



**Alexander Sloan**  
Accountants and Business Advisers

# **Govan Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2019**

**Registered Housing Association No. HEP87**

**FCA Reference No. 1686R(S)**

**Scottish Charity No. SCO09055**

# GOVAN HOUSING ASSOCIATION LIMITED

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# GOVAN HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

### MANAGEMENT COMMITTEE

Mr Thomas McArthur	Appointed Chairperson from 1/12/2018, previously Vice Chairperson until 30/11/2018
Mr Colin Quigley	Appointed Vice Chairperson 1/12/2018
Miss Georgina Hay	Secretary
Mrs Alice Connelly	
Mr John Hendry	(Resigned 15/10/2018)
Ms Karen Russell	(Resigned 28/01/2019)
Mr Gary Maguire MBE	
Ms Alison Martin	
Mr William Halligan	(Appointed 13/09/2018, Resigned 21/01/2019)
Mr William Pritchard	Chairperson until 30/11/2018
Mr Garry Bernstein	(Appointed 13/09/2018)
Ms Donna McKenzie	(Appointed 13/09/2018)
Mr Stefano Kalonji	(Co-opted 26/04/2019)
Mr Scott Simpson	(Co-opted 26/04/2019)
Ms Zulfqur Khan	(Co-opted 26/04/2019)

### EXECUTIVE OFFICERS / KEY MANAGEMENT PERSONNEL

Fiona McTaggart	Chief Executive
Natalya Macholla	Deputy Chief Executive (Resigned 09/08/2019)
Caron Quinn	Director of Finance & Corporate Services (Appointed 03/12/2018)

### REGISTERED OFFICE

35 McKechnie Street  
Govan  
Glasgow  
G51 3AQ

### EXTERNAL AUDITORS

Alexander Sloan  
Accountants & Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### INTERNAL AUDITORS

Quinn Internal Audit (Until December 2018)  
55 Lady Place  
Livingston  
EH54 6TB

### INTERNAL AUDITORS

BDO (Appointed January 2019)  
4 Atlantic Quay  
70 York Street  
Glasgow  
G2 8LX

### BANKERS

Royal Bank of Scotland  
788 Govan Road  
Glasgow  
G51 2YL

### SOLICITORS

TC Young  
7 West George Street  
Glasgow  
G2 1BA

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2019.

### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.1686R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO09055.

### Review of Business and Future Developments

#### Introduction

The Management Committee present their Annual Report together with the audited accounts for the year ended 31 March 2019. These accounts cover the year 1 April 2018 to 31 March 2019.

#### Principal Office and Registered Address

35 McKechnie Street  
Govan  
Glasgow  
G51 3AQ

#### Principal Activity

Govan Housing Association is an ambitious, forward thinking and dynamic 'not for profit' social housing provider. The Association itself possesses a rich history and one of development and innovation. Founded in 1971, the Association was the first community based housing provider, leading the way for social housing provision in Scotland. After over 47 years of operating in the housing sector, the Association now owns and manages over 1,600 socially rented properties and provides factoring services to over homes and businesses in the Govan area of Glasgow as well as taking an active role in the regeneration of the area and continuing to improve the quality of life of residents.

We have continued to develop our vision, our values and our strategic and operational outcomes for the Association in the year. We recognise that to deliver our vision and deliver it well, we need to be open to change in order to meet the diverse needs of the wider community and the political, social and economic environment our business and our residents currently operate in.

#### Our vision is:

***To provide, manage and maintain, affordable housing for people in housing need whilst aiming to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of our residents.***

#### Governance and Decision Making

The strategic leadership and direction of the Association is provided by a Management Committee comprising 9 members. The Management Committee is supported by a senior management team, led by the Chief Executive.

# GOVAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

#### Executive Management Team

Mrs Fiona McTaggart	Chief Executive
Ms Natalya Macholla	Deputy Chief Executive (Resigned 9 <sup>th</sup> August 2019)
Ms Caron Quinn	Director of Finance & Corporate Services

The Executive Management Team, led by Chief Executive, Fiona McTaggart, is responsible for achieving the vision, strategic and operational outcomes, priorities and plans of the Management Committee outlined in the business plan. It is vital that the Executive Management Team ensure a high standard of professionalism, performance and innovation in their work. Vital to this is the ability to demonstrate a dynamic and hands-on approach in their work and in leading their respective teams as we continue to drive towards our overall mission of *'Moving Govan Forward'*.

#### Strategic Report Overview

The finances of the organisation are governed by the detailed 30 year financial projections and strategy, which are reviewed on an annual basis. These projections demonstrate the challenges that the Association is expecting to meet and demonstrate the likely impact on the cash flow and financial capacity of the Association when meeting these challenges. The financial projections are reviewed regularly and approved by the Management Committee annually. This process is linked fully to the annual budget review process and the management of our financial covenants with our key lender, The Royal Bank of Scotland.

The Association has had another very successful year which has been underpinned by the improving performance of the Govan HOME Team following its launch in September 2017. The development of the Govan HOME Team subsidiary has enhanced and complemented the achievement of our strategic objectives. We are hopeful that our performance and work to date will provide a solid foundation to work towards achieving our overarching business plan. To help underpin this vision we have developed some key operational objectives for the HOME Team, which are:

- To improve service delivery to all of our service users.
- To improve business efficiencies within the Govan Housing Association maintenance department.
- To generate surplus to re-invest into the local community that we serve.
- To ensure growth and meet priority needs.
- To ensure the provision of wider community benefits to the local area.

The Association has also confidently met its banking covenants and borrowing requirements throughout the year.

As a business we continue to recognise the growing financial and structural pressures on the sector but consider that we have the commitment, skills, financial capacity and structure to enable us to provide a quality, customer-focussed and diverse service to our residents.

#### Financing and Liquidity

The Association continues to hold a £2.5m revolving credit facility which remains undrawn but which is immediately available for use if required. During the year no additional short or long term borrowing was utilised.

The 2018-19 cash flow was managed so that the Association would fund the current year's activities with no borrowing required. Going forward into 2019-20, as the investment programme progresses and results of the stock condition survey become evident, the Association may consider the use of additional loan finance to support large scale investment programmes. In addition to this, the Association are currently exploring some substantial new build development opportunities which will require the need to obtain additional loan finance.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

#### Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is less than 30 days.

#### Capital Structure and Treasury Management

The Association's operations are funded on the basis of a 30 Year Business Plan which has to be reviewed annually. The funding is driven by a loan facility provided by our main lender, The Royal Bank of Scotland and grants provided by the Scottish Government.

