



Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
a Capital company

PROVANHALL HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Registered Housing Association No. HHC 242

Financial Conduct Authority No. 2401RS

Scottish Charity No SC037762

PROVANHALL HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND PROFESSIONAL ADVISORS

FOR THE YEAR ENDED 31 MARCH 2020

Management Committee

Liz McEwan (Chair)
Christine Morris (Secretary)
Cathie Reid
Barbara McCluskey
Rodger Harley
Clarice Spaine
Margaret Stewart
Tracy Coutts
Linda Cameron - (Co-opted 28 October 2019)
William Blunn (Resigned 23 September 2019)
Rosemary Docherty (Resigned 23 September 2019)

Executive Officers

Patricia Gallagher, Director
Jim Wylie, Technical Services Manager (Retired 31 March 2020)
Sean Douglas, Housing Services Manager
Mark Quigley, Technical Services Manager (Appointed 9 March 2020)

Registered Office

34 Conisborough Road
Easterhouse
Glasgow
G34 9QG

External Auditor

Scott-Moncrieff Audit Services
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

Kelly & Co
184 Abercromby Street
Glasgow
G40 2RZ

T C Young
7 West George Street
Glasgow
G2 1BA

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

Bankers

Bank of Scotland plc
Glasgow The Forge
PO Box 1000
BX2 1LB

Internal Auditor

Wylie Bissett
68 Bath Street
Glasgow
G2 4TP

PROVANHALL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

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Registration particulars:

Financial Conduct Authority

Co-operative and Community Benefit Societies Act 2014
Registered Number: 2401RS

Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered Number: HHC 242

Scottish Charity

Scottish Charity Number SC037762

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

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

Principal activity

The principal activity of Provanhall Housing Association Limited ("Provanhall") is the development, management and maintenance of housing for people in housing need.

Provanhall is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and with the Scottish Housing Regulator as a Registered Social Landlord.

Strategy and Objectives

The Association's Strategy is:

- Consolidating and improving our core business, through service improvement and investment;
- Managing our assets and resources well for the benefit of tenants and the Provanhall community;
- Working with the community and others to improve opportunities and the quality of life for local people; and
- Developing our role as a community anchor organisation for Provanhall.

To deliver the Strategy, the Management Committee has set five strategic objectives:

- Deliver high quality services that meet tenants' needs, maximise tenant satisfaction and demonstrate value for money;
- Provide affordable, high quality homes that meet local needs and help make Provanhall a thriving, sustainable community;
- Develop our role as community anchor in Provanhall, enabling services and activities that benefit individuals and the community as a whole;
- Mitigate the impact of welfare reform and other external factors on tenants and on the Association's business resilience; and
- Make sure that the Association is an efficient and effective organisation, with the organisational capacity to achieve our goals.

Business Review

2019/20

This year has again been a very busy one for the Association, and like everyone else, was one where we had to respond to the Coronavirus outbreak and adjust our services accordingly.

We had some significant Staff changes during the year. Our Senior Finance Officer took up post and this brought with it an ongoing review of some of our internal processes, which has simplified and streamlined our systems. We recruited a new Receptionist in July 2019 and she has settled in well. In September our Technical Services Manager notified the Association of his intention to retire at 31st March 2020. His position was advertised in January and a new Technical Services Manger took up the post as of early March 2020 - to allow for a thorough handover.

Obviously, like all other organisations, the financial year end was blighted by the Corona virus. We closed our office on 17th March and all Staff started homeworking thereafter. A notifiable event was logged with the regulator.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

Business Review (continued)

Unfortunately this has led to a reduction in some of our service provision with all non-essential repairs being put on hold, an external paintwork contract being postponed and gas servicing being affected. Our notifiable event was amended re the suspension of gas servicing.

Overall however, our performance remained on a par with previous years. Our Landlord Report from the Scottish Housing Regulator reflects this and acknowledges how our performance compares very favourably with both our peers and the national average.

Overall arrears increased from £52,506 at the end of 2019 to £66,774 at the end of 2020. However the non-technical rent arrears continue to decrease from £23,106 (1.31%) at 31st March 2019 to £22,513 (1.23%) at 31st March 2020.

Reactive Maintenance expenditure increased to a total of £227,625 (2019: £168,165) and averaged £456 per unit at 31st March 2020 (2019: £343). Repairs expenditure costs included void re-let works which totalled £84,210 (2019: £40,322). This is a 109% increase on the previous year's void costs, and can be attributed to the Associations recent new build development, which saw a chain of internal tenancy changes.

