

NEW GORBALS HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 2309S
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HAL211
Charity Number	SC041164

Committee of Management

(Chairperson)	L. Malone
(Secretary)	J. Miller
(Vice Chair)	K. Adams MacKenzie
(Member)	E. Peden
(Member)	T. Smart
(Member)	A. Reilly
(Member)	S. Mandaniya
(Member)	R. Shannon
(Member)	D. Nixon
(Member)	I. McCreddie
(Member)	C. Docherty (co-optee)

Executive Officers

Fraser Stewart – Director
Norman Fitzpatrick – Depute Director
Mary Reilly – Head of Finance
Simon Metcalfe – Head of Development
Kirsty Fotheringham – Head of Housing
Linda Anderson – Head of Corporate Development

Registered Office

200 Crown Street
Glasgow
G5 9AY

Auditor

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

Bankers

Bank of Scotland
21/23 Argyle Street
Glasgow
G2 8BU

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

New Gorbals Housing Association Ltd
Report of the Committee of Management
For the year ended 31 March 2020

The Committee of Management presents their report and audited financial statements for the year ended 31 March 2020.

Principal Activities

The principal activity of the Association is the provision of social housing:

- to improve the quality of the housing and management service for the people of the Gorbals area;
- to consolidate tenant control and involvement in the Association;
- to contribute to meeting the needs of people living in the Gorbals area;
- to provide housing at affordable and sustainable rent levels; and
- to develop through conversion and new buildings other types of housing such as those for older and single people, and for those seeking low cost home ownership.

The Association has a wholly owned subsidiary, New Gorbals Property Management Ltd, the principal activities of which are management of mid-market ranked properties that are owned by the Association.

Objectives

The Association's overall vision and mission is:

- To provide the highest possible quality housing, environment and services to all of our customers
- To maximise our contribution to the overall regeneration of the Gorbals, addressing wherever possible the needs of those in the community who are disadvantaged.

Our core values are based on:

- Being representative of, and accountable to, the local community
- Being open and accessible
- Being fair and equitable, and treating every individual with courtesy and respect
- Being innovative and creative, and working in partnership with others, to achieve the best possible outcomes
- Delivering services which are customer-focused and which provide the best quality possible for our tenants
- Promoting and implementing an approach to our community engagement and development work founded on the strengths and potential of the Gorbals community.

Our Achievements

In 2019, New Gorbals Housing Association celebrated its 30th anniversary. In August 2019, the Association moved to its new office at 200 Crown Street, Glasgow which was formally opened by First Minister Nicola Sturgeon and leader of Glasgow City Council Susan Aitken.

The Association successfully hosted the first day of the UNECE City Living conference held in Glasgow on the 12th and 13th of September 2020, with over 100 delegates from across Europe in attendance. Praising the Association's welcome and hospitality, Professor Brian Mark Evans, Glasgow City Urbanist, said that "the Gorbals presentation and walking tour were inspirational, and delegates were amazed by the scale and quality of urban renaissance that community ownership and local control in Gorbals has achieved."

In April, the Association commenced operation of our new allocations policy and significant time and resources were allocated to a comprehensive review and updating of our housing list.

We continue to be committed to Wider Action and remain the Gorbals' Community Anchor Organisation for Glasgow's city wide "Thriving Place" Initiative. We have successfully bid for additional funding to extend the work of our Participatory Budgeting Officer and Engagement Officer until 2023 and tackling poverty and destitution is the key focus of our two welfare rights workers who secured over £2.3M in benefit entitlement for our tenants.

In November 2019, the Association became subject to Freedom of Information and in the build up to this date extensive training took place for staff and committee, with changes made internally to resource the new requirements.

Progress has been made on IT projects and are now looking at utilising our existing software to communicate with our tenants and owners, and during the autumn of 2020 we will be working with a small group of owners to build and test software to automate as much of our communication processes as we can.

COVID 19

The Association began planning in late January 2020 for any potential effects Covid 19 would have on our tenants and staff and our initial focus was to secure the Health and Safety of both as best we could.

As the lockdown became inevitable our focus moved on to ensuring staff could work from home. New Gorbals has an existing protocol for home working and this was built upon. On the day after lockdown, 24th March 2020, the Association was able to provide all services remotely to our tenants, including by phone, email etc.

Emergency and gas repairs have been our main priority but as we start to emerge from lockdown our focus is moving towards ensuring we can safely reintroduce all our services to tenants, including the letting of properties.

Rent management has been a critical process during lockdown and has seen a spike in arrears over the month of April and early May, but this trend is now slowing as tenants benefit claims are being resolved. Longer term, focus will remain on reducing arrears caused or increased because of Covid-19.

We received additional funding from government to alleviate food and fuel poverty during lockdown and our staff have been delivering food parcels, facilitating fuel top ups and collecting medication for those who are most vulnerable. This service will be continuing for the foreseeable future.

The Association used the Governments Job Retention Scheme to furlough staff whose jobs could not be carried out during lockdown. We initially furloughed 50 staff with all being back in post as services are resumed.

Investment Activity

New Build

In May 2019 we took hand over of 28 new build units, which are adjacent to our office and Public Space on Crown Street.

Planning for potential future new build developments is underway, with Northgate development progressing through the process, and funding has been secured to begin this development when ready.

Stock Investment

The Association will continue to invest in and upgrade our stock to ensure it retains asset value. During 2019 Riverside District Heating project completed with 308 households now able to have hot water and heating on demand.

We also continue to invest in modernising properties when they become void.