The Association also has in place an active treasury management function, which operates in accordance with the Treasury Policy 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, whilst minimising excess cash and liquid resources held. As set out in our Treasury Management Policy and Practices, Committee receive six-monthly reviews of treasury management operations.

The Association, as a matter of policy, will maintain a mixed portfolio of fixed and variable interest rate borrowing with no more than 50% of borrowings exposed to variable rates. At 31 March 2019 the Association has a mix of 51% long term fixed and 49% variable rate finance.

#### Planning for the future

The Association reviews its 30 year financial plan annually which includes all long term plans for the business over the 30 year period. This is subject to review and amendment every year as real issues emerge and the financial climate changes.. Where required, projections will be reviewed on a more regular basis to ensure that risks are managed and current challenges are met without putting the business or its investment at risk.

The key assumptions underpinning the 30 year projections are the investment in our stock to meet relevant standards, including the new requirements of the Energy Efficiency Standard for Social Housing (EESH) and monies required to meet the costs of maintaining our stock based on our stock condition survey data and the Association's overall asset management strategy. In addition to this, the plan also demonstrates caution around the welfare reform, anticipating higher levels of rent arrears and potential void loss. The plan also includes resource to bring up the general environment in which our tenants and residents live, including back court improvements and wider regenerative initiatives.

The sensitivity analysis incorporated into our 30 year projections provides the Association with better awareness and the resources to assist with the management of any potential challenges which affect the Association and indeed the housing sector as a whole.

The Association's engagement with the Scottish Housing Regulator continues to be low which means that they have sufficient assurance about the level of risk to our statutory objectives and need little if any additional contact unless other events arise. Therefore we must only submit the required annual returns; this is another great achievement in relation to our overall performance and financial management.

#### Risk Management and Internal Control

The Association recognises that there are risks associated with anything new and untried and as a result wants to embrace new opportunities and recognising that, it will rarely be possible to remove risk associated with new opportunities completely. Thus the Association's aim is to identify, manage and minimise, rather than eliminate, risks which may prevent the organisation achieving its objectives. The identification and management of risk is on-going and occurs as changes are made to how the Association operates and to the external environment in which it works.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

This risk management strategy forms part of the Association's internal control and corporate governance arrangements. The policy explains the Association's underlying approach to risk management, and documents the roles and responsibilities of the Management Committee, the Executive Management Team, and other key parties. The Association is committed to embedding risk management throughout the organisation and its systems and controls are designed to ensure that exposure to significant risk is properly managed. The Management Committee set internal policy on risk and internal control as well as having responsibility for determining the strategic direction and providing oversight of risk management.

Management Committee will evaluate the effectiveness of the Association's risk management and internal control procedures. As part of this, the risk register is reviewed and reported via the Audit Sub-Committee, with ownership of each risk being attached to a specific officer of the Association. Whilst this report details the strategic risks, the Association recognises that successful risk management can only be accomplished on a day-to-day basis by staff at all levels.

### Annual Return on the Charter

During the year, the Association submitted their annual report on the Scottish Social Housing Charter. This showed improvement against a range of performance indicators as detailed further in the report. We published our annual report on the charter which enabled us to demonstrate to tenants and service users our progress in meeting the standards and indicators outlined in the Scottish Social Housing Charter.

### Service Scrutiny Panel

The Service Scrutiny Panel provides the Association with a formal way to present recommendations directly to Management Committee. Importantly, the Panel will complement our other participation opportunities such as Registered Tenant Organisations and local community groups

We hope to evolve the panel in the forthcoming year to encourage residents of different generational ranges to get involved.

## OPERATING REVIEW HOUSING MANAGEMENT

### Key Performance Indicators (KPIs)

The Association's KPIs are reviewed quarterly via the Operations Sub Committee and documented in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator. The KPIs are also reported to our residents through our quarterly newsletters to ensure that our residents are fully aware of how the Association is performing.

The Housing Management team have a fundamental role to play in delivering improved housing services to our tenants, driving forward efficiency and delivering agreed outcomes whilst ensuring that the needs of our community are recognised. As a result, Housing Management are committed to continuous improvement and to playing its part in enabling the Association to achieve its aims and objectives. With this in mind, we aim to ensure that we meet our performance targets and where we do not, we take the most appropriate remedial action to make improvements

Throughout 2018-19, the team have continued to develop their services to customers, ensuring the Association achieves quality outputs and improved resident satisfaction. This service model has been developed further to incorporate reduced patch areas serviced by more staff, which has shown to improve performance in most areas of Housing Management activity. In addition we have introduced more effective ways for the Housing Management Team to work directly with our Financial Inclusion Team to maximise tenants income and ensure that those in need obtain the support required to sustain their tenancy.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

The Association recognises that the issues which are important to tenants, and the community as a whole, are where the Association should focus its energy and resources, and this includes providing a holistic response to customers housing needs. The revised generic service delivery model has been established to deliver on that

### Community Development and Tenant Support

The Association faces a challenging environment of welfare reform, economic downturn, increasing unemployment and reduced public spending. These factors are having, and will continue to have, an adverse effect on many of our customers, particularly those that are vulnerable and on low incomes.

Creating and maintaining successful tenancies lies at the heart of Govan Housing Associations vision – to create homes and places where people want to live. During the year, the Association has developed our Community Inclusion and Financial Inclusion Teams to help address some key factors pertaining to the

- **Financial Inclusion** – to improve collection rates by targeting interventions to those at greatest risk of tenancy failure or who have higher levels of personal debt.
  - **Welfare Reform** – To seek to mitigate the potential impacts of the continued roll-out of Universal Credit and other benefit reforms to residents.
  - **Tenancy Support** - To improve tenancy sustainability by providing applicants and tenants with support and advice tailored to their needs, to maximise their opportunities to sustain their tenancy, support health and wellbeing and maximise their life opportunities. To develop and improve understanding of tenancy failure and its causes, developing our knowledge and use of data to develop services and solutions to reduce unnecessary
  - **Financial Capability and Economic Stability** –To improve the financial and economic stability amongst our tenants, developing financial capability, employability, and supporting tenants through economic downturns and changes brought about by welfare reform and other key areas e.g. fuel poverty.
  - **Training and Employment** - To work collaboratively with partner agencies to further develop our approaches to supporting effective employment and training opportunities.
  - **Community Regeneration** - To work holistically and within a multi-agency approach to address and implement key regenerative initiatives and projects to better improve the local community and the lives of our
  - **Tenant Participation and Inclusion** - To work collaboratively with local partners, Tenants and Resident Association's, the Service Scrutiny Panel and the community as a whole to effectively promote the services of the Association and obtain vital feedback on the Association's existing service provision in order to build on and
- Digital Inclusion** – To work collaboratively with local partners to ensure that all our tenants and residents have the opportunity to enjoy the direct benefits which digital technology has to offer, through both access to technology and the skills, motivation and confidence to use it to improve their lives, whilst ensuring that the indirect benefits of technology improve all aspects of service planning and delivery.