Throughout the year we have undertaken the following cyclical and improvement works:

Planned works

Smoke Detector Replacement	336
Door entry panel upgrades	15
Bathroom Renewals	37

Cyclical

Gas Servicing	487
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The Staff complement remains at 9. Due to part time working of some Staff this equates to 8 full time equivalents. We continued to provide Income maximisation services via a services contract from Connect Community Trust. This is part of a wider contract with two other local Housing Associations.

The Internal Audit programme focussed on IT, GDPR and budgetary financial controls. An action plan has been drafted with all of the identified required actions.

Our Management Committee Membership remains strong. At the end of the year we had 8 Management Committee members and one co-optee. We are also in conversation with another two tenants who have registered an interest in joining the Management Committee. Attendance was 75%. The Management Committee attended the SHARE and EVH annual conferences and undertook a substantial amount of training during the year.

8 of the properties in the new build site at Phase 13 were handed over earlier in the year and are now occupied. In addition to this, another unit was purchased in the year. A feasibility study has been undertaken for a further site. We are currently awaiting feedback on this.

We implemented all of the requirements of the freedom of Information regulations, that became applicable to the Association in November 2019 and our Website is regularly updated with all relevant information.

We submitted our Assurance Statement to the Scottish Housing Regulator and they confirmed their satisfaction with the submission.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

Business Review (continued)

We continue to support Connect Community Trust who manage our community facility and deliver wider role projects including: youth clubs, job clubs, elderly lunch clubs, I.T. classes and bingo. We meet regularly with the Trust and develop ideas with them re service provision. We have also undertaken work with other local groups this year including food projects and the Dogs Trust. We hope to build on these relationships in future years.

We continue to work with EHRA, the partnership of the 8 local Community Based Housing Associations and we undertake a lot of joint lobbying and joint training with them.

Members of Management Committee

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

Operational Review

1 Corporate Governance

The Association has a Management Committee who are elected by the members of the Association. It is the responsibility of the Management Committee to determine the strategy, set policies and guide the overall direction of the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The Executive Team of 3 (4 for the month of March 2020 only due to the impending retirement of Jim Wylie, Technical Services Manager, as listed on the first page of the financial statements) is responsible for achieving the strategy and undertaking the operational activities in line with the policies set.

Our governing body is our Management Committee, which is responsible to the wider membership. Management Committee members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

2 Corporate Issues

Tenant involvement and participation is a major part of the Association's Aims and Objectives and we continue to review how Provanhall involves tenants in its activities. We hope to build on the COVID 19 work to strengthen this.

Provanhall is committed to involving staff in decision making and policy making. In the year just ended staff were fully involved in the internal management plan process and regular staff meetings were held to keep staff informed of our activities.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we have continued to implement our revised staff appraisal system and undertook a staff training needs assessment.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

2 *Corporate Issues (continued)*

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued a programme of major investment in our housing stock, which is by far our most costly asset. This involves carrying out major repairs including the replacement of significant components. We have updated our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do.

We continued to monitor rent arrears closely. We also continued to deliver many completed adaptations to existing properties to meet the specific needs of our tenants.

3 *Other Areas*

Risk Management Policy

The Committee have, with advice from the internal auditor, a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

Principal risk and uncertainties

The principal risks and uncertainties facing the Association are on-going welfare reform, impacts of COVID19 and Brexit. The Association has a strategic risk register and reviews this regularly. The Management Committee have agreed a 'risk appetite' based on this register and take this into account when making decisions.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Investment Appraisal

Capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

Internal Financial Controls

The Management Committee is responsible for establishing and maintaining the Association's system of internal controls. Internal controls systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Management Committee has established with a view to providing effective internal financial controls are detailed on page 8.

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

Management Structure

The Management Committee has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

Revenue Reserve Policy

The Committee members have reviewed the reserves of Provanhall. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the Association's revenue reserve increased from £6,797,456 to £7,544,543, due to the total comprehensive income of £747,087 in the year.

Maintenance Policies

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

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement to features of the properties, which have come to the end of their economic lives. The cost of these replacements is capitalised within the terms outlined in the Statement of Recommended Practice for Social Housing Providers issued in 2018.

Treasury Management

The Association has 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.

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 thirty days.

Budgetary Process

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

Rental Income

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

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

Disabled Employees

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

Future Developments

Subject to the availability of public funding and identification of suitable development sites the Association is committed to an on-going development programme to provide new housing for our tenants.