Ongoing replacement of components will be carried out to maintain the fabric and income generation capabilities of our properties. Our in house teams will replace components while carrying out void works, with larger component replacements and modernisation of stock carried out by external contractors.

Housing Review

From October 2019 to January 2020, the Association consulted with our tenants on a planned annual rent increase of 2.4%. In February 2020, management committee took on board the feedback from the consultation and decided to implement a 2.2% rent increase.

We also engaged with tenants in relation to our Annual Tenant Report, which covered progress against annual key performance indicators.

We reviewed our Housing Allocation policy and reviewed the circumstances of more than 3,000 applicants on our housing lists to ensure they had the appropriate priority. We developed a new Tenants Rights policy and procedure to reflect the changes to the Housing Scotland Act, this included information on:

- Informing the Association on household
- Subletting, Assignment and Joint Tenancy
- Ending a Scottish Secure Tenancy Agreement
- Adapted Properties
- Taking over a Tenancy after a Tenants Death
- Conversion to a Short Scottish Secure Tenancy for Antisocial Behaviour

Other policies developed and reviewed during 2019-2020 included:

- Tenant engagement and participation policy
- Unacceptable and antisocial behaviour policy
- Decant policy

The Association transitioned to full service Universal Credit in September 2018 and we now have 478 cases at 31st March 2020.

During 2019 to 2020, the Association let 241 properties, 213 relets and 28 new build properties.

Our Welfare Rights team are still in demand for assistance with welfare advice, assistance with claims or appeals. Although demand is lower than previous financial year, staff remain exceptionally busy. At the year-end our two advisors had 217 open cases. During 2019 to 2020, they assisted in claiming £2,314,358 of benefits for our tenants.

Performance

The table below summarises the Association's performance against key performance indicators for 2019 to 2020.

Indicator	Target 2019/20	Outturn Performance 2019/20
Void rent loss	0.25%	0.44%
Gross rent arrears	5.2%	6%
%age of tenancies sustained for over 1 year	95%	88.8%
Average timescale - emergency repairs	4 Hours	1.5 hours
Average timescale – non-emergency repairs	5 days	4.92 days
Repairs competed right first time	96%	97.5%
Annual gas safety inspections	100%	100%
Adaptions average completion timescale	15 days	19.6 days

Rent arrears remains a priority for the Association. Targeted arrears prediction software will assist in maintaining focus on arrears cases that need further help and assistance.

Financial Review

Turnover of £16,558,989 (2019: £14,512,950) relates to the income from the letting of properties at affordable rents and the provision of factoring services.

Operating surplus for the year was £2,673,719 (2019: £3,178,703). SPF pension liability was £190,000 with SHAPS pension liability decreasing to nil, resulting in a net decrease in pension liabilities of £1,491,000. Note 22 in these accounts gives further details of the breakdown of these figures and also see impact of accounting changes section below.

Financing and Liquidity

During the year further loans of £1.667m (2019: £nil) were drawn down. Under the terms of the financing agreement, there are a number of financial and operational covenants that limit the Association's operating and financial flexibility. A failure to comply with any of these covenants could result in default under the agreement and an acceleration of repayment of the debt outstanding.

All covenants are met and regularly reviewed by the Board.

Treasury Management

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

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2020 £28,492,686 (73.95%) (2019 £28,237,112 (74.92%)) of borrowings were subject to fixed rates of interest in excess of two year

Strategic Risk Assessment

Our 3 year Business Plan included a comprehensive review of risk, including identification of and controls for our top-scoring 10 strategic risk factors, together with mitigation actions.

The Association monitors and responds to emerging or changing risks on an ongoing basis. We will be fully reviewing our strategic risk register in 2020, and some comments are noted below in relation to our Business Plan strategic risk factors, which we will take into account:

Strategic Risk	Comments
1. Political/financial uncertainties threaten future rental income	Economic and other impacts of UK exit from European Union and Covid 19 will be closely monitored
2. Loss of rental income due to Welfare Reform /housing benefit changes	No change, though the Association is closely monitoring the financial impact of Universal Credit roll-out in Glasgow and Covid 19
3. Inability to provide statutory service to tenants due to contractor liquidation / contract determination	Residual risk should reduce due to contract services including gas safety, having been taken in house by NGHHA
4. Serious governance failure or Notifiable Event or whistleblowing complaint leads to formal SHR intervention	
5. Major breach of data protection law (e.g. loss or unauthorised disclosure of sensitive personal data relating to tenants/service users)	Staff training and awareness including IT security and regular audit and testing of this security.
6. Financial position does not adequately support future obligations and strategic aspirations	Regular financial planning including scenario planning and sensitivity analysis.
7. Employer pension contributions continue to increase and have negative impact on NGHHA finances	We have consulted with staff on closing our Final Pensionable Salary pension scheme and from August 2020 this will be replaced with a Career Average scheme.
8. Development: Failure to obtain grants or loans for remainder of regeneration programme	Timing and management of development programme.
9. Failure to maintain NGHHA membership levels	Regular communication with potential membership (tenants and owners)
10. Repairs and replacement/ elements costs increase above levels allowed for in Business Plan, due to external factors (e.g. absence of post-Brexit trade deals)	Financial Planning will scenario plan for these events.

Fixed Assets

Changes in fixed assets in the year are set out in notes 11A, 11B and 11C of the financial statements.

Future Developments

The Association is at an advance stage of planning North Gate Development and this is progressing through the planning process.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association's standard payment terms are 30 days.