The Community Inclusion and Financial Inclusion Teams will continue to develop going forward in order to meet the diverse needs of the Govan community and to enable the Association to meet its ambitious,

### Welfare Reform

Govan Housing Association has identified the loss of income due to welfare reforms as one of the highest risks affecting the business. Over the last year, our Financial Inclusion Team has worked closely with our Housing Management Team in implementing a range of preventative measures to try to mitigate loss of income. The Association has continued to up-skill staff to ensure maximisation of benefits to customers, including housing benefit. Through attendance at specific training and delivery of in-house training, knowledge and skills have been improved and staff are now better equipped to identify factors which may lead to tenancy failure at an

To continue to mitigate this risk the Association continues to work with our customers to provide advice and assistance on the impacts of welfare reform including:

- Advice on our website and regular features in our quarterly newsletter, promoting the services of internal staff and external partner agencies for one to one support.



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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

- Regular financial inclusion drop-in days within our newly developed Community Hub facilities.
- Focus on early intervention and on preparing customers for the changes by continuing to provide awareness for tenants and their families at every stage of their tenancy i.e. pre-tenancy visits, tenancy sign-up, settling in visits, and ongoing tenancy interventions through our Housing Management and Community Inclusion Teams.
- On-going partnership working with Glasgow City Council to promote the take up of discretionary housing payments by our customers;
- Facilitating local events e.g. Fun Day, to consult with local residents on key matters which are important to them, ensuring that the Association is well placed to meet local need.

The introduction of the Govan HOME Team has seen some fluctuations in our repair performance. However, overall we remain confident in our performance and look forward to the future development of the Govan HOME Team and our service provision to our residents.

We have also improved our performance again this year in relation to Gas Safety Compliance.

The performance in the year on key areas of our repairs and maintenance services are outlined in our Annual Return of the Charter

### Acquisitions

During 2018-19, the Association again worked in partnership with Glasgow City Council, Development and Regeneration Services (DRS), to acquire owner-occupied properties in the area. This piece of work has enabled the Association to acquire stock which will allow the Association to move forward with major repair works, where required, and provide much needed social rented accommodation to the Govan area. We have recently agreed a 3 year acquisition strategy through a holistic partnership approach with Glasgow City Council in order to improve the Ibrox area of our stock. This type of approach is more focussed and targeted towards areas which require the most attention and investment in order to enhance people's living standards, tackle poor standards in the private rented sector and provide quality services and support provisions for those choosing to make Ibrox their home.

### Investment

The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in 2004 and sets a standard which all RSL and local authority housing stock must meet.

At the 31 March 2019, the Association held a total of 1,602 properties, of which 58% were meeting the SHQS and 39% were exempt. The exemptions are primarily in relation to the restrictions in the layouts of the pre-1919 tenement stock. The remaining stock are all abeyances with only 7 failures and the relevant paperwork is on file to demonstrate the reasons for these arising.

In addition to our SHQS compliance, the Association also 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 properties, which have come to the end of their economic lives.

During 2018-19, the Association has had a considerable focus on the requirements of the Energy Efficiency Standard for Social Housing (EESH). Through our planned investment programme, we remain confident that we can meet this standard by the December 2020 deadline. We are also confident that we can implement innovative concepts into both our existing and new build developments to demonstrate a forward-thinking approach to energy efficiency.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

Given the challenges that our tenants experience, we are also mindful that our investment needs to aim to tackle fuel poverty. With this in mind, we are ensuring that our tenants obtain access to our high quality Financial Inclusion Service to discuss fuel poverty matters and to ensure that provisions are in place to help them best sustain their tenancy.

### Govan HOME Team

The Govan HOME Team is a subsidiary of the Govan Housing Association group. The Govan HOME Team has been registered as a Community Interest Company, meaning that profits generated will go directly into the communities that Govan Housing Association works with to support social, economic and physical regeneration and improvements.

The Govan HOME Team went live in May 2017 and has aimed to deliver a high quality repairs, maintenance and environmental service to the residents of Govan and further afield as the service and business grows and develops. The team carry out a range of works, including:

- Reactive and void property repairs.
- General building maintenance.
- Kitchen and bathroom installations.
- Window replacement programmes.
- Electrical installations and re-wires.
- Cyclical paintwork and common close repairs.
- Landscaping.
- Estate Maintenance.

Through surpluses generated by the HOME Team we will endeavour to invest in community projects to ensure that our people and communities thrive and develop in an environment where their aspirations are nurtured, they are encouraged to achieve the unexpected and they respect the Govan area as their home.

### Gas Safety Compliance

The Association has a legislative obligation to maintain all gas appliances within its properties. This maintenance obligation extends to an annual inspection and service of each appliance, with appropriate certification being issued by a registered Gas Safe engineer. This obligation excludes appliances installed by tenants

As at March 2019, 100% of applicable appliances had a valid safety certificate. Over the year, the Association has implemented a vigorous escalation procedure, including both Housing Management and Maintenance staff, to ensure access to all properties is achieved in advance of the expiry date of the safety certificate. When deemed necessary, this procedure includes forcing access to properties. To assist with this process, over the course of the year, the Association has continued with the reduced gas servicing cycle of 10 months which will ensure that sufficient time is provided to access our most vulnerable tenancies and that quality or legislative requirements are not compromised.

### Regeneration and Development

The Association wants to deliver a service which goes far beyond the basic housing service and which puts the Association at the heart of the Govan community again, puts tenants and the wider community interests at the heart of projects undertaken and which tackles the wider economic and social challenges facing the Govan area.

Our vision is to be an innovative and responsive organisation, playing a leading role in the regeneration of Govan and continuing to improve the quality of life of residents.

Our Community Inclusion Team has seen our community regeneration activity grow and develop substantially over 2018-19. A summary of some of the projects now being undertaken are outlined below:

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

#### Hub Development

Our Community Hub situated at 901 and 905 Govan Road provides a diverse programme of social inclusion, educational and focussed training and education. The programme is extensive with various projects operating on a daily and weekly basis, notably: Breakfast Club, Pensioners Group, Ladies Group, Men's Group, Govan Walkers, Cooks for the Community, Community Meal, ESOL classes, Autism Parent Support Group, Participatory Research Project, Youth Provision and our very successful Networking Breakfast.