Related Party Transactions

Eight members of the Management Committee are tenants whilst another is a private owner who uses the Association as a factor. Their tenancies and factoring arrangements are on the Association's normal tenancy terms and they cannot use their position to their advantage. Transactions with the Management Committee during the year are disclosed at Note 22.

Auditor

The appointed auditor, Scott-Moncrieff, tendered their resignation during 2019 and were replaced by Scott-Moncrieff Audit Services. Scott-Moncrieff Audit Services have expressed their willingness to continue in office as auditor and will be proposed for re-appointment at the Annual General Meeting.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 31 August 2020 and signed on its behalf by:

Christine Morris
Secretary

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2020

Under the legislation relating to Co-operative and Community Benefit Societies we are required 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 income and expenditure of the Association for that period. In preparing those financial statements we are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Management Committee must ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. 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.

As far as the Committee members are aware there is no relevant audit information of which the auditor is unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such information.

By order of the Management Committee:

Christine Morris
Secretary

Dated: 31 August 2020

PROVANHALL HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2020

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

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial controls. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allows the monitoring of controls and restricts the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Management Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Management Committee members and others;
- the Management Committee review reports from management, from directors, staff and from the external auditor and the internal auditor to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2020 and until the below date. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Management Committee:

Christine Morris
Secretary

Dated: 31 August 2020

PROVANHALL HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2020

In addition to our audit of the financial statements, we have reviewed your statement on page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for any non-compliance.

Opinion

In our opinion, your Statement on internal financial controls on page 9 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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 Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff Audit Services

Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

Dated: 31 August 2020

PROVANHALL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVANHALL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Provanhall Housing Association Limited ('the association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in 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.

PROVANHALL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVANHALL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 7, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine 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 intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVANHALL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

This report is made solely to the association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members, as a body, 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.

Scott-Moncrieff Audit Services, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

25 Bothwell Street

Glasgow

G2 6NL

Date: 31 August 2020

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Turnover	4	2,228,710	2,118,620
Operating expenditure	4	(1,808,551)	(1,489,348)
Operating surplus	4	420,159	629,272
Interest receivable and other income	10	8,076	30,312
Interest payable and similar charges	11	(35,148)	(49,396)
Surplus before tax		393,087	610,188
Taxation	12	-	-
Surplus for the year		393,087	610,188
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	23	-	(175,000)
Actuarial gain/(loss) in respect of pension scheme	23	354,000	(57,000)
Total comprehensive income for the year		747,087	378,188

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

YEAR ENDED 31 MARCH 2020

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2019	164	6,797,456	6,797,620
Total comprehensive income	-	747,087	747,087
Shares issued during the year	59	-	59
Shares cancelled during the year	(14)	-	(14)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	209	7,544,543	7,544,752

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

YEAR ENDED 31 MARCH 2019

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2018	163	6,419,268	6,419,431
Total comprehensive income	-	378,188	378,188
Shares issued during the year	26	-	26
Shares cancelled during the year	(25)	-	(25)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	164	6,797,456	6,797,620

The notes form part of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible fixed assets			
- Housing properties	13	15,734,168	14,072,298
- Other fixed assets	13	282,236	291,560
		<u>16,016,404</u>	<u>14,363,858</u>
Current assets			
Debtors	15	118,288	328,802
Cash and cash equivalents	16a	2,940,739	2,716,441
Investments	16b	-	1,451,421
		<u>3,059,027</u>	<u>4,496,664</u>
Creditors: amounts falling due within one year	17	<u>(792,791)</u>	<u>(1,057,875)</u>
Net current assets		<u>2,266,236</u>	<u>3,438,789</u>
Total assets less current liabilities		<u>18,282,640</u>	<u>17,802,647</u>
Creditors: amounts falling due after more than one year	18	<u>(10,737,888)</u>	<u>(10,616,924)</u>
Pension - defined benefit liability	23	-	(388,103)
Net assets		<u>7,544,752</u>	<u>6,797,620</u>
Capital and reserves			
Called up share capital	20	209	164
Revenue reserves	21	7,544,543	6,797,456
Total capital and reserves		<u>7,544,752</u>	<u>6,797,620</u>

The financial statements were authorised for issue by the Management Committee on 31 August 2020 and are signed on its behalf by:

.....
Liz McEwan
Chair

.....
Christine Morris
Secretary

.....
Committee Member

The notes form part of these financial statements.