Maintenance Policies

The Association maintains its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Statement of Comprehensive Income.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP, replacements to building components (as identified in Note 1) are capitalised in the accounts as they occur. All other major repairs are charged to the Statement of Comprehensive Income.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

Going Concern

The Committee of Management has reviewed the results for this year, the projections for the next five years and the effects of the Covid 19 pandemic on the financial statements. The Committee of Management have deemed that there will be no material impact on the Associations ability to continue as a going concern and for this reason, the going concern basis has been adopted in these financial statements.

The assets and liabilities contained in these financial statements are not deemed to be impaired as a result the pandemic or financial projections.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Rental income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

Our equality policy statement

New Gorbals Housing Association is committed to promoting cultural values that promote social justice. We are committed to:

- eliminating unlawful and unfair forms of discrimination; and
- promoting equal opportunity objectives.

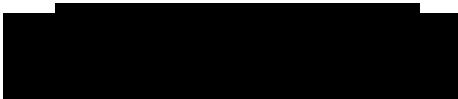
Disclosure of Information to the Auditor

The members of the Committee of Management at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

A resolution for the reappointment of RSM UK Audit LLP as auditors of the Association will be proposed at the Annual General Meeting.

By Order of the Committee of Management

A large black rectangular box redacting the signature of the person acting on behalf of the Committee of Management.

Secretary

Date: 7th September 2020

New Gorbals Housing Association Ltd
Statement of Committee of Management'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 Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Committee of Management is required to:

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

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association and enable it to 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 Accounting Requirements 2019. It has general responsibility for taking reasonable steps to safeguard the assets.

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

New Gorbals Housing Association Ltd
Committee of Management Statement of Internal Financial Controls
For the year ended 31 March 2020

The Committee of Management 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 Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement 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 relating 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 the important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Team and Committee of Management to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly/quarterly management accounts 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 Committee of Management;
- Committee of Management 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 weaknesses identified through internal and external audit reports.
- an internal auditor has appointed in accordance with the requirements of Guidance Note 97/06. An audit plan was set and completed for the year. The results of the work confirm that the Association has satisfactory procedures for managing its finances.

The effectiveness of the Association's system of internal financial control has been reviewed by the Committee of Management for the year ended 31 March 2020. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Committee of Management



Secretary
Date: 7th September 2020

New Gorbals Housing Association Ltd
Report by the auditors to the members of New Gorbals Housing Association Ltd on Internal
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 11 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 to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and 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 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK AUDIT LLP

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

Date: 13 October 2020

Opinion

We have audited the financial statements of New Gorbals Housing Association Ltd (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cashflows 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;
- 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 Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the 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 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 Committee in respect of a previous year of account for New Gorbals Property Management Limited subsidiary to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the 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 Committee

As explained more fully in the Committee's responsibilities statement, set out on page 10, the 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 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 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 Committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

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

Date: 13 October 2020

New Gorbals Housing Association Limited
Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	2	16,558,989	14,512,950
Operating expenditure	2	(13,885,270)	(11,334,247)
		<u>2,673,719</u>	<u>3,178,703</u>
Operating Surplus			
Gain/(Loss) on disposal of property, plant and equipment	9	30,949	(13,248)
Interest receivable	6	27,614	54,343
Interest and financing costs	7	(1,463,241)	(1,438,119)
		<u>1,269,041</u>	<u>1,781,679</u>
Surplus Before Tax			
Taxation	26	-	-
		<u>1,269,041</u>	<u>1,781,679</u>
Surplus for the Year			
Actuarial gain in respect of pension schemes	22	1,491,000	281,000
Initial Recognition of SHAPS defined benefit obligation		-	(657,000)
Total Comprehensive Income for the Year		<u><u>2,760,041</u></u>	<u><u>1,405,679</u></u>

The accompanying notes form part of these financial statements.

New Gorbals Housing Association Limited
Statement of Financial Position
As at the 31 March 2020

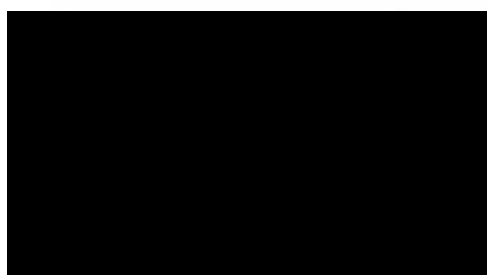
	Notes	2020 £	2019 £
Fixed Assets			
Intangible Fixed Assets	11.C	286,922	293,674
Housing properties	11.A	135,618,896	133,666,918
Other fixed assets	11.B	5,010,639	4,512,563
Investment in subsidiary	11.D	1	1
		<u>140,916,458</u>	<u>138,473,156</u>
Current Assets			
Stock and work in in progress	12	-	770,626
Trade and other debtors	13	3,397,548	2,880,848
Cash and cash equivalents		3,562,934	5,722,874
		<u>6,960,482</u>	<u>9,374,348</u>
Current Liabilities			
Creditors: amounts falling due within one year	14	(6,136,573)	(6,481,865)
Net Current Assets		<u>823,909</u>	<u>2,892,483</u>
Total Assets Less Current Liabilities		<u>141,740,367</u>	<u>141,365,639</u>
Creditors: Amounts falling due after more than one year	15	(108,091,142)	(109,046,658)
Provisions for liabilities:			
Pension provision:	22	-	(1,558,000)
SHAPS – Defined Benefit Funding Liability		(190,000)	(96,000)
SPF – Defined Benefit Funding Liability		(88,289)	(54,087)
Other provisions	18	<u>(108,369,431)</u>	<u>(110,754,745)</u>
Total Net Assets		<u>33,370,936</u>	<u>30,610,894</u>
Reserves			
Income and expenditure reserve	19	33,370,851	30,610,807
Share Capital	19	85	87
Total Reserves		<u>33,370,936</u>	<u>30,610,894</u>