We are very grateful to our delivery partners who provide one-to-one support, formal and informal classes, drop-in facilities and workshops. Some notable partners include; Glasgow Clyde College, Maslow's Charity Shop, Scottish Action for Refugees, Govan Community Project, Glasgow Council on Alcohol, Govan Youth Information Project, Narcotics Anonymous, Community Safety Glasgow, Street Cones, Govan HELP, NHS Health Improvement Team and Youth Bank to name a few.

#### Digital Inclusion

Over the year we have developed our Digital Inclusion Hub and provided greater access to IT provision for our customers within our offices. We are focussed on delivering a comprehensive Digital Inclusion and Participation Strategy which empowers local people and which assists people in securing their tenancy and better equipping them for employment and the welfare benefit systems

Our current digital works include:

- Development of a Digital Forum.
- Digital Drop-in Services.
- One-to-One Support.
- IT Classes.
- Digital Lending Library.
- Employability.
- Satellite Drop-In Services.
- Digital Learning in our Supported and Sheltered Accommodation.
- School Coding Event.

We currently work in partnership with Unlock Employment, Momentum Skills and Jobs and Business Glasgow. At present we are averaging over 50 users per week and we are offering digital support services over 29 hours per week.

#### Workshops, Training and Events

From our various community provisions we have been able to better develop a programme of activities, events and workshops to suit the needs of our tenants and the wider community. We proactively reach out to our tenants to find out about the issues that matter to them most and indeed where they feel that more support is required to meet theirs and their families needs.

#### Financial Inclusion Drop In

A community based drop in offering financial capability advice and info on saving, debt, benefits and energy efficiency to both tenants and residents. The Digital Hub offers an alternative to the small meeting rooms in the office which people may find intimidating.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Review of Business and Future Developments (Continued)

#### People and Communities Fund

In the year we were also fortunate to obtain funding from the Scottish Government's People and Communities Fund which has enabled us to develop some great holistic partnerships with local organisations. Some of the highlights of this have included the provision of our Digital Services through a contribution towards the costs of our Digital Inclusion Worker, digital and social inclusion works with the Preshal Trust and delivery of the Activate Course in partnership with Sunny Govan Radio and Glasgow University. Gilded Lily are also continuing to provide their very successful Young Mum's Project on a daily basis.

The Association is becoming the community anchor that we have aspired for it to be. We are becoming a partner of choice with key agencies looking to work closely with the Association to achieve both local and national outcomes and to deliver innovative and dynamic services for the local community. This is a positive step and with initiatives such as Thriving Places coming to the area and the large investment from Central Govan Action Plan and City Deal, it is an exciting time for the local area and an opportunity for the Association to take advantage of both funding and project initiatives which can bring true, lasting and sustainable benefits to the Govan community.

#### Holistic Partnerships

Govan Housing Association are clear that the vision for the regeneration and development of the Govan area cannot be achieved alone and therefore a main element in our approach is about adopting a holistic partnership approach to tackle problems, deliver effective services, learn, innovate and add best value to our community. Management Committee's aim is to work in partnership with tenants, owners, staff, other Registered Social Landlords (RSLs), Glasgow City Council, local regeneration projects and other agencies to deliver a wide range of social, economic and environmental regeneration activities that will contribute to the creation of building a safer and sustainable community.

#### Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has the adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

#### Information to Auditors

As far as the Management Committee are aware there is no relevant audit information of which the auditors are unaware. The Management Committee members have taken all appropriate steps to ensure they are aware of any relevant audit information. Any such information has been passed onto the auditors accordingly.

#### Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers 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 members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Management Committee 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 of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then 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 disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Statement on Internal Financial Control

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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee'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. 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 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 management team and the Management Committee to monitor key business risks, financial objectives and the 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 Management Committee receive 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in the 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.

### Donations

During the year the Association made charitable donations amounting to £800 (2018 - £2,319).

### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

### By order of the Management Committee

#### MISS GEORGINA HAY

Secretary

29 August 2019

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice 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 Auditing Practices Board. 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 reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 12 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes 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.

Through enquiry of certain members of the Management Committee, and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

### **ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
29 August 2019



**Alexander Sloan**  
Accountants and Business Advisers

# GOVAN HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED

### Opinion

We have audited the financial statements of Govan Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus 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 Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 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 Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

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:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position 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.



# GOVAN HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED (Continued)

### Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 11, the Management Committee are 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 has 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### ALEXANDER SLOAN

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
29 August 2019



Alexander Sloan  
Accountants and Business Advisers

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>REVENUE</b>	2		8,402,721		8,050,661
Operating Costs	2		(7,622,315)		(6,951,831)
<b>OPERATING SURPLUS</b>			780,406		1,098,830
Gain On Sale Of Housing Stock	7	-		63,998	
Interest Receivable and Other Income		20,456		8,862	
Interest Payable and Similar Charges	8	(374,284)		(352,171)	
Other Finance Income / (Charges)	11	(26,000)		(3,147)	
			(379,828)		(282,458)
<b>SURPLUS FOR THE YEAR</b>	9		<b>400,578</b>		<b>816,372</b>
<b>Other comprehensive income</b>					
Adjustment relating to Opening Pension Liability	27		(107,100)		-
Actuarial Gains/ (Losses) on Defined Benefit Pension Plan	27		(297,000)		-
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>(3,522)</b>		<b>816,372</b>

The notes on pages 20 to 33 form part of these financial statements.

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12 (a)		63,777,028		63,358,946
Other Non-current Assets	12 (b)		<u>1,454,024</u>		<u>1,545,245</u>
			65,231,052		64,904,191
<b>INVESTMENTS</b>					
Investment in subsidiaries	26	<u>1</u>		<u>1</u>	
			1		1
<b>RECEIVABLES:</b> Amounts falling due after more than one year	15		275,000		275,000
<b>CURRENT ASSETS</b>					
Receivables	16	1,457,891		969,208	
Cash at bank and in hand		<u>4,383,502</u>		<u>4,855,603</u>	
		5,841,393		5,824,811	
<b>CREDITORS:</b> Amounts falling due within one year	17	<u>(2,209,203)</u>		<u>(2,359,907)</u>	
<b>NET CURRENT ASSETS</b>			<u>3,632,190</u>		<u>3,464,904</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			69,138,243		68,644,096
<b>CREDITORS:</b> Amounts falling due after more than one year	18		(9,868,123)		(11,037,937)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Scottish Housing Association Pension Scheme	27	<u>(1,212,000)</u>		-	
			(1,212,000)		-
<b>DEFERRED INCOME</b>					
Social Housing Grants	20	(47,364,899)		(46,924,600)	
Other Grants	20	<u>(653,856)</u>		<u>(638,584)</u>	
			(48,018,755)		(47,563,184)
<b>NET ASSETS</b>			<u><b>10,039,365</b></u>		<u><b>10,042,975</b></u>
<b>EQUITY</b>					
Share Capital	21		108		196
Revenue Reserves			11,251,257		10,042,779
Pension Reserves			<u>(1,212,000)</u>		-
			<u><b>10,039,365</b></u>		<u><b>10,042,975</b></u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 29 August 2019.