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	£	2020 £	£	2019 £
Cash flow from operating activities				
Surplus for the year	393,087		610,188	
<u>Adjustments for non-cash items:</u>				
Depreciation of tangible fixed assets including loss on disposal of components	523,835		520,719	
SHAPS current service costs	4,220		9,945	
(Increase) in trade and other debtors	210,514		(105,734)	
(Increase)/decrease in trade and other creditors	(263,604)		373,367	
<u>Adjustments for investing and financing activities:</u>				
Interest payable	35,148		49,396	
Interest received	(8,076)		(30,312)	
Release of deferred Government capital grants	(351,648)		(350,166)	
SHAPS past service deficit repayment	(47,323)		(45,842)	
Shares cancelled	(14)		(25)	
		496,139		1,031,536
Cash flow from investing activities				
Purchase of property, plant and equipment	(2,176,381)		(1,616,997)	
Grants received	577,553		1,476,030	
Grants repaid	-		-	
Interest received	8,076		30,312	
		(1,590,752)		(110,655)
Cash flow from financing activities				
Interest paid	(26,148)		(40,396)	
Repayment of borrowings	(106,421)		(106,031)	
Issue of share capital	59		26	
Withdrawal from current asset investment	1,451,421		161,539	
		1,318,911		15,138
Net changes in cash and cash equivalents		224,298		936,019
Cash and cash equivalents at 1 April		2,716,441		1,780,422
Cash and cash equivalents at 31 March		2,940,739		2,716,441

PROVANHALL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

i) Analysis of changes in net debt

	At 1 April 2019	Cash flows	At 31 March 2020
	£	£	£
Cash and cash equivalents			
Cash	2,716,441	224,298	2,940,739
Cash equivalents	1,451,421	(1,451,421)	-
	<u>4,167,862</u>	<u>(1,227,123)</u>	<u>2,940,739</u>
Borrowings			
Debt due within one year	(109,889)	296	(109,593)
Debt due after one year	(1,489,186)	106,125	(1,383,061)
	<u>(1,599,075)</u>	<u>106,421</u>	<u>(1,492,654)</u>
Total	<u><u>2,568,787</u></u>	<u><u>(1,120,702)</u></u>	<u><u>1,448,085</u></u>

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. General information

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HHC 242. The registered address is available on the first page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

A summary of the principal accounting policies is set out below.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

The effect of events relating to the year ended 31 March 2020, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2020 and of the results for the year ended on that date.

Going Concern

The Management Committee anticipates that a surplus will be generated in the year to 31 March 2021 and the year to 31 March 2022. The Association has a healthy cash and net current asset position and thus the Management Committee are satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements. This conclusion has been arrived at after considering the expected impact of COVID-19 to the Association's activities and financial performance.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners as the provision of factoring services is accounted for on an agency basis.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. Principal accounting policies (cont'd)

Turnover (continued)

Income from rental and service charges and factoring management fees is recognised when the Association is entitled to it, it is probable it will be received and it can be measured reliably. The provision of factoring services is accounted for on an agency basis with only the management fee recognised as turnover.

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

All interest payable is charged to the Statement of Comprehensive Income in the period in which it falls due for payment. The basis for the interest payable is the schedule of interest charges agreed with the financing institution during the establishment of the loans.

Fixed assets - Housing land and buildings

Housing properties are stated at cost less accumulated depreciation. The development cost of housing properties includes the following:-

- (i) Cost of acquiring land and buildings;
- (ii) Development expenditure; and
- (iii) Interest charged on the loans during the development of the scheme up until completion.

Housing properties are split by component with each component (except for land) depreciated over its expected useful life.

Depreciation of Housing Properties

Properties other than land are depreciated at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Land is not depreciated. The estimated useful lives of the assets and components are shown below:

	Depreciation Period (Years)
Roof	50
Structure	50
Windows	25
Kitchens	15
Bathrooms	25
Central Heating	15
Doors	35
Rewiring	30

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. Principal accounting policies (cont'd)

Other fixed assets

Other fixed assets are stated at cost less depreciation. Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives as follows:

Office Premises – 2%

Furniture & Fittings & Office Equipment – 25%

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

Impairment of fixed assets

A review for impairment for all fixed assets is carried out on an annual basis and any impairment is recognised by a charge to the Statement of Comprehensive Income.

