

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

MILNBANK HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS

Management Committee

Mr A Scott	(Chairperson)
Mr J O'Donnell	(Vice-Chairperson)
Mrs C McGuire	(Secretary)
Mrs R Tinney	(Treasurer)
Cllr E McDougall	
Mrs M Hutchison	
Mr N Halls	
Mr A Young	
Mrs L Williams	
Ms J Donachy	
Ms A Jenkins	
Ms M Anderson	Appointed 19 September 2019
Mr J McGuirk	Appointed 19 September 2019
Ms G O'Hara	Appointed 19 September 2019
Ms M Smith	Appointed 19 September 2019
Ms C Tartaglia	Resigned 19 September 2019
Mrs A Irving	Resigned 10 September 2019
Mrs T McGinlay	Resigned 23 April 2019

Registered Office

53 Ballindalloch Drive
Glasgow
G31 3DQ

Auditor

Azets Audit Services
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Executive Officers

Mr A Benson	Director	
Mrs L Sichi	Depute Director	
Mrs J Leggat	Corporate Services Manager	
Mr J Scott	Housing Manager	
Mrs J MacMillan	Property Manager	
Mr F Boyle	Asset Manager	Appointed 22 January 2020
Mr D McPhail	Finance Manager	Retired 30 September 2019

Bankers

Bank of Scotland 1195 Duke Street Glasgow G31 5NJ	Clydesdale Bank Corporate & SF 30 St Vincent Place Glasgow G1 2HL	Royal Bank of Scotland Commercial & Corporate 139 St Vincent Street Glasgow G2 5JF	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
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Solicitors

Low Beaton Richmond Sterling House 20 Renfield Street Glasgow G2 5AP	TC Young 7 West George Street Glasgow G2 1BA	Pinsent Masons 141 Bothwell Street Glasgow G2 7EQ
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MILNBANK HOUSING ASSOCIATION LIMITED

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Registration information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014. Registered number 1818 R(S)
Scottish Charity Number	SC039891
The Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 161

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

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

Objectives

The group consists of Milnbank Housing Association Limited, Milnbank Property Services Limited and Milnbank Community Enterprises Limited. The principal activity of the Association is the provision of social rented accommodation. The Association also undertakes wider role activities and owns and manages the Carbon Footprint Nursery. The principal activity of Milnbank Property Services Limited is the provision of factoring services including the provision of repair and maintenance services. The principal activity of Milnbank Community Enterprises Limited is community engagement and development.

The group's primary objective is to provide low cost high quality housing to its tenants and actively engage in the improvement of the community.

Performance of Business

Association

The Association's turnover increased by £269k from £6.927m to £7.196m. This is mainly due to a rent increase (+£227K) and a decrease in voids (+£81K). In addition there was a new service level agreement set up with each subsidiary, providing additional income of £250k where as in the prior year the recharged salary and overheads to the subsidiaries was accounted for as a reduction to the Association's expenditure rather than as income. These increases were offset by a fall in the amortisation of the deferred Government capital grant of £127K, a decrease in other revenue grants of £69K, a decrease in wider role grants of £52K and a fall in Stage 3 grants of £14k. Such income can vary each year. The Carbon Footprint Nursery income remained consistent with the prior year.

The operating expenditure increased from £6.268m in 2019 to £6.922m this year, an increase of £654k. This is attributable to increased management and maintenance admin costs of £164k largely due to the service level agreement income replacing the previously recharged salary costs and overheads. There was also an increased spend on reactive and cyclical repairs of £521k.

There was one property disposals in the year (Oakley Terrace) which was sold for £260K but resulted in a loss on disposal of £18,868 (2019: *£nil*). After finance costs of £574,888 (2019: *£508,268*), bank interest of £30,034 (2019: *£13,382*) and Gift Aid from the two subsidiaries of £34,051 (2019: *£27,345*) a loss is shown in the Statement of Comprehensive Income of £256,150 (2019 *surplus of £192,165*). There was an actuarial gain in respect of the Associations' two defined benefit pension schemes of £993,000 in the year compared to an actuarial loss of £250,000 in 2019, to give total comprehensive income for the year of £736,850 (2019: *loss of £453,557*).

The Association continues to carry out significant amounts of work to both modernise and maintain its properties with £1,415,103 (2019: *£1,301,952*) spent on component replacements during the year, and £55,116(2019: *£65,841*) on the purchase of one property this year (2019: *1 properties*).

The last financial year has again seen the Association continue to focus on issues related to the management and maintenance of its housing stock. The impact of Welfare Reform and the associated benefit cuts continue to be assessed as these have the potential to impact severely on tenants and the Association's operations. This year will see the Association continue to concentrate on maximising income and controlling costs whilst still investing in our area and focusing on the level of voids in both numbers and cost to stabilise expenditure and reduce rent loss.

The Covid-19 pandemic has impacted on the operations of the Association. During the period of lockdown, essential and emergency services were maintained. The Management Committee put in place arrangements that were aimed at maintaining services to local residents and protecting the organisation from any adverse financial implications resulting from the pandemic. It is inevitable that void loss will be incurred due to an inability to let houses during lockdown, but there has been no significant increase in rent arrears as the Association supported tenants in making applications for Universal Credit where necessary. Any staff member not involved in providing essential or emergency services were placed on the UK Government's Coronavirus Job Retention Scheme.

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020

Milnbank Property Services Limited

Turnover increased from £256,432 to £282,664 in 2020. The profit after providing for taxation amounted to £21,781 (2019 - £18,677).

Milnbank Community Enterprises Limited

Turnover decreased from £74,369 in 2019 to £73,033 in 2020. The profit after providing for taxation amounted to £6,754 (2019 - £14,383).

Financial and non-financial key performance indicators

The Association continues to perform well across key indicators by showing strong returns against all elements of the Annual Return on the Charter to the Scottish Housing Regulator. The Association still has amongst the lowest average rents across the sector and carried out a comprehensive tenant satisfaction survey which confirmed that the Association enjoys strong satisfaction levels. 94% of those surveyed were satisfied with the overall service provided by the Association (Indicator 1). The Association enjoys similar positive outcomes against other ARC indicators, all of which exceeded a 90% satisfaction rate.

The Association is also fully compliant with all funding and lending covenants.

Future Plans

The Association has recently reviewed its Business Plan which will cover the period 2020 – 2023.

The Management Committee has set the following strategic direction for the Association:

- **Consolidation and continued improvement** of our role as a provider of rented housing;
- **Continued development** of our role as a community anchor organisation, and as a provider and enabler of services that address wider needs in our community; and
- **Safeguarding** our financial viability, organisational wellbeing, and the community-controlled values and traditions that underpin our organisational ethos and governance.

The primary operational activity that will be undertaken during the period of the Business Plan will be the continued investment in the Association's housing stock. Significant component replacement programmes are planned to ensure the housing stock provides the highest possible standards for tenants and complies with all legislative requirements. To facilitate the planned component replacement programmes, the Association has secured the required funding from GB Social Housing.