The financial statements on pages 15 to 46 were approved by the Committee of Management and authorised for issue on 7th September 2020 and are signed on its behalf by:

Committee member

Committee member

Secretary



New Gorbals Housing Association Limited
Statement of Cashflows
For the year ended 31 March 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	20	4,199,340	4,400,848
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets		(159,770)	(275,423)
Purchase of tangible fixed assets		(5,883,740)	(12,063,738)
Proceeds from sale of tangible fixed assets		99,000	-
Grants received		181,989	2,586,140
Interest received		27,614	54,343
Net Cash used in Investing Activities		<u>(5,734,907)</u>	<u>(9,698,678)</u>
Cash Flow from Financing Activities			
Issue of share capital		4	4
Interest paid		(1,463,241)	(1,437,119)
New secured loans		1,667,054	-
Repayments of borrowings		(828,190)	(801,492)
Net Cash Used in Financing Activities		<u>(624,373)</u>	<u>(2,238,607)</u>
Decrease in Cash and Cash Equivalents		<u>(2,159,940)</u>	<u>(7,536,437)</u>
Cash and Cash Equivalents at Beginning of Year		<u>5,722,874</u>	<u>13,259,311</u>
Cash and Cash Equivalents at End of Year	20	<u>3,562,934</u>	<u>5,722,874</u>

1. ACCOUNTING POLICIES

Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Association's registered office is 200 Crown Street, Glasgow G5 9AY and principal place of business is 200 Crown Street, Glasgow, G5 9AY.

The Association's principal activities are detailed in the Committee of Management's Report. The nature of the Associations operations is detailed in the Committee of Management's Report.

New Gorbals Housing Association Limited meets the definition of a Public Benefit Entity.

Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Determination of Accounting Requirements 2018, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

Basis of consolidation

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

Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

Critical accounting estimates

Useful lives of housing property - management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and our review of our stock. Uncertainties in these estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.

Recoverable amount of rent arrears and debtors – management considers the reasonable likelihood of rent arrears and debtors being recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Association in the future, the actual amounts which might be received are often outwith the Associations' control.

Obligations under a defined benefit pension scheme

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 22). The net defined benefit pension liability at 31 March 2020 was £149,000.

Going Concern

Covid 19 has brought many challenges to the Association and planning had began for its potential effects in January 2020.

The Association had a core of key staff working from home before lock down, with all other office based staff working from home at lockdown. We have been able to maintain services to tenants including Welfare Advice.

As we emerge for tighter lockdown rules, we have reintroduced all repairs services, subject to appropriate Health and Safety protocols. Any backlog of repairs has now been cleared.

Rent management has been a critical process during lockdown and has seen a spike in arrears over the month of April and early May, but this trend is now slowing as tenants benefit claims are being resolved. Longer term, focus will remain on reducing arrears caused or increased because of Covid-19.

The Committee of Management has reviewed the results for the year, the projections for the next 5 years and the effects of Covid 19 on the business.

On that basis the Committee of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover and Revenue Recognition

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants receivable in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Reasonable assurance is normally obtained when the grant has been awarded in writing.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Intangible Fixed Assets

Intangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight-line basis over their useful lives as follows:

Computer software - 4 years.

Tangible Fixed Assets – Housing Properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership 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.

Depreciation of Housing Properties

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Land	Nil
Assets under construction	Nil
Structure	50 years
Windows	45 years
Central Heating pipework	45 years
Roof	40 years
Lifts	30 years
Bathrooms	25 years
District Boilers	20 years
Electric Heating	15 years
Boilers	15 years
Kitchens	15 years
Over bath Showers	7 years

Impairment of Fixed Assets

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

Sales of Housing Accommodation

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

First tranche Share Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the Statement of Comprehensive Income, in accordance with the Statement of Recommended Practice.

Other Tangible Fixed Assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Freehold Property	over 50 years
Computers and office equipment	over 4 years
Furniture, fixtures and fittings	over 4 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Stock and Work in Progress

Stock and work in progress comprises the costs of properties being developed under the New Supply Shared Equity Scheme (NSSE). These units are valued at Historical Gross cost less Housing Association Grant. These units are now sold and income and expenditure released to the Statement of Comprehensive Income.

Borrowing Costs

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

All other borrowing costs are expensed as incurred.

Taxation

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

Value Added Tax (VAT)

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

Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement and 14 hours flexi at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

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

Retirement Benefits

Defined benefit plans

The Association participates in two funded multi-employer defined benefit schemes, the Scottish Housing Association Pension Scheme (SHAPS) and the Strathclyde Pension Fund (SPF).

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.

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £691k, within provisions, based on the present value of the Association's deficit funding agreement.

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

The deficit funding agreement liability that was previously recognised within provisions of £691k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £1,348k was recognised at this date in the statement of financial position. The resulting net difference of £657k on initial recognition of the SHAPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2020, the net defined benefit pension deficit liability was nil.

In the year ended 31 March 2020, 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 22 for more details.