Debtors

Short-term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represents amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 15.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. Principal accounting policies (cont'd)

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the Association is entitled to them, it is probable they will be received and they can be measured reliably.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. Principal accounting policies (cont'd)

Pension costs

The Scottish Housing Association Defined Benefits Pension Scheme

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and 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 Associations taken as a whole.

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The Scottish Housing Association Defined Contribution Scheme

This is a defined contribution scheme. Employer contributions are charged to the Statement of Comprehensive Income on an accruals basis.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Management Committee consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP; and
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty (cont'd)

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Basis of estimation

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The main components of housing properties and their useful lives

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Recoverable amount of rental and other trade receivables

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

The obligations under the SHAPS

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

The allocation of costs for shared ownership

Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	Turnover £	Operating Expenditure £	2020 Operating Surplus £	Turnover £	Operating Expenditure £	2019 Operating Surplus £
Income and Expenditure from lettings						
Social Lettings (Note 5)	2,226,705	1,760,491	466,214	2,116,903	1,398,557	718,346
Other activities (Note 6)	2,005	48,060	(46,055)	1,717	90,791	(89,074)
	2,228,710	1,808,551	420,159	2,118,620	1,489,348	629,272

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

5. Particulars of Income and Expenditure from social letting activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	2020 Total £	2019 Total £
Income from rent and service charges					
Rent receivable net of service charges	1,831,656	-	4,098	1,835,754	1,760,983
Service charges	-	-	-	-	-
Gross income from rents and service charges	1,831,656	-	4,098	1,835,754	1,760,983
Less voids	(3,813)	-	-	(3,813)	(967)
Net income from rents and service charges	1,827,843	-	4,098	1,831,941	1,760,016
Release of deferred Government capital grants	349,594	-	2,054	351,648	350,166
Other revenue grants	43,116	-	-	43,116	6,721
Total turnover from social letting activities	2,220,553	-	6,152	2,226,705	2,116,903
Expenditure					
Management and maintenance administration costs	606,649	-	1,357	608,006	466,442
Service charges	122,904	-	-	122,904	110,685
Planned cyclical maintenance	284,290	-	-	284,290	141,711
Reactive maintenance costs	227,625	-	-	227,625	168,165
Bad debts – rents and service charges	6,026	-	-	6,026	4,472
Depreciation of social housing	509,161	-	2,479	511,640	507,082
Operating expenditure for social letting activities	1,756,655	-	3,836	1,760,491	1,398,557
Operating surplus on letting activities, 2020	463,898	-	2,316	466,214	
Operating surplus on letting activities, 2019	715,853	-	2,493		718,346

Included in depreciation of social housing is £3,915 (2019: £NIL) relating to the loss on disposal of components.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. Particulars of turnover, operating expenditure and operating surplus from other activities

				2020	2019	2020	2020	2020	2019	
	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Total Turnover £	Operating expenditure Bad debts £	Other operating expenditure £	Operating Surplus £	Operating Surplus £
Wider role activities	-	-	-	500	500	201	-	(38,930)	(38,430)	(48,715)
Rechargeable repairs	-	-	-	-	-	-	(1,862)	-	(1,862)	(5,983)
Factoring	-	-	-	1,505	1,505	1,516	-	(1,505)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Other activities – Tenant Participation	-	-	-	-	-	-	-	(5,763)	(5,763)	(34,376)
Total from other activities- 2020	-	-	-	2,005	2,005		(1,862)	(46,198)	(46,055)	
Total from other activities- 2019	-	-	-	1,717		1,717	(5,983)	(84,808)		(89,074)

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

7. Directors' Emoluments

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. The Association considers key management personnel to be the Management Committee and senior management team of the Association only. No Directors or members of key management received emoluments (excluding pension contributions) greater than £60,000.

No emoluments were paid to any member of the Management Committee during the year (2019: *none*).

	2020	<i>2019</i>
	£	£
Emoluments of the Director (excluding pension contributions)	45,536	<i>44,347</i>
Total expenses reimbursed insofar as not chargeable to UK income tax	-	<i>70</i>

The Director is an ordinary member of the Association's pension scheme described in Note 23. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes. The Association's contributions for the Director in the year amounted to £13,719 (2019 - £17,879), which includes a proportion of the deficit contribution payment made to the scheme in the year.

The emoluments of key management (excluding pension contributions and including benefits in kind) for the year were £133,137 (2019 - £136,047). Their employers' NI contributions for the year were £14,790 (2019 - £13,478) and their pension contributions (including the past service element) for the year were £39,732 (2019: £48,769).