**Chairperson**

**Vice Chairperson**

**Secretary**

The notes on pages 20 to 33 form part of these financial statements.

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
<b>Net cash inflow from operating activities</b>	19	1,457,926	737,082
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(2,432,989)	(746,541)	
Purchase of Other Fixed Assets	(56,800)	(418,937)	
Social Housing Grant Received	1,395,662	831,990	
Investment in subsidiaries	-	1	
Other Grants Received	32,000	2,000	
Proceeds on Disposal of Properties	-	32,828	
Proceeds on Disposal of Other Fixed Assets	1,400	-	
<b>Net cash outflow from investing activities</b>		(1,060,727)	(298,659)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	20,456	8,862	
Interest Paid on Loans	(374,284)	(352,171)	
Loan Principal Repayments	(381,775)	(381,804)	
Finance lease repayments	(22,660)	(12,005)	
Share Capital Issued	18	6	
<b>Net cash outflow from financing activities</b>		(758,245)	(737,112)
<b>Decrease in cash</b>		(361,046)	(298,689)
<b>Opening Cash &amp; Cash Equivalents</b>		4,691,406	4,990,095
<b>Closing Cash &amp; Cash Equivalents</b>		<b>4,330,360</b>	<b>4,691,406</b>
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		4,383,502	4,855,603
Bank overdraft		(53,142)	(164,197)
		<b>4,330,360</b>	<b>4,691,406</b>

The notes on pages 20 to 33 form part of these financial statements.

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
<b>Balance as at 31 March 2017</b>	218	-	9,226,407	9,226,625
Issue of Shares	6	-	-	6
Cancellation of Shares	(28)	-	-	(28)
Surplus for the year	-	-	816,372	816,372
<b>Balance as at 31 March 2018</b>	<b>196</b>	<b>-</b>	<b>10,042,779</b>	<b>10,042,975</b>
<b>Balance as at 1 April 2018</b>	196	-	10,042,779	10,042,975
Issue of Shares	18	-	-	18
Cancellation of Shares	(106)	-	-	(106)
Other comprehensive income	-	(1,212,000)	807,900	(404,100)
Surplus for the year	-	-	400,578	400,578
<b>Balance as at 31 March 2019</b>	<b>108</b>	<b>(1,212,000)</b>	<b>11,251,257</b>	<b>10,039,365</b>

The notes on pages 20 to 33 form part of these financial statements.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### 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' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

#### Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

#### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

#### Retirement Benefits

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association closed membership of the Defined Benefit Scheme to all employees and since then has operated the Defined Contribution Scheme whereby fixed contributions are paid into the fund. These contributions are recognised when they fall due.

#### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. 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 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<b>Component</b>	<b>Useful Economic Life</b>
Land	Not depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Kitchen	Over 15 years
Bathroom	Over 20 years
Central Heating	Over 15 years

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Depreciation and Impairment 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 expected economic useful lives of the assets at the following annual rates:

Asset Category	Depreciation Rate
Office Premises	2% Straight Line
Furniture and Equipment	25% Straight Line
Vehicles	25% Straight Line
Trailer	15% Straight Line

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

#### Social Housing Grant and Other Grants in Advance/Arrears

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 received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

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.

#### Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

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.

#### Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **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.

#### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

#### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

#### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

#### **Housing Property Managed By Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.



# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES

#### 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 FRS 102.

##### **b) Identification of cash generating units**

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### **c) Financial instrument break clauses**

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

##### **d) Pension Liability**

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pensions Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

#### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

#### **Estimation Uncertainty**

The preparation of financial statements requires the use of certain accounting judgements and 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 are disclosed below.

##### **a) 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.

##### **b) Life Cycle 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.

##### **c) Useful life of properties, plant and equipment**

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

##### **d) Costs of shared ownership**

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

##### **e) Defined pension liability**

Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

##### **f) Allocation of share of assets and liabilities for multi employer schemes**

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

	Notes	2019			2018		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	7,955,524	6,704,079	1,251,445	7,734,545	6,363,306	1,371,239
Other Activities	4	447,197	918,236	(471,039)	316,116	588,525	(272,409)
<b>Total</b>		<b>8,402,721</b>	<b>7,622,315</b>	<b>780,406</b>	<b>8,050,661</b>	<b>6,951,831</b>	<b>1,098,830</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Sheltered Housing £	Shared Ownership £	2019 Total £	2018 Total £
<b>Revenue from Lettings</b>					
Rent receivable net of service charges	6,071,748	68,489	72,314	6,212,551	6,014,378
Service charges receivable	10,429	107,846	-	118,275	131,370
<b>Gross income from rent and service charges</b>	<b>6,082,177</b>	<b>176,335</b>	<b>72,314</b>	<b>6,330,826</b>	<b>6,145,748</b>
Less: Rent losses from voids	43,128	-	-	43,128	37,183
<b>Net Rents Receivable</b>	<b>6,039,049</b>	<b>176,335</b>	<b>72,314</b>	<b>6,287,698</b>	<b>6,108,565</b>
Grants released from deferred income	1,550,181	-	13,820	1,564,001	1,561,786
Revenue grants from Scottish Ministers	103,825	-	-	103,825	64,194
<b>Total turnover from affordable letting activities</b>	<b>7,693,055</b>	<b>176,335</b>	<b>86,134</b>	<b>7,955,524</b>	<b>7,734,545</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	1,915,824	25,392	24,092	1,965,308	2,139,580
Service Costs	161,011	81,677	4,162	246,850	212,734
Planned and cyclical maintenance, including major repairs	1,146,000	-	-	1,146,000	524,398
Reactive maintenance costs	1,238,568	-	1,176	1,239,744	1,375,936
Bad Debts - rents and service charges	94,718	-	4,202	98,920	101,234
Depreciation of affordable let properties	1,991,557	-	15,700	2,007,257	2,009,424
<b>Operating costs of affordable letting activities</b>	<b>6,547,678</b>	<b>107,069</b>	<b>49,332</b>	<b>6,704,079</b>	<b>6,363,306</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,145,377</b>	<b>69,266</b>	<b>36,802</b>	<b>1,251,445</b>	<b>1,371,239</b>
<b>2018</b>	<b>1,269,010</b>	<b>70,786</b>	<b>31,443</b>		