Implementation of the organisational objectives as set out in the new Business Plan will be supported by comprehensive Work Plans that have been adopted to cover each function. Work Plans are also informed by the recent Tenant Satisfaction Survey and a review of the current strategy to harmonise rents.

Risk and Uncertainties

The risk and uncertainty caused by Covid-19 will be monitored closely to ensure the continued viability of the Association as a community owned housing provider. This issue has been added to the Association's Risk Register.

The Association recognises the risks and uncertainties that it faces and maintains a comprehensive Risk Register to cover all aspects of its operations. The register is reviewed regularly, with a rating system applied to categorise each risk. Key risks highlighted and recognised with high scoring areas are monitored by the Audit and Risk Committee then reported to the Management Committee. The major risks remain around Welfare Reform and the ultimate impact of Universal Credit once fully implemented as well as the impact of Covid-19. Brexit is also a consideration as the implications unfold.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

Going Concern

The Group and Association has incurred a loss in 2019/20. The 30-year forecasts show a surplus in 2020/21 followed by losses in 2021/22 and 2022/23 due to an increased maintenance spend before reverting back to a surplus position. The Association has the cash balances to support these expected losses in 2021/22 and 2022/23. A further £5m of additional funding was drawn down in August 2020 from GB Social Housing. The Management Committee is of the opinion that the Group and Association will continue to trade for the foreseeable future due to the strong net assets shown, strong and improved loan security valuation, an increased free security base and a positive cash position.

The Management Committee and Executive Officers

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

Governance

The Association is governed by the Management Committee. The full Management Committee meets monthly with a holiday recess in July. The Committee meetings are structured so that strategic and operational issues are considered separately, with the General Committee reviewing strategic issues and the Services Committee reviewing more operational issues. The Audit Sub Committee meets four times per year to review the management accounts and financial matters of the Association and reports on its full remit with recommendations and approvals to the full Management Committee. Regular training and awareness sessions are held to support the various Committees both internally and externally.

In line with SHR requirements regular Committee appraisals are carried out and training logs are maintained for each Committee member. Members are elected annually at the Association's AGM in September as the rotation requires and in line with SHR expectations on the length of service that members can retain.

The day to day operations of the Association are passed to the management team under the appropriate delegated authority and limits.

Related Party Transactions

Some members of the Management Committee are tenants or factored owners. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Details of transactions with Committee members in the year is included in note 27 of the financial statements.

Statement of the Management Committee's Responsibilities

Housing Association legislation 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 Group and of the Association and of the income and expenditure of the Group and of the Association for the year ended on that date. In preparing those financial statements the Management Committee are required to:-

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

Statement of the Management Committee's Responsibilities (continued)

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

Statement on Internal Financial Controls

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:

- (a) formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- (b) experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- (c) forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate;
- (d) all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;
- (e) the Compliance Officer performs internal audit reviews and reports back to the Committee on the findings; in addition "external" internal audits will be undertaken as required to provide further assurance;
- (f) the Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- (g) formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and the Compliance Officer.

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 2020. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which required disclosure in the financial statements or in the auditor's report on the financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

Auditor

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

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- so far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

By order of the Committee

**C McGuire
Secretary**

Dated: 8 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Milnbank Housing Association Limited (the 'Parent Association') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Group and Parent Association Statements of Comprehensive Income, the Group and Parent Association Statements of Changes in Capital and Reserves, the Group and Parent Association Statements of Financial Position, the Group and Parent Association Statements 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 Group's and Parent Association's affairs as at 31 March 2020 and of the Group's and Parent Association's 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, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, 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 Group and Parent 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 Group's or the Parent 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 we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Other information (continued)

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 by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's 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 pages 3 and 4, 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 Group's and the Parent 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 Group or the Parent 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK 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 Parent 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 Parent 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services
Chartered Accountants
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: 8 September 2020

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF MILNBANK HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROLS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 4 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 non-compliance.

Opinion

In our opinion the Statement on Internal Financial Controls on page 4 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 our 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.

Azets Audit Services

Chartered Accountants

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: 8 September 2020

MILNBANK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Turnover	4	7,301,560	7,258,060
Operating expenditure	4	(6,997,791)	(6,565,496)
Operating surplus	4	303,769	692,564
(Loss)/gain on disposal of property, plant and equipment		(18,868)	-
Interest receivable and other income	10	30,034	13,382
Interest payable and similar charges	11	(574,888)	(508,268)
(Loss)/surplus for the year before taxation		(259,953)	197,678
Taxation	12	-	202
(Loss)/surplus for the year after taxation		(259,953)	197,880
Other comprehensive income			
Initial recognition of SHAPS defined benefit scheme	22	-	(395,722)
Actuarial gain/(loss) in respect of SHAPS pension scheme	22	895,000	(194,000)
Actuarial gain/(loss) in respect of Strathclyde pension scheme	22	98,000	(56,000)
Total comprehensive income for the year		733,047	(447,842)

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Turnover	4	7,195,864	6,927,259
Operating expenditure	4	(6,922,343)	(6,267,553)
Operating surplus	4	273,521	659,706
Gain on disposal of property, plant and equipment		(18,868)	-
Interest receivable and other income	10	30,034	13,382
Interest payable and similar charges	11	(574,888)	(508,268)
Gift aid from subsidiaries	27	34,051	27,345
(Loss)/surplus for the year		(256,150)	192,165
Other comprehensive income			
Initial recognition of SHAPS defined benefit scheme	22	-	(395,722)
Actuarial gain/(loss) in respect of SHAPS pension scheme	22	895,000	(194,000)
Actuarial gain/(loss) in respect of Strathclyde pension scheme	22	98,000	(56,000)
Total comprehensive income for the year		736,850	(453,557)

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020**

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2019	782	16,748,605	16,749,387
Total comprehensive income	-	733,047	733,047
Share capital issued	115	-	115
Share capital cancelled	(88)	-	(88)
	<u>809</u>	<u>17,481,652</u>	<u>17,482,461</u>

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	<i>Share Capital £</i>	<i>Revenue Reserve £</i>	<i>Total Reserves £</i>
Balance at 1 April 2018	715	17,196,447	17,197,162
Total comprehensive income	-	(447,842)	(447,842)
Share capital issued	115	-	115
Share capital cancelled	(48)	-	(48)
	<u>782</u>	<u>16,748,605</u>	<u>16,749,387</u>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2019	782	16,710,464	16,711,246
Total comprehensive income	-	736,850	736,850
Share capital issued	115	-	115
Share capital cancelled	(88)	-	(88)
	<u>809</u>	<u>17,447,314</u>	<u>17,448,123</u>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	<i>Share Capital £</i>	<i>Revenue Reserve £</i>	<i>Total Reserves £</i>
Balance at 1 April 2018 restated	715	17,164,021	17,164,736
Total comprehensive income	-	(453,557)	(453,557)
Share capital issued	115	-	115
Share capital cancelled	(48)	-	(48)
	<u>782</u>	<u>16,710,464</u>	<u>16,711,246</u>