8. Employee information

	2020	<i>2019</i>
	Number	<i>Number</i>
The average number of full time equivalent employees during the year was:	8	<i>8</i>
	2020	<i>2019</i>
	£	£
Staff costs were:-		
Wages and Salaries	288,317	<i>280,620</i>
Social Security Costs	28,724	<i>25,951</i>
Pension Contributions	38,634	<i>25,399</i>
	355,675	<i>331,970</i>

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

9. Operating surplus

Operating surplus is stated after charging:	2020	2019
	£	£
Depreciation including loss on disposal components	523,834	520,719
Auditor's remuneration:		
- Fees to external auditor – audit excluding VAT	8,200	8,000
- Fees to external auditor – non-audit excluding VAT	2,500	4,000
- Internal audit services excluding VAT	1,875	2,310
	<u><u> </u></u>	<u><u> </u></u>

10. Interest receivable and other income

	2020	2019
	£	£
Bank interest received	8,076	30,312
	<u><u> </u></u>	<u><u> </u></u>

11. Interest payable and similar charges

	2020	2019
	£	£
On bank loans and overdrafts	26,148	40,396
Defined benefit pension liability – interest charge (Note 23)	9,000	9,000
	<u><u> </u></u>	<u><u> </u></u>
	35,148	49,396
	<u><u> </u></u>	<u><u> </u></u>

12. Taxation

There is no tax on the Association's charitable activities (2019: nil). There is also no tax due on the Association's other activities due to the losses incurred. (2019: nil).

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

13. Tangible Fixed Assets	Housing Properties Held for Letting	Housing Properties under Construction	Completed Shared Ownership Properties	Office Premise	Furniture Fittings & Equipment	Total
Cost/valuation:	£	£	£	£	£	£
At 1 April 2019	20,980,332	1,595,622	123,942	396,308	135,347	23,231,551
Additions during year:						
Property	42,181	1,995,350	-	-	-	2,037,531
Components	135,979	-	-	-	-	135,979
Other	-	-	-	-	2,871	2,871
Disposals during year:						
Property	-	-	-	-	-	-
Components	(80,355)	-	-	-	-	(80,355)
Transfers	1,134,251	(1,134,251)	-	-	-	-
As at 31 March 2020	<u>22,212,388</u>	<u>2,456,721</u>	<u>123,942</u>	<u>396,308</u>	<u>138,218</u>	<u>25,327,577</u>
Depreciation						
At 1 April 2019	8,576,782	-	50,816	110,755	129,340	8,867,693
Charge during year	505,246	-	2,479	7,928	4,267	519,920
Disposals during year:						
Property	-	-	-	-	-	-
Components	(76,440)	-	-	-	-	(76,440)
As at 31 March 2020	<u>9,005,588</u>	<u>-</u>	<u>53,295</u>	<u>118,683</u>	<u>133,607</u>	<u>9,311,173</u>
Net Book Value						
At 31 March 2020	<u>13,206,800</u>	<u>2,456,721</u>	<u>70,647</u>	<u>277,625</u>	<u>4,611</u>	<u>16,016,404</u>
At 31 March 2019	<u>12,403,550</u>	<u>1,595,622</u>	<u>73,126</u>	<u>285,553</u>	<u>6,007</u>	<u>14,363,858</u>

Additions to Housing Properties during the year includes no capitalised interest (2019: £nil) and no capitalised administration costs (2019: £nil). All housing properties are freehold. Components with a cost of £80,355 (2019: £3,783) and accumulated depreciation of £76,440 (2019: £3,783) have been disposed of for £nil (2019: £nil) net proceeds. Included in housing properties held for letting is land with a carrying value of £2,100,355 (2019: £1,924,416)