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£	£	£	£
Wider role activities	83,338	-	-	83,338	-	405,462	(322,124)	(71,991)
Factoring	-	-	161,956	161,956	(3,327)	194,222	(28,939)	(51,330)
Other Income	-	-	-	-	-	-	-	11,518
Development costs	-	-	-	-	-	128,478	(128,478)	-
Sale of other fixed assets	-	-	-	-	-	834	(834)	(31,725)
Agency or management services	-	1,150	-	1,150	-	-	1,150	-
Development administration	17,386	-	-	17,386	-	-	17,386	-
Other activities	-	-	183,367	183,367	-	192,567	(9,200)	(128,881)
<b>Total From Other Activities</b>	<b>100,724</b>	<b>1,150</b>	<b>345,323</b>	<b>447,197</b>	<b>(3,327)</b>	<b>921,563</b>	<b>(471,039)</b>	<b>(272,409)</b>
<b>2018</b>	<b>95,413</b>	<b>-</b>	<b>220,703</b>	<b>316,116</b>	<b>7,779</b>	<b>580,746</b>	<b>(272,409)</b>	

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

	2019	2018
	£	£
	167,616	154,571
	21,164	19,834
	91,074	88,715
	<u>209,487</u>	<u>193,843</u>

The number of Officers, including the highest paid Officer, who received emoluments over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	<u>1</u>	<u>-</u>

### 6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

	2019	2018
	No.	No.
	<u>42</u>	<u>36</u>
	<u>43</u>	<u>38</u>
	£	£
	1,390,717	1,222,107
	140,246	121,695
	131,270	115,133
	<u>1,662,233</u>	<u>1,458,935</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2019	2018
	£	£
Sales Proceeds	-	32,828
Cost of Sales	-	(31,170)
Gain On Sale Of Housing Stock	-	63,998

### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2019	2018
	£	£
On Bank Loans & Overdrafts	362,829	348,943
On finance leases	11,455	3,228
	374,284	352,171

### 9. SURPLUS FOR THE YEAR

	2019	2018
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	2,130,312	2,142,275
Auditors' Remuneration - Audit Services	9,840	9,540
Auditors' Remuneration - Other Services	2,220	2,160
Operating Lease Rentals - Other	4,926	6,229
Loss / (gain) on sale of fixed assets	3,522	(63,998)

### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

### 11. OTHER FINANCE INCOME / CHARGES

	2019	2018
	£	£
Unwinding of Discounted Pension Liabilities	-	3,147
Net Interest on Pension Obligation	26,000	-

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
<b>COST</b>				
As at 1 April 2018	93,672,389	153,520	784,995	94,610,904
Additions	1,964,674	468,315	-	2,432,989
Disposals	(262,529)	-	-	(262,529)
As at 31 March 2019	<u>95,374,534</u>	<u>621,835</u>	<u>784,995</u>	<u>96,781,364</u>
<b>DEPRECIATION</b>				
As at 1 April 2018	30,969,360	-	282,598	31,251,958
Charge for Year	1,971,513	-	15,700	1,987,213
Disposals	(234,835)	-	-	(234,835)
As at 31 March 2019	<u>32,706,038</u>	<u>-</u>	<u>298,298</u>	<u>33,004,336</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2019	<u>62,668,496</u>	<u>621,835</u>	<u>486,697</u>	<u>63,777,028</u>
As at 31 March 2018	<u>62,703,029</u>	<u>153,520</u>	<u>502,397</u>	<u>63,358,946</u>

Additions to housing properties include capitalised development administration costs of £Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £465,673 (2018 - £469,185).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £4,350,418 (2018 - £2,646,875). The amount capitalised is £1,964,674 (2018 - £746,541) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £465,673 (2018 - £469,185) and improvement of £1,499,001 (2018 - £277,356).

The depreciation charge on housing properties as shown above differs from that per Note 3 due to accelerated depreciation on component replacements.

The Association's Lenders have standard securities over Housing Property with a carrying value of £15,707,495 (2018 - £16,194,137).

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Commercial Units £	Motor Vehicles £	Total £
<b>COST</b>					
As at 1 April 2018	688,850	371,269	1,020,642	272,747	2,353,508
Additions	-	4,239	33,580	18,981	56,800
Eliminated on Disposals	( 2,688)	( 7,944)	-	-	( 10,632)
As at 31 March 2019	<u>686,162</u>	<u>367,564</u>	<u>1,054,222</u>	<u>291,728</u>	<u>2,399,676</u>
<b>AGGREGATE DEPRECIATION</b>					
As at 1 April 2018	122,641	307,448	309,138	69,036	808,263
Charge for year	13,723	37,574	19,040	72,762	143,099
Eliminated on Disposals	-	( 5,710)	-	-	( 5,710)
As at 31 March 2019	<u>136,364</u>	<u>339,312</u>	<u>328,178</u>	<u>141,798</u>	<u>945,652</u>
<b>NET BOOK VALUE</b>					
As at 31 March 2019	<u>549,798</u>	<u>28,252</u>	<u>726,044</u>	<u>149,930</u>	<u>1,454,024</u>
As at 31 March 2018	<u>566,209</u>	<u>63,821</u>	<u>711,504</u>	<u>203,711</u>	<u>1,545,245</u>

The carrying value of assets held under finance lease amount to £149,760 - (2018 - £203,287).

### 13. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>1,304,264</u>	<u>138,045</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

Following the commission of a specialist architectural report relative to one of the Association's developments the Association have begun legal action against third parties. It is anticipated that the costs of necessary remedial works shall be borne in full by a third party following resolution of the case and are therefore not incorporated above.

### 14. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

Other	2019 £	2018 £
Not later than one year	4,926	6,229
Later than one year and not later than five years	<u>12,096</u>	<u>17,801</u>

### 15. RECEIVABLES AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Loan to subsidiary	<u>275,000</u>	<u>275,000</u>

The loan to the subsidiary company attracts interest of 3.5% and is due for final repayment by 31 March 2022.