The notes form part of these financial statements

MILNBANK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Tangible fixed assets			
Housing properties	13	33,713,230	33,149,298
Other fixed assets	13	822,817	759,983
	13	<u>34,536,047</u>	<u>33,909,281</u>
Current assets			
Stock	16	1,333	2,032
Debtors	17	769,020	516,503
Cash at bank and in hand	18	4,525,207	6,164,602
		<u>5,295,560</u>	<u>6,683,137</u>
Creditors: amounts falling due within one year	19	<u>(2,819,536)</u>	<u>(2,809,795)</u>
Net current assets/(liabilities)		<u>2,476,024</u>	<u>3,873,342</u>
Total assets less current assets/(liabilities)		37,012,071	37,782,623
Creditors: amounts falling due after more than one year	20	(19,289,799)	(19,730,425)
Pension - Strathclyde defined benefit liability	22	(127,000)	(170,000)
Pension – SHAPS defined benefit liability	22	(112,000)	(1,132,000)
Deferred taxation	24	(811)	(811)
Net assets		<u>17,482,461</u>	<u>16,749,387</u>
Capital and reserves			
Share capital	24	809	782
Revenue reserve	25	17,481,652	16,748,605
		<u>17,482,461</u>	<u>16,749,387</u>

The financial statements were authorised for issue by the Management Committee on 8 September 2020 and are signed on their behalf by:

A Scott Chairperson

J O'Donnell Vice-Chairperson

C McGuire Secretary

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Tangible fixed assets			
Housing properties	13	33,713,230	33,149,298
Other fixed assets	13	818,143	755,215
	13	<u>34,531,373</u>	<u>33,904,513</u>
Investments			
Investments in subsidiaries	15	2	2
Current assets			
Debtors	17	820,201	538,779
Cash at bank and in hand	18	4,308,056	5,832,979
		<u>5,128,257</u>	<u>6,371,758</u>
Creditors: amounts falling due within one year	19	<u>(2,682,710)</u>	<u>(2,532,602)</u>
Net current assets/(liabilities)		<u>2,445,547</u>	<u>3,839,156</u>
Total assets less current assets/(liabilities)		36,976,922	37,743,671
Creditors: amounts falling due after more than one year	20	(19,289,799)	(19,730,425)
Pension - Strathclyde defined benefit liability	22	(127,000)	(170,000)
Pension - SHAPS defined benefit liability	22	(112,000)	(1,132,000)
		<u>17,448,123</u>	<u>16,711,246</u>
Net assets		17,448,123	16,711,246
Capital and reserves			
Share capital	24	809	782
Revenue reserve	25	17,447,314	16,710,464
		<u>17,448,123</u>	<u>16,711,246</u>

The financial statements were authorised for issue by the Management Committee on 8 September 2020 and are signed on their behalf by:

A Scott Chairperson

J O'Donnell Vice-Chairperson

C McGuire Secretary

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Net cash generated from operating activities	29		457,467		1,125,749
Cash flow from investing activities					
Purchase of tangible fixed assets		(1,572,246)		(1,301,952)	
Proceeds from sale of tangible fixed assets		260,000		50,887	
Grants received		50,784		-	
Interest received		30,034		13,382	
			(1,231,428)		(1,237,683)
Cash flow from financing activities					
Interest paid		(649,777)		(481,268)	
Repayment of borrowings		(215,772)		(4,941,393)	
Loans drawn down		-		9,980,785	
Issue of share capital		115		115	
			(865,434)		4,558,239
Net changes in cash and cash equivalents			(1,639,395)		4,446,305
Cash and cash equivalents at 1 April			6,164,602		1,718,297
Cash and cash equivalents at 31 March			4,525,207		6,164,602

(i) Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	Other non-cash changes £	At 31 March 2020 £
Cash and cash equivalents				
Cash	6,164,602	(1,639,395)	-	4,525,207
	6,164,602	(1,639,395)	-	4,525,207
Borrowings				
Debt due within one year	(174,330)	215,772	(324,596)	(283,154)
Debt due after one year	(17,293,874)	-	429,485	(16,864,389)
	(17,468,204)	215,772	104,889	(17,147,543)
Total	(11,303,602)	(1,423,623)	104,889	(12,622,336)

The notes form part of these financial statements

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Net cash generated from operating activities	29		570,565		1,002,173
Cash flow from investing activities					
Purchase of tangible fixed assets		(1,570,872)		(1,301,952)	
Proceeds from sale of tangible fixed assets		260,000		50,887	
Grants received		50,784		-	
Interest received		30,034		13,382	
			(1,230,054)		(1,237,683)
Cash flow from financing activities					
Interest paid		(649,777)		(481,268)	
Repayment of borrowings		(215,772)		(4,941,393)	
Loans drawn down		-		9,980,785	
Issue of share capital		115		115	
			(865,434)		4,558,239
Net changes in cash and cash equivalents			(1,524,923)		4,322,729
Cash and cash equivalents at 1 April			5,832,979		1,510,250
Cash and cash equivalents at 31 March			4,308,056		5,832,979

(i) Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	Other non-cash changes £	At 31 March 2020 £
Cash and cash equivalents				
Cash	5,832,979	(1,524,923)	-	4,308,056
	5,832,979	(1,524,923)	-	4,308,056
Borrowings				
Debt due within one year	(174,330)	215,772	(324,596)	(283,154)
Debt due after one year	(17,293,874)	-	429,485	(16,864,389)
	(17,468,204)	215,772	104,889	(17,147,543)
Total	(11,635,225)	(1,309,151)	104,889	(12,839,487)

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. General Information

The Association is registered under The Co-operative & Community Benefit Societies Act 2014. The group financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Determination of Accounting Requirements 2019 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 financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

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

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is 161. The registered address is 53 Ballindalloch Drive, Glasgow, G31 3DQ.

2. Accounting policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets 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 ended 31 March 2021 and the year ended 31 March 2022. The Group and Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continues 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 Group's and the Association's operations and financial performance.

2. Accounting policies (continued)

Turnover

Milnbank Housing Association Limited

Turnover represents rental and service charge income, nursery fees, fees for the provision of supported housing, and fees or revenue grants receivable from Glasgow City Council and from the Scottish Government. Also included is any income from first tranche shared ownership disposals.

Income from rental and service charges and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and it can be measured reliably.

Milnbank Property Services Limited and Milnbank Community Enterprises Limited

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is recognised when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred in respect of the transaction can be measured reliably.

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.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income when the Group is entitled to it.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Fixed assets - Housing properties

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

1. Cost of acquiring land and buildings.
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by the Scottish Government or Glasgow City Council for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

Fixed assets - Housing properties (continued)

All invoices and architects' certificates relating to capital expenditure incurred in the year are included in the accounts for the year at net value, provided that the dates of issue or valuation are prior to the year-end. At the year end a retention creditor is recognised for all outstanding retentions.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

Depreciation

1. Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified:

Land - not depreciated
Structure – over 100 years
Internal walls – over 20 years
Kitchen – over 15 years
Bathrooms – over 30 years
Boiler – over 20 years
Central Heating / Fixtures – over 20 years
Windows – over 30 years
Rewiring / Electrics – over 20 years
Common Doors – over 30 years

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Furniture, fittings, & equipment	-	20% reducing balance & 33% straight line
Office and storage units	-	2% to 5% straight line
Nursery	-	2% straight line

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

Shared equity

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Group's obligation ceases and the cost and grant are derecognised through the Statement of Comprehensive Income.