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

14. Housing Stock	2020 Number	2019 Number
The number of units of accommodation in management at the year end was:-		
General Needs Housing	497	488
Shared Ownership	2	2
	<u>499</u>	<u>490</u>
	<u><u>499</u></u>	<u><u>490</u></u>
15. Debtors	2020 £	2019 £
Amounts falling due within one year:		
Arrears of Rent and Service Charges	66,774	52,506
Less: Provision for doubtful debts	(23,445)	(23,445)
	<u>43,329</u>	29,061
Other debtors	4,023	13,897
Prepayments and accrued income	70,936	285,844
	<u>118,288</u>	328,802
	<u><u>118,288</u></u>	<u><u>328,802</u></u>
The level of technical arrears contained within the rent arrears total was £32,036 (2019: £18,409).		
16a. Cash and cash equivalents	2020 £	2019 £
Balances held in current accounts	2,940,739	2,716,441
	<u>2,940,739</u>	<u>2,716,441</u>
	<u><u>2,940,739</u></u>	<u><u>2,716,441</u></u>
16b. Investments	2020 £	2019 £
Balances held in deposit accounts	-	1,451,421
	<u>-</u>	<u>1,451,421</u>
	<u><u>-</u></u>	<u><u>1,451,421</u></u>
17. Creditors: amounts falling due within one year	2020 £	2019 £
Trade creditors	68,909	307,041
Accruals and deferred income	31,124	109,359
Retention creditor	99,000	42,429
HAG creditor	75,395	75,395
Rent in advance	30,267	34,000
Bank loans (Note 18)	109,593	109,889
Other taxes and social security	-	75
Deferred Government capital grants (Note 19)	378,503	379,687
	<u>792,791</u>	1,057,875
	<u><u>792,791</u></u>	<u><u>1,057,875</u></u>

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

18. Creditors: amounts falling due after more than one year	2020 £	2019 £
Deferred Government Capital Grants (Note 19)	9,354,827	9,127,738
Bank loans	1,383,061	1,489,186
	<u>10,737,888</u>	<u>10,616,924</u>

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest 0.65% to 1.5% (2019: 0.65% to 1.5%) in instalments due as follows:

The net book value of housing properties secured at the year end was £5,340,948 (2019: £5,573,090).

	2020 £	2019 £
Within one year	109,593	109,889
Between one and two years	111,089	111,710
Between two and five years	342,460	346,371
After five years	929,512	1,031,105
	<u>1,492,654</u>	<u>1,599,075</u>
Less: amount shown in current liabilities	(109,593)	(109,889)
	<u>1,383,061</u>	<u>1,489,186</u>

19. Deferred capital grants	2020 £	2019 £
Deferred capital grants at 1 April	9,507,425	8,381,561
Grants received in year	577,553	1,476,030
Released to income in year	(351,648)	(350,166)
Deferred capital grants at 31 March	<u>9,733,330</u>	<u>9,507,425</u>
Split:		
< 1 year	378,503	379,687
1-2 years	392,720	379,687
2-5 years	1,178,159	1,139,060
> 5 years	7,783,948	7,608,991
Total	<u>9,733,330</u>	<u>9,507,425</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

20. Share capital Shares of £1 each fully paid and issued	2020	<i>2019</i>
	£	£
At 1 April 2019	164	<i>163</i>
Issued during the year	59	<i>26</i>
Cancelled during the year	(14)	<i>(25)</i>
At 31 March 2020	209	<i>164</i>

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.

21. Revenue reserves

The revenue reserve includes all current and prior year retained surpluses or deficits.

22. Related parties

The Association has members of the Management Committee who are also tenants. The total rent charged in the year relating to Management Committee members who are tenants is £30,037 (*2019: £36,486*).

The total rent arrears relating to Management Committee members who are tenants included within debtors at the year end is £294 (*2019: £283*). The total prepaid rent relating to Management Committee members who are tenants is £1,231 (*2019: £1,936*).

The Association has members of the Management Committee who own properties factored by the Association. The total amount charged in the year relating to Management Committee members is £419 (*2019: £1,446*). The balance due to the Association at the year end is £nil (*2019: £378*).

Included on the Management Committee of the Association are 2 members who are also on the Board of Connect Community Trust, a charity who perform Wider Role services on behalf of the Association. During the year services totalling £nil (*2019: £11,007*) were received from Connect Community Trust. During the year, the Association provided funds of £41,546 (*2019: £20,500*) to Connect Community Trust to perform those services and paid expenses on behalf of Connect Community Trust of £nil (*2019: £720*). At the year end, £460 (*2019: £1,303*) was due to Connect Community Trust from the Association.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

23. Pension obligation

General

Provanhall Housing Association Limited (the 'Association') participates in the Scottish Housing Associations' Pension Scheme, (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The scheme is funded. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60th accrual rate; Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; 1/120th accrual rate, contracted in; and a Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice. The Association has elected to operate the 1/60th accrual Final Salary Scheme for both existing and new members. In addition to this, there is also a DC scheme available for those members who have chosen not to join the Final Salary Scheme.