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

The Association, as a result of staff transferring during the GHA stock transfer, is now an admitted member of Strathclyde Pension Fund (SPF). The basis of admittance is that of a closed scheme and only transferred employees who already are or wish to join can be a member of this scheme. Retirement benefits to these employees are funded by the contributions from all participating employers and employees in the Fund. Payments are made to the independently administered Fund in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating member employers. As a closed scheme a slightly higher calculated rate is payable by the Association to reflect the limited future membership of the scheme.

The SPF Scheme is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

For defined benefit schemes the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency.

A pension scheme asset is recognised in the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

Financial Instruments

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.

Lease Policy

All leases are operating leases and the annual rents are charged to the Statement of Comprehensive Income on a straight line basis. Operating Lease are in operation for the leasing of 63 Mid Market Rented Units to New Gorbals Property Management Ltd.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

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

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Provisions

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

				2020	2019
		Turnover	Operating costs	Operating Surplus	Operating Surplus
	Notes	£	£	£	£
Affordable letting activities	3	13,325,299	(10,708,155)	2,617,144	2,930,375
Other activities	4	3,233,690	(3,177,114)	56,576	248,328
Total		16,558,989	(13,885,269)	2,673,720	3,178,703
Total for previous reporting period		14,512,950	(11,334,247)	3,178,703	

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

	General Needs Social Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	Total 2020 £	Total 2019 £
Rent receivable net of service charges	10,777,318	41,810	43,094	10,862,222	10,296,338
Service charges	511,130	2,004	7,499	520,633	488,351
Gross income from rents and service charges	11,288,448	43,814	50,593	11,382,855	10,784,689
Less voids	(105,328)	(410)	-	(105,738)	(30,165)
Net income from rents and service charges	11,183,120	43,404	50,593	11,277,117	10,754,524
Grants released from deferred income	1,837,023	7,237	14,308	1,858,568	1,812,157
Revenue grants received from Scottish ministers	189,614	-	-	189,614	165,356
Total turnover from affordable letting activities	13,209,757	50,641	64,901	13,325,299	12,732,037
Management and maintenance administration costs	3,439,152	13,479	8,883	3,461,514	2,838,488
Service costs	1,621,962	6,316	12,632	1,640,910	1,579,334
Planned and cyclical maintenance including major repairs costs	787,468	3,074	2,034	792,576	832,816
Reactive maintenance costs	1,547,796	6,027	-	1,553,823	1,550,864
Bad debts - rents and service charges	86,226	336	-	86,562	57,408
Depreciation of affordable let properties	3,133,466	12,452	26,852	3,172,770	2,942,752
Operating Costs for affordable letting activities	10,616,070	41,684	50,401	10,708,155	9,801,662
Operating surplus or deficit for affordable letting activities	2,593,687	8,957	14,500	2,617,144	2,930,375
Operating surplus or deficit or affordable letting activities for previous reporting period	2,744,004	189,905	(3,534)	2,930,375	

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 £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous reporting period £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	456,692	-	-	456,692	-	382,798	73,894	(100,862)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	907,285	907,285	(10,591)	943,940	(26,064)	(5,084)
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	561,207	-	945,827	1,507,034	-	1,507,034	-	-
Gift aid distribution from subsidiary	-	-	-	-	-	-	-	-	289,281
Rental from mid-market properties and management charges income	-	-	-	248,534	248,534	-	222,505	26,029	6,167
Other activities	-	-	-	114,145	114,145	12,334	119,094	(17,283)	58,826
Total from other activities		1,017,899		2,215,791	3,233,690	1,743	3,175,371	56,576	248,328
Total from other activities for the previous reporting period	-	266,194	-	1,514,719	1,780,913	(2,609)	1,535,194	248,328	

New Gorbals Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

5. ACCOMMODATION IN MANAGEMENT

	2020	2019
	Units	Units
General needs housing	2,567	2,536
Shared ownership	20	22
Supported housing	10	10
TOTAL UNITS IN MANAGEMENT	2597	2,567

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£	£
Interest on bank deposits	27,614	54,343

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
Interest arising on:		
Bank loans and overdrafts	1,424,241	1,481,590
Defined benefit pension charges	39,000	49,000
Less: Interest capitalised on housing properties under construction	-	(92,471)
	1,463,241	1,438,119

8. OPERATING SURPLUS

	2020	2019
	£	£
Operating surplus is stated after charging:		
Depreciation of housing properties (note 11.A)	3,172,770	2,942,749
Depreciation of other tangible fixed assets (note 11.B)		
- owned	192,865	113,654
Depreciation of intangible fixed assets (note 11.C)	166,522	126,578
Deficit on disposal of tangible fixed assets (note 9)	30,607	13,248
Inventories recognised as an expense	-	-
Lease payments recognised as an expense	160,179	151,693

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2020	2019
	£	£
Audit services - statutory audit of the Association	17,640	16,140
<i>Other services:-</i>		
Taxation compliance services	-	-
Taxation advisory services	8,934	-

9. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	2020	2019
	£	£
Disposal proceeds	99,000	-
(Loss) on Renewal of components	(30,607)	(13,248)
Carrying value of fixed assets	(37,445)	-
	30,948	(13,248)

10. EMPLOYEES

	2020	2019
	No.	No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Office and management/Administration	15	16
Housing support and care	51	50
In-house Services Team	34	32
Development	6	7
	106	105
	2020	2019
	£'000	£'000
Staff costs for the above persons:		
Wages and salaries	3,691	3,579
Social security costs	350	339
Other pension costs and current service cost (note 22)	569	521
	4,610	4,439

The key management personnel are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee.