### 16. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Arrears of Rent & Service Charges	358,889	350,876
<b>Less:</b> Provision for Doubtful Debts	<u>(240,797)</u>	<u>(215,284)</u>
	118,092	135,592
Social Housing Grant Receivable	824,626	208,339
Other Receivables	242,950	275,493
Amounts Due from Group Undertakings	<u>272,223</u>	<u>349,784</u>
	<u>1,457,891</u>	<u>969,208</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Bank Overdrafts (secured)	53,142	164,197
Housing Loans	388,695	381,804
Motor Vehicle Leases	42,648	40,004
Trade Payables	53,718	44,263
Rent Received in Advance	626,080	587,006
Other Taxation and Social Security	-	44,107
Other Payables	492,447	478,623
Liability for Past Service Contributions	-	254,056
Accruals and Deferred Income	552,473	365,847
	<u>2,209,203</u>	<u>2,359,907</u>

At the balance sheet date there were pension contributions outstanding of £39,698 (2018 - £36,783).

### 18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Liability for Past Service Contributions	-	755,844
Motor Vehicle Leases	149,298	174,602
Housing Loans	9,718,825	10,107,491
	<u>9,868,123</u>	<u>11,037,937</u>
<b>Housing Loans</b>		
Amounts due within one year	388,695	381,804
Amounts due in one year or more but less than two years	400,090	388,735
Amounts due in two years or more but less than five years	1,262,556	1,230,350
Amounts due in more than five years	8,056,179	8,488,406
	<u>10,107,520</u>	<u>10,489,295</u>
Less: Amount shown in Current Liabilities	388,695	381,804
	<u>9,718,825</u>	<u>10,107,491</u>
<b>Motor Vehicle Leases</b>		
Amounts due within one year	42,648	40,004
Amounts due in one year or more but less than two years	42,648	40,004
Amounts due in two years or more but less than five years	106,650	134,598
	<u>191,946</u>	<u>214,606</u>
Less: Amount shown in Current Liabilities	42,648	40,004
	<u>149,298</u>	<u>174,602</u>



# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

	2019 £	2018 £
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	-	254,056
Amounts due in one year or more but less than two years	-	261,677
Amounts due in two years or more but less than five years	-	494,167
	-	1,009,900
Less: Amount shown in Current Liabilities	-	254,056
	-	755,844

In 2018, the liability for the past service contributions was previously accounted for in accordance with FRS 102 para 28.13A and represented the present value of the contributions payable. The cash out flows in the prior year were discounted at a rate of 1.51%.

In 2019, the defined benefit obligation is shown under Pension and Other Provisions for Liabilities and Charges in the Statement of Financial Position. Further details are provided in note 27.

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
RBS	Standard security over 392 properties	5.0%	2024	Fixed
RBS	No security over properties	LIBOR + 1.7%	2041	Variable
RBS	No security over properties	Base + 0.2%	2043	Variable
RBS	No security over properties	5.1%	2022	Fixed
RBS	No security over properties	LIBOR + 0.2%	2043	Variable
RBS	No security over properties	4.8%	2041	Fixed
RBS	No security over properties	4.9%	2041	Fixed

A total of 392 properties are secured by RBS with a NBV of £15,707,495 (2018 : 392 properties, NBV of £16,194,137)

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. STATEMENT OF CASH FLOWS

### Reconciliation of surplus for the year to net cash inflow from operating activities

	2019 £	2018 £
Surplus for the year	400,578	816,372
Depreciation	2,150,356	2,159,961
Gain on disposal	-	(63,998)
Loss on sale of other fixed assets	3,522	-
Amortisation of Capital Grants	(1,580,728)	(1,500,237)
Change in debtors	127,604	(233,714)
Change in creditors	204,872	(509,583)
Adjustments in relation to Defined Benefit Pension Scheme	(202,000)	(3,147)
Transfer of interest to financial activities	353,828	346,456
Change in loan to subsidiary	-	(275,000)
Share Capital Written Off	(106)	(28)
Net cash inflow from operating activities	<u>1,457,926</u>	<u>737,082</u>

### Reconciliation of net cash flow to movement in net debt

	2019		2018	
	£	£	£	£
Decrease in cash	(361,046)		(298,689)	
Cashflow from change in net debt	381,775		166,530	
Movement in net debt during the year		20,729		(132,159)
Net debt at 1st April 2018		(5,797,889)		(5,880,336)
Net debt at 31 March 2019		<u>(5,777,160)</u>		<u>(5,797,889)</u>

### Analysis of changes in net debt

	At 01 April 2018	Cashflows	Other Changes	At 31 March 2019
Cash at bank and in hand	4,855,603	(472,101)	-	4,383,502
Bank overdrafts	(164,197)	111,055	-	(53,142)
	<u>4,691,406</u>	<u>(361,046)</u>	<u>-</u>	<u>4,330,360</u>
Debt: Due within one year	(381,804)	407,079	(413,970)	(388,695)
Due after more than one year	(10,107,491)	(25,304)	413,970	(9,718,825)
Net Debt	<u>(5,797,889)</u>	<u>20,729</u>	<u>-</u>	<u>(5,777,160)</u>

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Other Fixed Assets £	Total £
<b>Social Housing Grants</b>					
As at 1 April 2018	72,888,140	132,209	690,982	-	73,711,331
Additions in the year	1,528,833	483,116	-	-	2,011,949
Eliminated on disposal of components and property	(121,069)	-	-	-	(121,069)
As at 31 March 2019	<u>74,295,904</u>	<u>615,325</u>	<u>690,982</u>	<u>-</u>	<u>75,602,211</u>
<b>Amortisation</b>					
As at 1 April 2018	26,537,977	-	248,754	-	26,786,731
Eliminated on disposal	(113,419)	-	-	-	(113,419)
Amortisation in year	1,550,181	-	13,819	-	1,564,000
As at 31 March 2019	<u>27,974,739</u>	<u>-</u>	<u>262,573</u>	<u>-</u>	<u>28,237,312</u>
<b>Net book value</b>					
As at 31 March 2019	<u>46,321,165</u>	<u>615,325</u>	<u>428,409</u>	<u>-</u>	<u>47,364,899</u>
As at 31 March 2018	<u>46,350,163</u>	<u>132,209</u>	<u>442,228</u>	<u>-</u>	<u>46,924,600</u>
<b>Other Grants</b>					
As at 1 April 2018	-	-	-	906,345	906,345
Additions in the year	-	-	-	32,000	32,000
As at 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>938,345</u>	<u>938,345</u>
<b>Amortisation</b>					
As at 1 April 2018	-	-	-	267,761	267,761
Amortisation in year	-	-	-	16,728	16,728
As at 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,489</u>	<u>284,489</u>
<b>Net book value</b>					
As at 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,856</u>	<u>653,856</u>
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,584</u>	<u>638,584</u>
<b>Total grants net book value as at 31 March 2019</b>	<u>46,321,165</u>	<u>615,325</u>	<u>428,409</u>	<u>653,856</u>	<u>48,018,755</u>
<b>Total grants net book value as at 31 March 2018</b>	<u>46,350,163</u>	<u>132,209</u>	<u>442,228</u>	<u>638,584</u>	<u>47,563,184</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2019 £	2018 £
Amounts due within one year	1,580,728	1,561,786
Amounts due in one year or more	46,438,027	46,001,398
	<u>48,018,755</u>	<u>47,563,184</u>