During the accounting period the Association paid contributions at the rate of 12.6% of pensionable salaries to the defined benefit scheme and 10% for the defined contribution scheme. Member contributions were 12.5% for the defined benefit scheme and 5% for the defined contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

As at the Statement of Financial Position date there were 2 (2019: 3) active members of the defined benefit scheme and 5 (2019: 2) active members of the DC scheme employed by the Association.

The last triennial valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £877 million. The valuation revealed a shortfall of assets compared to liabilities of £121 million, equivalent to a past service funding level of 89%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2018 are detailed below:

- Investment return pre retirement		3.12% per annum
- Investment return post retirement - Non-pensioners		3.12% per annum
- Investment return post retirement - Pensioners		3.12% per annum
- Rate of salary increases		3.35% per annum
- Rate of pension increases - pension accrued pre 6 April 2005	2.00%	per annum
	pension accrued from 6 April 2005	1.70% per annum
	(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation		3.35% per annum

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

23. Pension obligation (continued)

The SHAPS is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £175,000 to recognise a liability of £358,000 as at 1 April 2018.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2020 £'000	<i>31 March 2019 £'000</i>
Fair value of plan assets	1,144	1,556
Present value of defined benefit obligation	(1,144)	<i>(1,944)</i>
Defined benefit liability to be recognised	-	<i>(388)</i>

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020 £'000	<i>Year ended 31 March 2019 £'000</i>
Defined benefit obligation at start of period	(1,944)	<i>(2,034)</i>
Current service cost	(26)	<i>(27)</i>
Expenses	(1)	<i>(1)</i>
Interest expense	(40)	<i>(50)</i>
Actuarial (losses)/gains due to scheme experience	163	<i>24</i>
Actuarial (losses)/gains due to changes in demographic assumptions	7	<i>(5)</i>
Actuarial (losses)/gains due to changes in financial assumptions	133	<i>(138)</i>
Benefits paid and expenses	564	<i>301</i>
Contributions by plan participants	-	<i>(14)</i>
Defined benefit liability at the end of the period	(1,144)	<i>(1,944)</i>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

23. Pension obligation (continued)

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	1,556	1,676
Interest income	31	41
Experience on plan assets (excluding amounts included in interest income) - gain	51	62
Contributions by the employer	70	64
Benefits paid and expenses	(564)	(301)
Contributions by plan participants	-	14
Fair value of plan assets at end of period	1,144	1,556

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current service cost	26	27
Admin expenses	1	1
Net interest expense	9	9
Defined benefit costs recognised in Statement of Comprehensive Income	36	37

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain)	51	62
Experience gains and losses arising on the plan liabilities – gain	163	24
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	7	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	133	(138)
Total amount recognised in other comprehensive income – gain/(loss)	354	(57)

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

23. Pension obligation (continued)

Fund allocation for employer's calculated share of assets

	31 March 2020 £'000	<i>31 March 2019 £'000</i>
Global Equity	159	250
Absolute Return	71	132
Distressed Opportunities	21	27
Credit Relative Value	28	27
Alternative Risk Premia	92	87
Fund of Hedge Funds	-	4
Emerging Markets Debt	41	50
Risk Sharing	37	45
Insurance-Linked Securities	31	40
Property	21	31
Infrastructure	68	65
Private Debt	23	20
Opportunistic Illiquid Credit	28	-
Corporate Bond Fund	84	109
Liquid Credit	30	-
Long Lease Property	28	19
Secured Income	64	54
Over 15 Year Gilts	15	40
Liability Driven Investment	304	554
Net Current Assets	9	2
Total Assets	1,154	1,556

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2020 % per annum
Discount rate	2.35%
Inflation (RPI)	2.56%
Inflation (CPI)	1.56%
Salary growth	2.56%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

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

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

23. Pension obligation (continued)

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	-	-	-
Females	2	71	46
Total	2	71	46

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	2	3	46
Females	1	5	52
Total	3	8	48

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	1	8	62
Females	-	-	-
Total	1	-	62

Employer debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for the Association was £926,881.

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

24. Controlling party

In the opinion of the Management Committee, there is no controlling party.

25. Capital commitments

	2020	2019
	£	£
Capital expenditure authorised by the Management Committee that has been contracted for	77,658	1,782,036
	<u>77,658</u>	<u>1,782,036</u>
	2020	2019
	£	£
Funded by		
Cash reserves	77,658	1,178,123
Government grants	-	603,913
	<u>77,658</u>	<u>1,782,036</u>
	<u>77,658</u>	<u>1,782,036</u>