Stocks

Stock and work in progress is valued at the lower of cost and estimated net realisable value.

2. Accounting policies (continued)

Financial instruments

The Group 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 Group 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.

Debtors

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

Rental Arrears

Rental arrears represent 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 17.

Cash & 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.

Current asset investments

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

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.

2. Accounting policies (continued)

Government capital grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Group 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 Group to recognise income on a systematic basis over the period in which the Group 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 Group recognises the grant in income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

Non-government 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 grants are received or receivable.

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.

Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security for these loans is only possible once approval has been given by the Scottish Government.

Pensions (note 22)

Scottish Housing Association Pension Scheme (SHAPS) and Strathclyde Pension Fund (SPF)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and Strathclyde Pension Fund (SPF) 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 and SPF are 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.

2. Accounting policies (continued)

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

Auto-enrolment

The Group is also a member of the SHAPS defined contribution scheme and this scheme is used for auto-enrolment. The cost of the employer's contributions is charged to the Statement of Comprehensive Income on an accruals basis.

Financial Commitments

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the Group. Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

3. Judgements in applying 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'.

2. Judgements in applying policies and key sources of estimation uncertainty (continued)

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

Estimate

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPS pension scheme and Strathclyde Pension Scheme.

The valuation of investment properties

Basis of estimation

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

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.

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.

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

The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

Group	2020			2019		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
Affordable letting activities (Note 5)	6,679,875	(6,416,986)	262,889	6,359,979	(5,746,997)	612,982
Other activities (Note 6)	515,989	(505,357)	10,632	567,280	(520,556)	46,724
Milnbank Property Services Limited	282,664	(258,989)	23,675	256,432	(237,755)	18,677
Milnbank Community Enterprises Limited	73,032	(66,459)	6,573	74,369	(60,188)	14,181
Less: intergroup service level agreement*	(250,000)	250,000	-	-	-	-
	<u>7,301,560</u>	<u>(6,997,791)</u>	<u>303,769</u>	<u>7,258,060</u>	<u>(6,565,496)</u>	<u>692,564</u>
Association			2020			2019
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
Affordable letting activities (Note 5)	6,679,875	(6,416,986)	262,889	6,359,979	(5,746,997)	612,982
Other activities (Note 6)	515,989	(505,357)	10,632	567,280	(520,556)	46,724
	<u>7,195,864</u>	<u>(6,922,343)</u>	<u>273,521</u>	<u>6,927,259</u>	<u>(6,267,553)</u>	<u>659,706</u>

*For the first time this year a service level agreement has been entered into between the Association and its two subsidiaries. The Association charged a service charge of £238,000 to Milnbank Property Services Limited and £12,000 to Milnbank Community Enterprises Limited. On consolidation this charge is removed to arrive at the Group turnover and operating expenditure.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities					
Association	General Needs Housing £	Supported Housing * £	Shared Ownership £	2020 Total £	2019 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,683,180	162,905	7,736	5,853,821	5,626,610
Service charges	-	-	-	-	-
Gross income from rents and service charges	5,683,180	162,905	7,736	5,853,821	5,626,610
Less voids	(62,802)	-	-	(62,802)	(143,708)
Net income from rents and service charges	5,620,378	162,905	7,736	5,791,019	5,482,902
Other revenue grants	146,472	342,099	-	488,571	557,285
Other income	-	(1,196)	-	(1,196)	27,351
Amortisations of deferred government capital grants	51,527	-	9,690	61,217	188,393
Stage 3 adaptations grant	90,264	-	-	90,264	104,048
Service level agreement	250,000	-	-	250,000	-
Total turnover from affordable letting activities	6,158,641	503,808	17,426	6,679,875	6,359,979
Expenditure					
Management and maintenance administration costs	(3,116,627)	(463,153)	-	(3,579,780)	(3,415,594)
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	(1,028,500)	-	-	(1,028,500)	(637,198)
Reactive maintenance costs	(1,158,413)	-	-	(1,158,413)	(1,028,504)
Bad debts – rents and service charges	(22,874)	-	-	(22,874)	(79,659)
Depreciation of social housing**	(597,348)	(17,287)	(12,784)	(627,419)	(586,042)
Operating costs for affordable letting activities	(5,923,767)	(480,440)	(12,784)	(6,416,986)	(5,746,997)
Operating surplus on affordable letting activities, 2020	234,879	23,368	4,642	262,889	
Operating surplus on affordable letting activities, 2019	580,553	(16,322)	48,751		612,982

* Relates to Walpole and Circus Drive.

** Depreciation includes £596,422 (2019: £510,250) of actual depreciation, and the net book value of disposed components of £30,997 (2019: £75,792) which has been included in depreciation in accordance with the SORP.

MILNBANK 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

Group and Association	£	£	£	£	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating expenditure	Surplus	Total Turnover	Operating expenditure	Surplus
Wider role activities #	167,753	25,000	-	-	192,753	(227,096)	(34,343)	244,530	(244,530)	-
Carbon Footprint Nursery	-	-	-	323,236	323,236	(278,261)	44,975	322,750	(276,026)	46,724
Total from other activities - 2020	<u>167,753</u>	<u>25,000</u>	<u>-</u>	<u>323,236</u>	<u>515,989</u>	<u>(505,357)</u>	<u>10,632</u>			
Total from other activities - 2019	<u>214,210</u>	<u>30,320</u>	<u>-</u>	<u>322,750</u>				<u>567,280</u>	<u>(520,556)</u>	<u>46,724</u>

Undertaken to support the community, other than the provision, construction, improvement and management of housing.

Note 1: The Association acts as an agent for Glasgow City Council and private owners in respect of administering property improvements, mainly insulation works, to properties owned by private owners. As the Association is acting as an agent the income and expenditure is not recognised in the Association's financial statements, but is summarised below:-

	2020 £	2019 £
Development income	70,145	543,460
Development expenditure	(70,145)	(543,460)
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. Directors' Emoluments – Group and Association

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 the Senior Management Team (the Executive Officers as per the first page of the financial statements) of the Association. The Management Committee received remuneration of £nil (2019: £nil) for their services in the year. The director's remuneration is as follows:

	2020 £	2019 £
Total emoluments of the Director (excluding pension Contributions)	<u>91,860</u>	<u>87,844</u>

The Director is a member of the Association's pension scheme, as described in note 22. The Director's pension contribution in the year to 31 March 2020 was £11,534 (2019: £11,189).

