	-	-
Amortisation in year	(60,350)	(60,350)
Balance at end of year	<u>2,706,595</u>	<u>2,766,945</u>
This is expected to be released to the Statement of Comprehensive Income as follows:		
Amounts due within one year	536,000	1,728,975
Amounts due in one year or more	45,934,934	63,944,325
	<u>46,470,934</u>	<u>65,673,300</u>

21. SHARE CAPITAL

	2020	2019
	£	£
Shares of £1 each fully paid and issued:		
At start of year	345	351
Shares issued during year	14	7
Shares forfeited during year	(27)	(13)
At end of year	<u>332</u>	<u>345</u>
Forfeited shares:		
At start of year	-	955
Transferred from share capital during year	-	13
Written off in the year	-	(968)
At end of year	<u>-</u>	<u>-</u>
Total share capital:		
At end of year	<u>332</u>	<u>345</u>
At start of year	<u>345</u>	<u>1,306</u>

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

22(a). STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March

	2020	2019
	£	£
Operating surplus	14,774,376	1,981,731
Depreciation charges	15,038,699	3,276,614
Amortisation of grants	(27,948,596)	(1,951,981)
Loss on write off of historic components	890,893	-
Decrease in stock	3,768	989
Increase in debtors	(172,507)	(17,043)
Decrease in creditors	1,259,779	22,320
Non-cash changes to employer pension costs	(91,000)	(54,000)
Net cash inflow from operating activities	<u>3,755,412</u>	<u>3,258,630</u>

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

	2019	Cash flows	2020
	£	£	£
Cash at bank and in hand	4,084,216	724,423	4,808,639
Debt due within one year	(803,026)	(2,371)	(805,397)
Debt due after more than one year	<u>(16,222,979)</u>	<u>(171,972)</u>	<u>(16,394,951)</u>
	<u>(12,941,789)</u>	<u>550,080</u>	<u>(12,391,709)</u>

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

	2020	2019
	£	£
Increase / decrease in cash in year	724,423	(562,418)
Loans repaid	825,657	790,167
Cash received from new loans	(1,000,000)	(2,500,000)
Change in net debt	<u>550,080</u>	<u>(2,272,251)</u>
Net debt at 1 April 2019	<u>(12,941,789)</u>	<u>(10,669,538)</u>
Net debt at 31 March 2020	<u>(12,391,709)</u>	<u>(12,941,789)</u>

23. CAPITAL COMMITMENTS

	2020	2019
	£	£
Expenditure contracted less certified	<u>2,885,000</u>	<u>1,400,000</u>
Funded by:		
Social Housing Grant	2,454,000	-
Other grants and contributions	64,000	200,000
Reserves	<u>367,000</u>	<u>1,200,000</u>
	<u>2,885,000</u>	<u>1,400,000</u>
Expenditure authorised by the management committee not contracted for	<u>9,686,000</u>	<u>10,560,000</u>
Funded by:		
Social Housing Grant	6,046,000	8,825,000
Other grants and contributions	-	-
Reserves	<u>3,640,000</u>	<u>1,735,000</u>
	<u>9,686,000</u>	<u>10,560,000</u>

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2020.

GOVANHILL HOUSING ASSOCIATION LIMITED
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24. OBLIGATIONS UNDER OPERATING LEASES

	2020 £	2019 £
The total minimum lease payments under non-cancellable operating leases for fixed assets are:	nil	nil

25. RELATED PARTY TRANSACTIONS

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

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

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

Transactions with Management Committee members are as follows:

Rent received from tenants on the Committee:	£32,222
At the year end total rent arrears owed by the tenant members of the Committee were:	£nil
Charges received from factored owners on the Committee:	£893
At the year end total factors arrears owed by the owner members of the Committee were:	£nil

Transactions between the Association and its subsidiary are as follows:

	2020 £	£	2019 £	£
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Govanhill Community Development Trust Limited	94,008	83,131	53,458	106,411
	<u>Amounts due to:</u>	<u>Amounts due by:</u>	<u>Amounts due to:</u>	<u>Amounts due by:</u>
Govanhill Community Development Trust Limited	-	18,572	9,327	-

26. GROUP ACCOUNTS EXEMPTION

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

GOVANHILL HOUSING ASSOCIATION LIMITED
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27. 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 financial years ending on or before 28 February 2019, it was not possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association accounted for the Scheme as a defined contribution scheme.

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting yearends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus. Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

The Association has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2019. As of this date the estimated employer debt for the Association was £8,354,748.

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

	31 March 2020	31 March 2019
Assumptions as at:		
Inflation (CPI)	1.63%	2.30%
Inflation (RPI)	2.63%	3.30%
Salary increases	2.63%	2.40%
Discount rate	2.38%	2.30%
Allowance for commutation of pension for cash at retirement	75% max	75% max

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

	Males	Females
Current pensioners	21.5 years	23.2 years
Future pensioners	22.8 years	24.5 years

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

27. RETIREMENT BENEFIT OBLIGATIONS (continued)

<u>Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)</u>		
	31 March 2020	31 March 2019
Fair value of plan assets	11,322,000	10,796,000
Present value of defined benefit obligation	11,606,000	12,161,000
Deficit in plan	(284,000)	(1,365,000)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(284,000)	(1,365,000)

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2020
Defined benefit obligation at start of period	12,161,000
Current service cost	371,000
Expenses	9,000
Interest expense	283,000
Member contributions	209,000
Benefits paid	(302,000)
Actuarial gains due to scheme experience	(82,000)
Actuarial gains due to changes in demographic assumptions	(73,000)
Actuarial gains due to changes in financial assumptions	(970,000)
Defined benefit obligation at end of period	11,606,000