The number of key management personnel who received emoluments (excluding employer pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	2020	2019
	No.	No.
£60,000 - £70,000	3	3
£70,001 - £80,000	1	1
£80,001 - £90,000	0	1
£90,001 - £100,000	1	0

New Gorbals Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

10. EMPLOYEES (Continued)

	2020	2019
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	357,692	351,151
The emoluments of the Chief Executive (excluding pension contributions)	90,524	88,650
Aggregate pension contributions in relation to the above key management personnel	53,644	53,509
Total emoluments for the above key management personnel (including salary, pension and benefits)	411,336	403,167

No payment or fees or other remuneration was made to the Board members during the year.

11.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting £	Housing properties for letting under construction £	Completed shared ownership housing properties £	Total housing properties £
Cost				
1 April 2019	144,716,179	17,694,789	1,541,311	163,952,279
Additions	-	3,113,707	-	3,113,707
Properties acquired	215,000	(95,000)	-	120,000
Works to existing properties	1,959,093	-	-	1,959,093
Schemes completed	12,605,531	(12,605,531)	-	-
Disposals	(94,088)	-	(71,340)	(165,428)
31 March 2020	159,401,715	8,107,965	1,469,971	168,979,651
Depreciation and impairment				
1 April 2019	29,617,116	-	668,245	30,285,361
Depreciation charged in year	3,145,918	-	26,852	3,172,770
Released on disposal	(63,481)	-	(33,895)	(97,376)
31 March 2020	32,699,553	-	661,202	33,360,755
Net book value				
31 March 2020	126,702,162	8,107,965	808,769	135,618,896
31 March 2019	115,099,063	17,694,789	873,066	133,666,918

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2020	2019
	£	£
Replacement component spend capitalised	1,959,093	810,413
Amounts charged to income and expenditure	17,975	10,418
	<hr/>	<hr/>
Total major repairs spend	1,977,068	820,831

FINANCE COSTS

	2020	2019
	£	£
Aggregate amount of finance costs included in the cost of housing properties	782,053	782,053
	<hr/>	<hr/>

11.B TANGIBLE FIXED ASSETS – OTHER

	Freehold property £	Computers and Office Equipment £	Furniture, fixtures and fittings £	Total £
Cost				
1 April 2019	4,692,475	445,817	533,900	5,672,192
Additions	559,490	40,117	91,334	690,941
31 March 2020	5,251,965	485,934	625,234	6,363,133
Depreciation				
1 April 2019	277,742	387,818	494,069	1,159,629
Depreciation charged in year	105,040	38,887	48,938	192,865
31 March 2020	382,782	426,705	543,007	1,352,494
Net book value				
31 March 2020	4,869,183	59,229	82,227	5,010,639
31 March 2019	4,414,733	57,999	39,831	4,512,563

11.C INTANGIBLE FIXED ASSETS

	Computer Software £
Cost	
1 April 2019	506,314
Additions	159,770
31 March 2020	666,084
Depreciation	
1 April 2019	212,640
Depreciation charged in year	166,522
31 March 2020	379,162
Net book value	
31 March 2020	286,922
31 March 2019	293,674

11.D INVESTMENTS

	2020	2019
	£	£
Investment in subsidiary undertakings	<u>1</u>	<u>1</u>

New Gorbals Housing Association Limited owns 1 ordinary £1 share in New Gorbals Property Management Limited. This represents a 100% shareholding in New Gorbals Property Management Limited, a company registered in Scotland, whose principal activity is that of provision of management of mid-market rented properties. As at 31 March 2020, the capital and reserves of New Gorbals Property Management Limited were £158,426 with a taxable profit for the year of £158,425.

12. STOCK AND WORK IN PROGRESS

	2020	2019
	£	£
Cost – New Supply Shared Equity	<u>-</u>	<u>770,626</u>

13. DEBTORS

	2020	2019
	£	£
Amounts falling due within one year:		
Rent and service charges receivable	1,133,679	1,049,845
Less: net present value adjustment	(12,800)	(12,997)
Less: provision for bad and doubtful debts	<u>(257,251)</u>	<u>(234,764)</u>
	863,628	802,084
 Other debtors	 1,494,205	 1,024,989
Prepayments and accrued income	977,552	836,113
Amounts due from group undertakings	62,163	217,662
	<u>3,397,548</u>	<u>2,880,848</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Debt (note 17)	835,508	764,118
Rent and service charges received in advance	235,429	222,772
Deferred capital grants (note 16)	1,858,567	1,812,157
Trade creditors	2,012,126	1,739,362
Other creditors	1,044,990	1,737,093
Accruals and deferred income	<u>149,954</u>	<u>206,363</u>
	<u>6,136,574</u>	<u>6,481,865</u>

New Gorbals Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

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

	2020	2019
	£	£
Debt (note 17)	37,694,817	36,927,343
Deferred capital grant (note 16)	70,396,325	72,119,315
	<u>108,091,142</u>	<u>109,046,658</u>

	2020	2019
	£	£

Included in creditors are:

Amounts repayable by instalments falling due after more than five years	<u>33,668,830</u>	<u>33,853,742</u>
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16. DEFERRED CAPITAL GRANT

	2020	2019
	£	£
As at 1 April	73,931,472	73,157,489
Grant received in the year	181,991	2,586,140
Capital grant released	(1,858,569)	(1,812,157)
As at 31 March	<u>72,254,894</u>	<u>73,931,472</u>

Amounts to be released within one year	1,858,569	1,812,157
Amounts to be released in more than one year	<u>70,396,325</u>	<u>72,119,315</u>
	<u>72,254,894</u>	<u>73,931,472</u>

17. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
Creditors: amounts falling due within one year:		
Bank loans	835,508	764,118
	<u>835,508</u>	<u>764,118</u>
Creditors: amounts falling due after more than one year:		
Bank loans	37,694,817	36,927,343
	<u>37,694,817</u>	<u>36,927,343</u>
Total	<u>38,530,325</u>	<u>37,691,461</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings mature annually at £835,508 per annum from 31 March 2020 until 31 March 2021, £28,492,686 (2019: £28,237,112) bears average fixed-rate coupons of 4.71% per annum (2019: 4.68% per annum) and £10,037,638 (2019: £9,454,289) bears average variable-rate coupons of 1.54% above LIBOR (2019: 2.03% above LIBOR). The Association makes quarterly repayments of the bank borrowings.