Total emoluments paid to those earning more than £60,000 excluding pension contributions	<u>162,895</u>	<u>156,575</u>
Pension contributions paid to those earning more than £60,000	<u>20,658</u>	<u>20,031</u>

Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-

	No	No
£60,001 - £65,000	-	-
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	1
£90,001 - £95,000	1	-

	£	£
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>1,850</u>	<u>1,427</u>
Total emoluments paid to key management personnel including pension contributions and employers' NI	<u>423,879</u>	<u>417,650</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employee Information

Group

	2020	<i>2019</i>
	No.	<i>No.</i>
The full time equivalent number of employees employed during the year was:		
Administration & Finance	20	<i>20</i>
Housing services management	10	<i>10</i>
Property services (including maintenance)	40	<i>41</i>
Housing with Support	13	<i>13</i>
Wardens & Cleaners	10	<i>9</i>
Nursery	15	<i>14</i>
Wider role	1	<i>2</i>
Milnbank Community Enterprise Limited	2	<i>2</i>
	111	<i>111</i>
	2020	<i>2019</i>
	£	<i>£</i>
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,769,784	<i>2,749,128</i>
Social security costs	238,528	<i>234,273</i>
Pension costs	134,321	<i>142,125</i>
Defined benefit pension charge – Strathclyde pension fund (note 22)	50,000	<i>14,000</i>
Defined benefit pension charge - SHAPS (note 22)	38,067	<i>31,000</i>
	3,230,700	<i>3,170,526</i>

Association

	2020	<i>2019</i>
	No.	<i>No.</i>
The full time equivalent number of employees employed during the year was:		
Administration & Finance	20	<i>20</i>
Housing services management	10	<i>10</i>
Property services (including maintenance)	40	<i>41</i>
Housing with Support	13	<i>13</i>
Wardens & Cleaners	10	<i>9</i>
Nursery	15	<i>14</i>
Wider role	1	<i>2</i>
	109	<i>109</i>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employee Information (continued)

	2020 £	2019 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,728,486	2,701,821
Social security costs	236,158	231,196
Pension costs	133,627	140,465
Defined benefit pension charge – Strathclyde Pension Fund (note 22)	50,000	14,000
Defined benefit pension liability – SHAPS (note 22)	38,067	31,000
	<u>3,186,338</u>	<u>3,118,482</u>

In 2019 salary costs were recharged from the Association to Milnbank Community Enterprises Limited of £15,243 and Milnbank Property Services Limited of £215,855, hence salary costs for the Association and for the Group would vary. In 2020 a service level agreement was entered into which encompasses the salary costs, therefore there were no longer recharges. This service level income is included within income in note 5. The salary costs above are the gross salary figures prior to the recharges.

9. Operating Surplus

Group

	2020 £	2019 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	635,615	533,985
Depreciation due to loss on disposal of components	30,997	75,972
Auditor's remuneration (excluding VAT)		
- In their capacity as auditor	19,450	18,985
- In respect of other services	3,595	3,494
	<u>635,615</u>	<u>533,985</u>

Association

	2020 £	2019 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	634,147	532,792
Depreciation due to loss on disposal of components	30,997	75,972
Auditor's remuneration (excluding VAT)		
- In their capacity as auditor	12,015	11,665
- In respect of other services	2,655	2,575
	<u>634,147</u>	<u>532,792</u>

10. Interest Receivable and Other Income – Group and Association

	2020 £	2019 £
Interest receivable on deposits	<u>30,034</u>	<u>13,382</u>

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Interest payable and similar charges – Group and Association

	2020 £	2019 £
On private loans	649,777	481,268
Strathclyde Pension Fund finance charge (note 22)	5,000	2,000
Defined benefit pension liability – interest charge (Note 22)	25,000	25,000
Release of bond creditor	(104,889)	-
	<u>574,888</u>	<u>508,268</u>

12. Taxation

Group

The Association is not subject to corporation tax on its charitable activities. However the surpluses from non-charitable activities are subject to taxation. No corporation tax was due on non-charitable activities (2019: £nil). No corporation tax arose in either subsidiary (2019: £nil), however a deferred tax credit of £nil (2019: deferred tax charge of £202) arose in Milnbank Community Enterprises Limited in 2019/20.

Association

As a charity, Milnbank Housing Association Limited's charitable activities are not subject to taxation. However the surpluses from non-charitable activities are subject to taxation. No corporation tax was due on non-charitable activities (2019: £nil).

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Tangible Fixed Assets

Group	Housing Properties Held for Letting	Housing Properties under Development	Shared Ownership Properties	Investment Properties	Office and Storage Units	Furniture Fittings & Equipment	Nursery	Total
Cost	£	£	£	£	£	£	£	£
At start of year	35,058,751	17,296	639,221	52,500	809,536	362,471	386,884	37,326,659
Additions – units	55,116	-	-	-	-	-	-	55,116
Additions – components	1,415,103	-	-	-	28,784	73,243	-	1,517,130
Disposals – units	(299,034)	-	-	-	-	-	-	(299,034)
Disposals – components	(42,335)	-	-	-	-	-	-	(42,335)
At end of year	36,187,601	17,296	639,221	52,500	838,320	435,714	386,884	38,557,536
Depreciation								
At start of year	2,322,294	-	243,676	-	455,015	357,703	38,690	3,417,378
Charge for year	583,638	-	12,784	-	13,761	17,694	7,738	635,615
On disposals – units	(20,166)	-	-	-	-	-	-	(20,166)
On disposals – components	(11,338)	-	-	-	-	-	-	(11,338)
At end of year	2,874,428	-	256,460	-	468,776	375,397	46,428	4,021,489
Net Book Value								
At end of year	33,313,173	17,296	382,761	52,500	369,544	60,317	340,456	34,536,047
At start of year	32,736,457	17,296	395,545	52,500	354,521	4,768	348,194	33,909,281

Note 1: Properties with a cost of £299,034 (2019: £79,902) and depreciation of £20,166 (2019: £28,261) have been disposed of in the year with net proceeds totalling £260,000 (2019: £50,887). £nil (2019: £161,374) is due to be repaid to the Scottish Government in respect of SHG and to GHA in respect of 'excess proceeds' in respect of these disposals.

Note 2: Components with a total cost of £1,415,103 (2019: £1,301,952) were capitalised in the year. The purchase of additional housing units with a total cost of £55,116 (2019: £NIL) were capitalised in the year. Additions to Housing Properties during the year includes £nil (2019: £nil) capitalised interest and £nil (2019: £nil) capitalised administration costs. The amount spent on maintenance of housing properties held for letting and shared ownership properties can be seen in Note 5.

Note 3: Investment properties are valued at market value based upon valuation reports prepared for the Group by JLL, chartered surveyors.