## 21. SHARE CAPITAL

### Shares of £1 each Issued and Fully Paid

	2019 £	2018 £
As at 1 April 2018	196	218
Issued in year	18	6
Cancelled in year	(106)	(28)
As at 31 March 2019	<u>108</u>	<u>196</u>

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

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
General Needs - Built by Association	476	476
General Needs - Purchased by Association	1,104	1,072
Shared Ownership	23	23
Supported Housing	24	24
	<u>1,627</u>	<u>1,595</u>

#### Housing units managed by the Association and leased to another body:

Name of Organisation	Number of Units	
	2019 No.	2018 No.
Loretto Care	11	11
Key Housing Association	1	1
Talbot Association	1	1

### 23. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

The 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 with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Rent received from tenants on the Management Committee and their close family members	<u>27,159</u>	<u>15,484</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £267 (2018 - £754).

Members of the Management Committee who are tenants	7	4
---	---	---

Note 26 provides further information on transactions with the Association's wholly owned subsidiary - Govan Home Team C.I.C.

### 24. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 35 McKechnie Street, Govan , Glasgow .

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Govan.

### 25. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £2,066 (2018 - £2,272) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. INVESTMENTS

<b>Investments in Subsidiaries</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
As at 1 April and 31 March	1	1
<b>NBV</b>		
As at 31 March	1	1
As at 1 April	1	1

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary named Govan Home Team C.I.C.. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, the Association was charged £1,951,599 (2018 - £1,293,347) for work undertaken by the subsidiary company, including planned, reactive and cyclical maintenance. Included within this amount was £nil (2018 - £13,284) in relation to grants applicable to the company.

The Association recharged operating costs met by the Association on behalf of the subsidiary. These included leased motor vehicles, wages and salaries, materials and other overheads totalling £1,094,977 (2018 - £1,453,396). A management fee of £68,635 (2018 £Nil) was payable.

The subsidiary has an outstanding loan with the Association totalling £275,000 of which interest is being charged at 3.5% per annum. Applicable interest of £9,625 for the period ended 31 March 2019 was paid in the year.

In addition to the loan balance, the subsidiary owed the Association £272,233 (2018: £349,784), represented by an intercompany debtor. This is shown within current debtors (note 16).

The Association acts as a guarantor on the subsidiary's lease of 246 Edminston Drive, Glasgow

The aggregate amount of capital and reserves and the results of Govan Home Team C.I.C. for the year ended 31 March 2019 were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Capital & Reserves	77,153	24,651
Surplus for the year	52,502	24,650

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. RETIREMENT BENEFIT OBLIGATIONS

#### Scottish Housing Association Pension Scheme

Govan Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and contracted out of the state scheme. The Association is an admitted body under the Scottish Housing Association Fund, the assets of which are held in a separate Trustee administered Fund.

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the Fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

#### Change in Accounting Estimate

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pensions Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRC issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as a change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Balance Sheet. The change has been reflected in Other Comprehensive Income as follows:

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. RETIREMENT BENEFIT OBLIGATIONS

	<b>2019</b>
	<b>£</b>
Opening defined benefit obligation as at 1 April 2018 (per actuary)	1,117,000
Opening past service deficit liability under previous recognition basis	1,009,900
Movement to other comprehensive income	<u>107,100</u>

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

#### Principal Actuarial Assumptions

Assumptions as at	<b>2019</b>	<b>2018</b>
	<b>%p.a.</b>	<b>%p.a.</b>
Salary increases	3.30%	3.20%
Inflation RPI	3.30%	3.20%
Inflation CPI	2.30%	2.20%
Discount rate	2.30%	2.56%

Allowance for commutation of pension for cash retirement is 75% of maximum allowance for both years.

The defined benefit obligation is estimated to comprise of the following:

	<b>2019</b>
	<b>£000</b>
Employee members	10
Deferred pensioners	20
Pensioners	22
	<u>52</u>

#### Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
	<b>(Years)</b>	<b>(Years)</b>
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. RETIREMENT BENEFIT OBLIGATIONS

#### Fair value of scheme assets by category

	2019 £000	2018 £000
Growth Assets	2,901	2,955
Matching Plus	1,230	1,255
Liability Driven Investment	2,582	2,519
Property	536	413
Net Current Assets	8	13
	<u>7,257</u>	<u>7,155</u>

None of the above assets includes any direct involvement in the Association's assets.

#### Net Pension Liability

	2019 £000
Fair value of employer's assets	7,257
Present value of scheme liabilities	(8,469)
	<u>(1,212)</u>

#### Reconciliation of fair value of employer assets

	2019 £000
Opening fair value of employer assets	7,155
Expected Return on Assets	185
Contributions by Members	42
Contributions by the Employer	310
Actuarial Gains	(305)
Estimated Benefits Paid	(130)
<b>Closing fair value of assets</b>	<u>7,257</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was (£120,000)

#### Reconciliation of defined benefit obligations

	2019 £000
Opening defined benefit obligation	8,272
Current Service Cost	82
Interest Cost	211
Contributions by members	42
Actuarial Gains	(8)
Estimated Benefits Paid	(130)
<b>Closing defined benefit obligation</b>	<u>8,469</u>



# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. RETIREMENT BENEFIT OBLIGATIONS

#### Analysis of amount charged to the Statement of Comprehensive Income

	2019 £000
Charged to operating costs:	
Service cost	82
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(185)
Interest on pension scheme liabilities	211
Net interest on pension obligations	26
<b>Net Charge to the Statement of Comprehensive Income</b>	<b>108</b>

#### Actuarial Gain / (Loss) recognised in Other Comprehensive Income

	2019 £000
Experience on plan assets	(305)
Experience gains and losses arising on the plan liabilities - gain / (loss)	522
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain / (loss)	(23)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/ (loss)	(491)
Total amount recognised in other comprehensive income - gain/ (loss)	(297)