Bank borrowings of £37.9m (2019: £37.6m) are secured against the Association's housing properties.

18. PROVISIONS

Based on the lender's earliest repayment date, borrowing is repayable as follows:

	2020	2019
	£	£
Due within one year	835,508	764,118
Due in one year or more but less than two years	985,820	781,247
Due between two and five years	3,040,166	2,292,354
Due more than five years	33,668,830	33,853,742
	38,530,324	37,691,461

	Holiday pay £
1 April 2019	54,087
Utilised in the year	54,087
Additional provision in year	88,289
31 March 2020	88,289

Holiday Pay

This represents holiday accrued because of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

19. SHARE CAPITAL & RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2020 Number	2019 Number
Number of members		
1 April	87	98
Joined during the year	4	4
Left during year	(6)	(15)
31 March	85	87

RESERVES

Reserves of the Association represent the following:

	2020 £	2019 £
Income and Expenditure Account		
1 April	30,610,807	29,205,128
Surplus for the year	1,269,044	1,781,679
Actuarial gain/(loss) for year	1,491,000	(376,000)
31 March	33,370,851	30,610,807

New Gorbals Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

20. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Surplus for the year	2,760,041	1,405,679
Adjustments for non-cash items:		-
Depreciation of intangible fixed assets	166,521	126,579
Depreciation of tangible fixed assets	3,365,635	3,056,403
Amortisation of capital grants	(1,858,568)	(1,812,157)
(Decrease)/Increase in provisions	(1,429,798)	449,741
(Gain)/Loss on disposal of tangible fixed assets	(30,948)	13,248
Interest receivable	(27,614)	(54,343)
Interest payable	1,463,241	1,437,119
Share cancelled	(6)	(15)
Operating cash flows before movements in working capital	4,408,504	4,622,254
Increase in investments		-
Decrease/(Increase) in trade and other debtors	253,928	(885,604)
(Decrease)/Increase in trade and other creditors	(463,092)	664,198
Cash generated from operations	4,199,340	4,400,848

CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash and cash equivalents represent: -		
Cash at bank	187,943	177,344
Short-term deposits	3,374,991	5,545,530
	3,562,934	5,722,874

Reconciliation of net cash flow to movement in net debt

Decrease in cash for the year	(2,159,940)	(7,536,437)
Loans received	(1,667,054)	-
Loan repayments	828,190	801,492
Change in net debt	(2,998,804)	(6,734,945)
Net debt as at 1 April 2019	(31,968,587)	(25,233,642)
Net debt as at 31 March 2020	(34,967,391)	(31,968,587)

Analysis of Changes in net debt

	As at 31 March 2019	Cash Flow	Other Changes	As at 31 March 2020
	£	£	£	£
Cash at bank and in hand	5,722,874	(2,159,940)	-	3,562,934
Bank Overdrafts		-	-	-
Debt due within one year	(764,118)	(71,390)	-	(835,508)
Debt due after one year	(36,927,343)	(767,474)	-	(37,694,817)
	(31,968,587)	(2,998,804)	-	(34,967,391)

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2020	2019
	£	£
Capital expenditure contracted for but not provided in the financial statements	6,179,000	1,971,294

The above commitments will be funded through existing finance and grant.

22. RETIREMENT BENEFITS

Scottish Housing Association Pension Scheme (SHAPS)

Certain employees of the Association are members of an industry-wide retirement benefit scheme the Scottish Housing Association Pension Scheme ("SHAPS").

The Association participates in the scheme, a multi-employer scheme which provides benefits to over 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.

A full actuarial valuation for the scheme was carried out at 30 September 2018. This actuarial valuation showed assets of £877m, liabilities of £998m and a deficit of £121m. 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 2020 to 28 February 2023:	£235,340 per annum (payable monthly, increasing by 3% each 1st April)
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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 has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme 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 a defined benefit scheme.

For the year ended 31 March 2018, the SHAPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Association's financial statements.

For the year ended 31 March 2019, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2019 is £1,558k and is £nil as at 31 March 2020.