Note 4: Included in housing properties held for letting is land with a carrying value of £6,287,504 (2019: £6,324,736) and included in shared ownership properties is land with a carrying value of £95,883 (2019: £95,883)

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Tangible Fixed Assets (continued)

Association	Housing Properties Held for Letting	Housing Properties under Development	Shared Ownership Properties	Investment Properties	Office and Storage Units	Furniture Fittings & Equipment	Nursery	Total
	£	£	£	£	£	£	£	£
Cost								
At start of year	35,058,751	17,296	639,221	52,500	809,536	356,510	386,884	37,320,698
Additions – units	55,116	-	-	-	-	-	-	55,116
Additions – components	1,415,103	-	-	-	28,784	71,870	-	1,515,757
Disposals – units	(299,034)	-	-	-	-	-	-	(299,034)
Disposals – components	(42,335)	-	-	-	-	-	-	(42,335)
At end of year	36,187,601	17,296	639,221	52,500	838,320	428,380	386,884	38,550,202
Depreciation								
At start of year	2,322,294	-	243,676	-	455,015	356,510	38,690	3,416,185
Charge for year	583,638	-	12,784	-	13,761	16,227	7,738	634,148
On disposals – units	(20,166)	-	-	-	-	-	-	(20,166)
On disposals – components	(11,338)	-	-	-	-	-	-	(11,338)
At end of year	2,874,428	17,296	256,460	-	468,776	372,737	46,428	4,018,829
Net Book Value								
At end of year	33,313,173	17,296	382,761	52,500	369,544	55,643	340,456	34,531,373
At start of year	32,736,457	17,296	395,545	52,500	354,521	-	348,194	33,904,513

Note 1: Properties with a cost of £299,034 (2019: £79,902) and depreciation of £20,166 (2019: £28,261) have been disposed of in the year with net proceeds totalling £260,000 (2019: £50,887). £nil (2019: £161,374) is due to be repaid to the Scottish Government in respect of SHG and to GHA in respect of 'excess proceeds' in respect of these disposals.

Note 2: Components with a total cost of £1,415,103 (2019: £1,301,952) were capitalised in the year. The purchase of additional housing units with a total cost of £55,116 (2019: £NIL) were capitalised in the year. Additions to Housing Properties during the year includes £nil (2019: £nil) capitalised interest and £nil (2019: £nil) capitalised administration costs. The amount spent on maintenance of housing properties held for letting and shared ownership properties can be seen in Note 5.

Note 3: Investment properties are valued at market value based upon valuation reports prepared for the Group by JLL, chartered surveyors.

Note 4: Included in housing properties held for letting is land with a carrying value of £6,287,504 (2019: £6,324,736) and included in shared ownership properties is land with a carrying value of £95,883 (2019: £95,883)

MILNBANK HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020****14. Housing Stock – Group and Association**

The number of units of accommodation in management was as follows:-

	Units in management 2020 Improved	<i>Units in management 2019 Improved</i>
General needs	1,675	1,675
Supported – Walpole (self-contained units)	7	7
Shared ownership	8	8
	<u>1,690</u>	<u>1,690</u>

The supported units at Circus Drive are leased from Loretto Housing Association Limited.

15. Investments in subsidiaries

Association	2020 £	2019 £
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>

Milnbank Housing Association Limited owns 1 ordinary £1 share in Milnbank Community Enterprises Limited. This represents a 100% shareholding in Milnbank Community Enterprises Limited, a company registered in Scotland, whose principal activity is community development. The profit on ordinary activities after taxation for the year ended 31 March 2020 was £6,574 (2019: £14,383). The capital and reserves of Milnbank Community Enterprises Limited as at 31 March 2020 was £10,595 (2019: £19,395).

Milnbank Housing Association Limited owns 1 ordinary £1 share in Milnbank Property Services Limited. This represents a 100% shareholding in Milnbank Property Services Limited, a company registered in Scotland, whose principal activity is the provision of factoring services including the provision of repair and maintenance services. The profit on ordinary activities after taxation for the year ended 31 March 2020 was £21,781 (2019: £18,677). The capital and reserves of Milnbank Property Services Limited as at 31 March 2020 was £21,852 (2019: £18,748).

16. Stock

Group	2020 £	2019 £
Bar Stock	<u>1,333</u>	<u>2,032</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

17. Debtors

Group	2020	2019
	£	£
Amounts falling due within one year:		
Rental arrears	403,881	364,181
Less: provision for bad debts	(213,446)	(213,446)
	190,435	150,735
Trade debtors	27,135	46,297
Other debtors	378,691	105,712
Accrued income	172,759	213,759
	769,020	516,503

Association

	2020	2019
	£	£
Amounts falling due within one year:		
Rental arrears	403,881	364,181
Less: provision for bad debts	(213,446)	(213,446)
	190,435	150,735
Amounts owed by subsidiaries	251,132	300,653
Other debtors	378,634	87,391
	820,201	538,779

18. Cash and cash equivalents

Group	2020	2019
	£	£
Balances held in current accounts	725,207	834,602
Balances held in deposit accounts	3,800,000	5,330,000
	4,525,207	6,164,602

Association

	2020	2019
	£	£
Balances held in current accounts	508,056	502,979
Balances held in deposit accounts	3,800,000	5,330,000
	4,308,056	5,832,979

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

19. Creditors: amounts falling due within one year

Group	2020	2019
	£	£
Bank loans and bond	283,154	174,330
Trade creditors	486,901	291,061
Other creditors	1,660,178	1,826,915
Accruals	119,268	221,574
Rent prepaid	130,559	176,616
Other taxes and social security	81,139	61,670
Deferred Government capital grant (Note 21)	58,337	57,629
	<u>2,819,536</u>	<u>2,809,795</u>
Secured creditors	<u>283,154</u>	<u>174,330</u>

At the year-end pension contributions of £nil (2019: £nil) were outstanding and included within other creditors.

Association	2020	2019
	£	£
Bank loans and bond	283,154	174,330
Trade creditors	472,047	268,078
Other creditors	1,612,969	1,782,791
Accruals	63,771	12,000
Rent prepaid	130,559	176,616
Other taxes and social security	61,873	61,158
Deferred Government capital grant (Note 21)	58,337	57,629
	<u>2,682,710</u>	<u>2,532,602</u>
Secured creditors	<u>283,154</u>	<u>174,330</u>

At the year-end pension contributions of £nil (2019: £nil) were outstanding and included within other creditors.

20. Creditors: amounts falling due out with one year – Group and Association

	2020	2019
	£	£
Bank loans and bond	16,864,389	17,293,874
Deferred Government capital grant (Note 21)	2,418,584	2,429,725
SHAPS past service pension deficit liability in respect of the Growth Plan (Note 23)	6,826	6,826
	<u>19,289,799</u>	<u>19,730,425</u>
Secured creditors	<u>16,864,389</u>	<u>17,293,874</u>

20. Creditors: amounts falling due out with one year (continued)

Loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year-end was £21.240m (2019: £26.164m). The loan outstanding to Nationwide Building Society is repayable at a rate of interest of 3.59% in instalments and is due to be repaid by 1 June 2042. The effective interest rate on the GBSH Bond Facility is 3.898% (Coupon Rate 5.193%) with the principal to be paid in February 2038. Included in the bank loans and bonds total is £1.38m of a bond premium which will be amortised over the life of the bond.