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

	31 March 2020
Fair value of plan assets at start of period	10,796,000
Interest income	254,000
Member contributions	209,000
Employer contributions	533,000
Benefits paid	(302,000)
Experience on plan assets (excluding amounts included in interest income) – gain	(168,000)
Fair value of plan assets at end of period	11,322,000

Defined Benefit costs recognised in statement of comprehensive income

	31 March 2020
Current service cost	371,000
Expenses	9,000
Net interest expense	29,000
Defined benefit costs recognised in statement of comprehensive income (SoCI)	409,000

Defined Benefit costs recognised in other comprehensive income

	31 March 2020
Experience on plan assets (excluding amounts included in interest cost) – loss	(168,000)
Experience gains and losses arising on the plan liabilities – gain	82,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations – gain	73,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations – gain	970,000
Total amount recognised in other comprehensive income – gain	957,000

GOVANHILL HOUSING ASSOCIATION LIMITED
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27. RETIREMENT BENEFIT OBLIGATIONS (continued)

The plan assets were:

	31 March 2020	31 March 2019
Global Equity	1,557,000	1,737,000
Absolute Return	695,000	915,000
Distressed Opportunities	207,000	184,000
Credit Relative Value	272,000	187,000
Alternative Risk Premia	907,000	603,000
Fund of Hedge Funds	-	30,000
Emerging Markets Debt	403,000	346,000
Risk Sharing	359,000	313,000
Insurance-Linked Securities	304,000	280,000
Property	211,000	214,000
Infrastructure	667,000	453,000
Private Debt	224,000	139,000
Opportunistic Illiquid Credit	276,000	-
Corporate Bond Fund	827,000	757,000
Liquid Credit	297,000	-
Long Lease Property	277,000	131,000
Secured Income	628,000	377,000
Over 15 Year Gilts	144,000	277,000
Liability Driven Investment	2,981,000	3,842,000
Net Current Assets	86,000	11,000
Total assets	11,322,000	10,796,000

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

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 12.6% of pensionable salaries. Member contributions were paid at a rate of 12.5%. At the balance sheet date there were 49 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,681,569.

The Pensions Trust Growth Plan

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

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

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

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

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27. RETIREMENT BENEFIT OBLIGATIONS (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
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From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Association has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2019. As of this date the estimated employer debt for the Association was £20,360.

Strathclyde Pension Fund ("SPF")

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

The Association has been notified by Strathclyde Pension Fund of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 31 March 2017. As of this date the estimated employer debt for the Association was £665,000.

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

	31 March 2020	31 March 2019
Assumptions as at:		
Pension increase rate (CPI)	1.9%	2.5%
Salary increases	3.0%	3.7%
Discount rate	2.3%	2.4%

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 22 years.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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RETIREMENT BENEFIT OBLIGATIONS (continued)

	Males	Females
Current pensioners	20.7 years	22.9 years
Future pensioners	22.2 years	24.6 years
<u>Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)</u>		
	31 March 2020	31 March 2019
Fair value of plan assets	1,546,000	1,602,000
Present value of defined benefit obligation	1,701,000	1,911,000
Deficit in plan	(155,000)	(309,000)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	<u>(155,000)</u>	<u>(309,000)</u>
<u>Reconciliation of opening and closing balances of the defined benefit obligation</u>		
		31 March 2020
Defined benefit obligation at start of period		1,911,000
Current service cost		56,000
Interest expense		46,000
Plan participants' contributions		8,000
Benefits paid		(25,000)
Actuarial gains due to changes in demographic assumptions		(69,000)
Actuarial gains due to changes in financial assumptions		(221,000)
Actuarial gains due to other experience		(5,000)
Defined benefit obligation at end of period		<u>1,701,000</u>
<u>Reconciliation of opening and closing balances of the fair value of plan assets</u>		
		31 March 2020
Fair value of plan assets at start of period		1,602,000
Interest income		39,000
Plan participants' contributions		8,000
Employer contributions		30,000
Benefits paid		(25,000)
Experience on plan assets (excluding amounts included in interest income) – gain		(108,000)
Fair value of plan assets at end of period		<u>1,546,000</u>
<u>Defined Benefit costs recognised in statement of comprehensive income</u>		
		31 March 2020
Current service cost		56,000
Net interest expense		7,000
Defined benefit costs recognised in statement of comprehensive income (SoCI)		<u>63,000</u>
<u>Defined Benefit costs recognised in other comprehensive income</u>		
		31 March 2020
Experience on plan assets (excluding amounts included in interest income) – gain		(108,000)
Actuarial gains due to changes in financial assumptions		295,000
Total amount recognised in other comprehensive income - gain		<u>187,000</u>
<u>The major categories of plan assets as a percentage of total plan assets were:</u>		
	31 March 2020	31 March 2019
Equities	59%	64%
Bonds	26%	24%
Property	13%	10%
Cash	2%	2%

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27. RETIREMENT BENEFIT OBLIGATIONS (continued)

During the year Govanhill Housing Association Limited paid contributions at a rate of 23.8% to 35.9% of pensionable salaries. Member contributions were paid at a rate of between 5.5% and 7.0%.

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

28. POST BALANCE SHEET EVENTS

The Management Committee has considered the impact of the COVID-19 pandemic and the resulting lockdown on the Association's operations and its financial stability. We have reviewed our budgets to incorporate the estimated financial impact of changes arising in the short to medium term, and we do not consider that any financial impacts require to be incorporated in the financial statements for the year ended 31 March 2020.