FAIR VALUE OF PLAN ASSETS, PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Fair value of plan assets	8,594	7,328
Present value of defined benefit obligation	8,553	8,886
Surplus (deficit) in plan	41	(1,558)
Unrecognised surplus	41	-
Defined benefit asset (liability) to be recognised	-	(1,558)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from
	31 March 2019 to
	31 March 2020
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	41
Impact of asset ceiling at end of period	41

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 31 March 2019 to 31 March 2020 (£000s)
Defined benefit obligation at start of period	8,886
Current service cost	345
Expenses	5
Interest expense	212
Member contributions	38
Actuarial losses (gains) due to scheme experience	295
Actuarial losses (gains) due to changes in demographic assumptions	(50)
Actuarial losses (gains) due to changes in financial assumptions	(1,095)
Benefits paid and expenses	(83)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	8,553

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period from 31 March 2019 to 31 March 2020 (£000s)
Fair value of plan assets at start of period	7,328
Interest income	176
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	726
Employer contributions	409
Member contributions	38
Benefits paid and expenses	(83)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	8,594

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £902,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 31 March 2019 to 31 March 2020 (£000s)
Current service cost	345
Expenses	5
Net interest expense	36
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	386

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2019 to 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	726
Experience gains and losses arising on the plan liabilities - gain (loss)	(295)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	50
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,095
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	1,576
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(41)
Total amount recognised in Other Comprehensive Income - gain (loss)	1,535

New Gorbals Housing Association Limited
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ASSETS

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Global Equity	1,182	1,179
Absolute Return	528	621
Distressed Opportunities	157	125
Credit Relative Value	207	127
Alternative Risk Premia	689	409
Fund of Hedge Funds	-	20
Emerging Markets Debt	306	235
Risk Sharing	272	212
Insurance-Linked Securities	230	190
Property	160	146
Infrastructure	507	307
Private Debt	170	95
Opportunistic Illiquid Credit	209	-
Corporate Bond Fund	628	514
Liquid Credit	225	-
Long Lease Property	210	89
Secured Income	477	256
Over 15 Year Gilts	109	188
Index Linked All Stock Gilts	-	-
Liability Driven Investment	2,263	2,607
Net Current Assets	65	8
Total assets	8,594	7,328

KEY ASSUMPTIONS

New Gorbals Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount Rate	2.35%	2.34%
Inflation (RPI)	2.56%	3.26%
Inflation (CPI)	1.56%	2.26%
Salary Growth	2.56%	3.26%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

22. RETIREMENT BENEFITS (Continued)

Strathclyde Pension Fund

Some of the Associations employees belong to the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association in investments under the overall supervision of the Fund Trustees. The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 March 2018.

The employer's contribution to the SPF by the RSL for the year ended 31 March 2020 were £116,642 (2019 - £102,973) at a contribution rate of 28.7% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2020 has been set at 28.7%.

The principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2020	2019
Discount rate	2.45%	2.6%
Future salary increases	1.85%	2.0%
Future pension increases	1.85%	2.3%
Proportion of employees opting for early retirement		-
Post-retirement mortality	1.5%	1.5%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2020 Years	2019 Years
Male	21.4	21.4
Female	23.7	23.7

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	2020 Years	2019 Years
Male	23.4	23.4
Female	25.8	25.8

Amounts recognised in income and expenditure in respect of the defined benefit schemes are as follows:

	2020 £'000	2019 £'000
Current service cost	149	145
Net interest on the net defined benefit pension liability	3	15
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement.	-	
	152	160

22. RETIREMENT BENEFITS (Continued)

Changes in the present value of the defined benefit obligation:	£'000
Defined benefit obligation at 1 April	3,764
Current service cost	149
Past Service costs	-
Interest cost	100
Contributions by scheme participants	26
Plan introductions, changes, curtailments and settlements	(210)
Benefits paid	(20)
Defined benefit obligation at 31 March	<u>3,809</u>
Changes in the fair value of plan assets:	£'000
Plan assets at 1 April	3,668
Interest income	97
Actuarial (losses)/gains	-
Return on plan assets (excluding net interest on the defined benefit liability)	(254)
Contributions by employer	102
Contributions by scheme participants	26
Benefits paid	(20)
Plan assets at 31 March	<u>3,619</u>
Net provision at 31 March	<u>(190)</u>

The actual return on plan assets was (£254,000) (2019: £110,000).

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets	
	2020	2019
Equity instruments	59%	64%
Debt instruments	26%	24%
Property	13%	10%
Other assets	2%	2%
	<u>100%</u>	<u>100%</u>

The above figures take into account the effect of the McCloud case.

23. RELATED PARTY TRANSACTIONS

Committee of Management members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £53,301 (2019: £57,932) of rent was receivable from these tenant members. At the year-end there were £2,277 (2019: £2,355) of rent arrears due from these tenant members.

During the year we charged £248,534 in rent and management charges (2019: £240,917) to our subsidiary New Gorbals Property Management. NGPM was incorporated in January 2016 primarily for the letting of mid-market rented properties. At 31st March 2020 £63,030 (2019: £133,207) was due from the subsidiary in group debtors.

24. CONTINGENT LIABILITIES

Communities Scotland Stock Transfer

Various financial provisions were incorporated in the legal documentation when the Association acquired housing stock from Communities Scotland in 2002. The Association is required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation.

Housing Association Grant allocated to components (as detailed in Note 3) that have subsequently been replaced by the Association are recognised in the Statement of Comprehensive Income, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Statement of Comprehensive Income at 31 March 2020 was £nil (2019: £nil).

At 31 March 2020, the Association had no other contingent liabilities (2019 - £nil).

25. COMMITMENTS UNDER OPERATING LEASE

At 31 March 2020 total future minimum lease payments under non-cancellable operating leases are set out below.

	2020		2019	
	Land and buildings	Other Items	Land and buildings	Other Items
	£	£	£	£
Amounts due:				
Within 1 year	-	160,179	-	151,693
Within 2 to 5 years	-	348,119	-	400,367
	-	508,298	-	552,060

26. TAXATION

The Association gained charitable status in the year ending on 6th January 2010 and is no longer liable for tax on its ordinary activities.