The loans and bonds are due in instalments as follows: -

	2020 £	2019 £
Due between one and two years	284,154	260,988
Due between two and five years	852,464	805,913
Due in five years or more	15,727,771	16,226,973
	<u>16,864,389</u>	<u>17,293,874</u>

21. Deferred Government capital grants – Group and Association

	2020 £	2019 £
<u>Housing grants</u>		
At 1 April	2,487,354	2,675,747
Grants received in year	50,784	-
Released to income in year	(61,217)	(188,393)
	<u>2,476,921</u>	<u>2,487,354</u>

The ageing on deferred capital grants is as follows:

Due in less than one year	58,337	57,629
Due in one to two years	58,337	57,629
Due between two and five years	175,011	172,888
Due in five years or more	2,185,236	2,199,208
	<u>2,476,921</u>	<u>2,487,354</u>

22. Pensions – Group and Association
Scottish Housing Association Pension Scheme (SHAPS)

Milnbank Housing Association Limited (the "Association") participates in the Scottish Housing Associations' Pension Scheme, (the "Scheme"). The scheme is a multi-employer defined benefit scheme which provides benefits to some 150 non-associated employers. 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.

22. Pensions – Group and Association (continued)

Milnbank Housing Association has elected to operate the final salary with a 1/60th accrual rate for existing members but closed this option for new members at 31 March 2015. As at the Statement of Financial Position date there were 10 (2019: 13) active members of the Defined Benefit Scheme employed by Milnbank Housing Association Limited.

From 1 April 2015 new members are offered the option of joining the Defined Contribution Scheme. This Defined Contribution Scheme is used for Auto Enrolment. In the year, 57 employees were auto enrolled and stayed in the Defined Contribution Scheme.

During the year, Milnbank Housing Association Limited paid contributions in respect of the Final 1/60th Scheme at the rate of 12.6% of pensionable salaries. Member contributions were 12.5. Employer contributions to the Defined Contribution Scheme are set at 4% and employees contributed 5% of their salaries.

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. The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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
(for leavers before 1 October 1993 pension increases are 5%)	
Rate of price inflation	3.35% per annum

The SHAPS defined benefit pension liability 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 £395,722 to recognise a liability of £1,052,000 as at 1 April 2018.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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22. Pensions – Group and Association (continued)

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

	31 March 2020	31 March 2019
	£'000	£'000
Fair value of plan assets	5,936	5,395
Present value of defined benefit obligation	(6,048)	(6,527)
	-----	-----
Defined benefit liability to be recognised	(112)	(1,132)
	-----	-----

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Defined benefit obligation at start of period	(6,527)	(6,358)
Current service cost	(110)	(101)
Expenses	(5)	(5)
Interest expense	(152)	(161)
Contributions by plan participants	(66)	(66)
Actuarial (loss)/gain due to scheme experience	(72)	198
Actuarial gain/(loss) due to changes in demographic assumptions	39	(18)
Actuarial gain/(loss) due to changes in financial assumptions	718	(424)
Benefits paid and expenses	127	408
	-----	-----
Defined benefit liability at the end of the period	(6,048)	(6,527)
	-----	-----

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Fair value of plan assets at start of the period	5,395	5,306
Interest income	127	136
Experience on plan assets (excluding amounts included in interest income) – gain	210	50
Contributions by the employer	265	245
Contributions by plan participants	66	66
Benefits paid and expenses	(127)	(408)
	-----	-----
Fair value of plan assets at end of period	5,936	5,395
	-----	-----

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Current service cost	110	131
Admin expenses	5	5
Net interest expense	25	25
	-----	-----
Defined benefit costs recognised in Statement of Comprehensive Income	140	161
	-----	-----

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22. Pensions – Group and Association (continued)

Defined benefit costs recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Experience on plan assets (excluding amounts included in net interest cost – gain)	210	50
Experience gains and losses arising on the plan liabilities – gain	(72)	198
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	39	(18)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	718	(424)
Total amount recognised in other comprehensive income – gain/(loss)	895	(194)

Fund allocation for employer's calculated share of assets

	31 March 2020 £'000	31 March 2019 £'000
Global Equity	816	868
Absolute Return	364	457
Distressed Opportunities	108	92
Credit Relative Value	143	301
Alternative Risk Premia	476	94
Fund of Hedge Funds	-	15
Emerging Markets Debt	211	173
Risk Sharing	188	156
Insurance-Linked Securities	159	140
Property	111	107
Infrastructure	350	226
Private Debt	118	70
Opportunistic Illiquid Credit	145	-
Corporate Bond Fund	434	378
Liquid Credit	156	-
Long Lease Property	145	65
Secured Income	329	188
Over 15 Year Gilts	75	139
Liability Driven Investment	1,563	1,920
Net Current Assets	45	6
Total Assets	5,936	5,395

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	2.38
Inflation (RPI)	2.62
Inflation (CPI)	1.62
Salary growth	2.62
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

22. Pensions – Group and Association (continued)

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.

Member data summary**Active members**

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	2	119	62
Females	9	368	53
Total	11	487	55

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	6	25	49
Females	6	9	54
Total	12	34	51

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	3	25	66
Females	6	33	63
Total	9	58	64

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 Defined Benefit 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 Defined Benefit 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 currently participating 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.

22. Pensions – Group and Association (continued)

The Association has been notified by the Pensions Trust 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 £4,675,668.

Strathclyde Pension Fund

There are three employees as well as a fourth employee who retired on 31 March 2015 who are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2020	<i>31 March 2019</i>
Inflation / Pension Increase Rate	1.9%	2.5%
Salary increases	3.0%	3.7%
Discount rate	2.3%	2.4%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with 80% of the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.8% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at 65 are summarised below:

	Males	Females
Current Pensioners	20.7 years	22.9 years
Future Pensioners	22.2 years	24.6years

The following details relate to Milnbank Housing Association Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Pensions – Group and Association (continued)

Scheme assets

The assets in the scheme and the expected rate of return were:-

	Value at 31 March 2020 £'000	<i>Value at 31 March 2019 £'000</i>
Fair value of plan assets	773	773
Present value of scheme liabilities	(969)	(943)
Net pension liability	(196)	(170)
Reconciliation of defined benefit obligation	2020 £'000	2019 £'000
Opening Defined Benefit Obligation	943	815
Current Service Cost	45	36
Past service cost	26	-
Interest cost	24	22
Plan participants contributions	6	6
Changes in financial assumptions	(111)	79
Changes in demographic assumptions	(34)	-
Other experience	(5)	-
Benefits Paid	(15)	(15)
Closing Defined Benefit Obligation	879	943
Reconciliation of fair value of employer assets	2020 £'000	2019 £'000
Opening Fair Value of Employer Assets	773	717
Expected Return on Assets	-	-
Plan participants contributions	6	6
Contributions by the Employer	21	22
Contributions in respect of Unfunded Benefits	-	-
Interest income on plan assets	19	20
Assets Acquired in a Business Combination	-	-
Return on assets excluding amounts included in net interest	(52)	23
Estimated Unfunded Benefits Paid	-	-
Benefits Paid	(15)	(15)
Closing Fair Value of Employer Assets	752	773
Net pension liability	(127)	(170)
Analysis of amount recognised in Other Comprehensive Income	2020 £	2019 £
Return on assets excluding amounts included in net interest	(52,000)	23,000
Changes in financial assumptions	150,000	(79,000)
Changes in demographic assumptions	-	-
Other experience	-	-
Actuarial gain/(loss)	98,000	(56,000)

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22. Pensions – Group and Association (continued)

Sensitivity analysis	Approximate % increase to Employer Liability	Approximate monetary amount (£000's)
0.5% decrease in real discount rate	12%	103
0.5% increase in the Salary Increase Rate	2%	16
0.5% increase in the Pension Increase Rate	10%	86

2020
£

23. Deferred taxation - Group

At the start of the year	(811)
Charged to profit or loss	-
At end of year	(811)

A deferred taxation balance is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(811)	(811)
	(811)	(811)

24. Share capital – Group and Association

	2020 £	2019 £
At 1 April	782	715
Shares of £1 each fully paid and issued during the year	115	115
Shares forfeited in year	(88)	(48)
At 31 March	809	782

A share entitles the owner the right to vote at meetings. There are no rights to receive dividends attached to the shares or to the distribution of assets should the Association be wound up.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

25. Reserves

Revenue reserves represent the cumulative retained surplus and deficits.

26. Revenue Commitments – Group and Association

At the year end the Group and Association were committed to making the following payments under operating leases with the total commitments split as follows:

	Office Equipment, Premises & Motor Vehicles 2020 £	<i>Office Equipment, Premises & Motor Vehicles 2019 £</i>
Within one year	247,576	259,007
Between one and five years	247,169	286,790
More than five years	9,714	-
	504,459	545,797

27. Related Party Transactions

Milnbank Community Enterprises Limited

A management fee of £6,600 (2019: £6,600) was charged to the Association by the company for the management of the Association's shop premises.

Salary costs of £9,401 (2019: £8,573) were incurred and then recharged by the Association.

During the year, Milnbank Community Enterprises entered into a Service Level Agreement with Milnbank Housing Association. £12,000 (2019: £nil) was paid to Milnbank Housing Association Limited as a result of this Service Level Agreement.

The company charged the Association £7,716 (2019: £5,400) in respect of window cleaning services provided.

The Association also paid costs of £nil (2019: £5,846) on behalf of Milnbank Community Enterprises Limited which were recharged.

During the year, Milnbank Community Enterprises paid a net payment of £3,345 (2019: £1,100) in respect of the intergroup balance.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2019 was £23,047 (2019: £19,307) and is included in creditors.

A distribution in the form of gift aid of £15,374 (2019: £10,732) was paid by Milnbank Community Enterprises Limited to Milnbank Housing Association Limited during the year.

There is a proposal to make a distribution in the form of a gift aid payment of £7,368 (2019: £15,374) next year to Milnbank Housing Association Limited.

27. Related Party Transactions (continued)

Milnbank Property Services Limited

For the year ended 31 March 2019, salary costs of £215,855, based on the estimated time spent by Association staff on activities of Milnbank Property Services Limited was recharged. A new service level agreement was entered into in the year, for which Milnbank Property Services paid the Association £238,000 (2019: £nil).

During the year, expenditure of £264,093 (2019: £161,638) was incurred by Milnbank Housing Association Limited on behalf of Milnbank Property Services Limited in respect of works performed to factored properties. These costs were recharged to Milnbank Property Services Limited during the year.

During the year, expenditure of £nil (2019: £42,988) was incurred by Milnbank Property Services Limited on behalf of Milnbank Housing Association Limited in respect of work performed to properties which are shared by factored owners and Housing Association tenants. These costs were recharged by Milnbank Property Services Limited during the year to the Association.

£317,355 (2019: £234,591) was paid over by Milnbank Property Services Limited to the Association in the year in respect of the monies owed.

The balance owed to Milnbank Housing Association Limited by Milnbank Property Services Limited at 31 March 2020 was £228,084 (2019: £281,346). This is included within amounts owed by subsidiaries in debtors.

A distribution in the form of gift aid of £18,677 (2019: £16,613) was paid by Milnbank Property Services Limited to Milnbank Housing Association Limited in respect of the year 31 March 2020.

A distribution in the form of gift aid of £21,781 (2019: £18,677) will be made to Milnbank Housing Association Limited in 2020/21.

Milnbank Property Services Limited and Milnbank Community Enterprises Limited

During the year, £116 (2019: £29) of costs were paid on behalf of Milnbank Community Enterprises Limited by Milnbank Property Services Limited. This was recharged. The balance due to Milnbank Community Enterprises Limited from Milnbank Property Services Limited at the year-end was £116 (2019: £34).

Management Committee members

The Association has Management Committee members who are also tenants. The total rent received in the year relating to tenant Management Committee members is £26,236 (2019: £25,495). The total rent prepaid relating to tenant Committee members included within creditors at the year end is £565 (2019: £1,343) and there are technical arrears of £191 (2019: £54) included within debtors at the year end.

Some members of the Management Committee receive factored services from Milnbank Property Services Limited. At the year-end included in debtors was £3,682 (2019: £3,573).

28. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

29. Net Cash Flow from Operating Activities

Group	2020	2019
	£	£
(Loss)/surplus for the year	(259,953)	197,880
Interest payable	574,888	508,268
Interest received	(30,034)	(13,382)
Proceeds from sale of fixed assets	-	(50,887)
Repayment of grant/excess proceeds to GHA on disposal of tangible fixed assets	-	-
Carrying amount of tangible fixed asset disposals	-	51,641
Depreciation on tangible fixed assets (including loss on disposed components)	666,612	609,777
SPF – non-cash movement	50,000	14,000
SHAPS	38,067	31,000
Increase in stock	699	(326)
Decrease/(increase) in debtors	(252,517)	340,980
(Decrease)/increase in creditors	(99,790)	(211,385)
Release of deferred grant	(61,217)	(188,393)
SHAPS past service deficit payment	(169,200)	(163,174)
Shares forfeited	(88)	(48)
Deferred taxation	-	(202)
	457,467	1,125,749

Association

	2020	2019
	£	£
(Loss)/surplus for the year	(256,150)	192,165
Interest payable	574,888	508,268
Interest received	(30,034)	(13,382)
Proceeds from sale of fixed assets	-	(50,887)
Repayment of grant/excess proceeds to GHA on disposal of tangible fixed assets	-	-
Carrying amount of tangible fixed asset disposals	-	51,641
Depreciation on tangible fixed assets (including loss on disposed components)	665,145	608,584
SPF – non-cash movement	50,000	14,000
SHAPS deficit movement	38,067	31,000
(Increase)/decrease in debtors	(281,422)	188,502
Decrease/ (increase) in creditors	40,576	(176,103)
Release of deferred grant	(61,217)	(188,393)
SHAPS past service deficit payment	(169,200)	(163,174)
Shares forfeited	(88)	(48)
	570,565	1,002,173

30. Capital Commitments

Group and Association	2020	2019
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been approved by the Management Committee but has not been contracted for	-	-