

MILNBANK HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

MILNBANK HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS

Management Committee

Mrs L Williams (Chairperson)
Mr A Scott (Vice-Chairperson)
Mrs C McGuire (Secretary)
Mrs R Tinney (Treasurer)
Cllr E McDougall
Mrs M Hutchison
Mr N Halls
Mr A Young
Mr J O'Donnell
Ms J Donachy
Ms A Jenkins
Ms M Anderson
Mr J McGuirk
Ms G O'Hara
Ms M Smith

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 (Resigned 31 March 2021)
Mr G Kerr Finance Manager (Appointed 14 December 2020)

Registered Office

53 Ballindalloch Drive
Glasgow
G31 3DQ

Auditor

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Bankers

Bank of Scotland 1195 Duke Street Glasgow G31 5NJ	Nationwide BS Kings Park Road Moulton Park Northampton NN3 6NW	GB Social Housing plc Future Business Centre Kings Hedges Road Cambridge CB4 2HY
--	--	--

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
--	---	--

MILNBANK HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
Report of the Management Committee (incorporating the Strategic Report)	1 - 5
Independent Auditor's report to the members of Milnbank Housing Association Limited on the Financial Statements	6 - 10
Report of the Auditor on Internal Financial Controls	11
Group Statement of Comprehensive Income	12
Association Statement of Comprehensive Income	13
Group Statement of Changes in Capital and Reserves	14
Association Statement of Changes in Capital and Reserves	14
Group Statement of Financial Position	15
Association Statement of Financial Position	16
Group Statement of Cash Flow	17
Association Statement of Cash Flow	18
Notes to the Financial Statements	19 - 48

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 2021**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2021.

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 £348k from £7.196m to £7.544m. This is mainly due to a rent increase (+£135K) and an increase in the following grants - deferred Government capital grant (£136k), wider role grants (£118k) and JRS Government grant (£373k). These increases were offset by an increase in voids (£59k), a decrease in other revenue grants of £176K, and a fall in Stage 3 grants of £80k. Such income can vary each year. The Carbon Footprint Nursery income fell sharply by £160k.

The operating expenditure decreased from £6.922m in 2020 to £6.436m this year, a decrease of £486k. This is attributable to a reduction in management and maintenance admin costs of £130k. There was also a reduced spend on reactive and cyclical repairs of £379k.

There were no property disposals in the year (2020: *one - Oakley Terrace*) which was sold for £nil (2020: £260K) but resulted in a loss on disposal of £nil (2020: £18,868). After finance costs of £713,698 (2020: £574,888), bank interest of £6,578 (2020: £30,034) and Gift Aid from the two subsidiaries of £29,149 (2020: £34,051) a surplus is shown in the Statement of Comprehensive Income of £429,691 (2020 *loss of £256,150*). There was a net actuarial loss in respect of the Associations' two defined benefit pension schemes of £807,000 in the year compared to an actuarial gain of £993,000 in 2020, to give total comprehensive loss for the year of £377,309 (2020: *income of £736,850*).

The Association continues to carry out significant amounts of work to both modernise and maintain its properties with £425,176 (2020: £1,415,103) spent on component replacements during the year.

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 with JRS income of £300,815 received by the Association.

MILNBANK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

Milnbank Property Services Limited

Turnover increased from £282,664 to £330,747 in 2021. The profit after providing for taxation amounted to £17,677 (2020 - £21,781).

Milnbank Community Enterprises Limited

Turnover decreased from £73,033 in 2020 to £50,053 (which included £5,619 of JRS income) in 2021. The loss after providing for taxation amounted to £1,670 (2020 – profit of £6,754).

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 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 2021**

Going Concern

The Group and Association has made a surplus in 2020/21. The 30-year forecasts show a deficit being made in 2021/22 due to a large non-capitalised major repairs/investment programme and the catch up in maintenance spend before reverting to surpluses in the years after. The Association has the cash balances to support these expected losses in 2021/22. 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 & Risk Sub Committee meets four times per year to review the management accounts, financial matters of the Association, and key risks areas. The 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.

The Association completed its Action Plan to demonstrate compliance with the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management. The current engagement with the Scottish Housing Regulator is Compliant (Under Review).

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:-

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. A firm of internal auditors, Alexander Sloan, have been now been appointed with the first internal audit cycle commencing on 1 April 2021;
- (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 2021. 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 2021**

Auditor

The auditor, 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: 14 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Capital and Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated and Association Statements of Cash Flows and the notes to the financial statements, including 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 2021 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 requirements of 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 UK, including the FRC'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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Auditor's responsibilities for the audit of the financial statements

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

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Group and the Parent Association, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and the Parent Association are complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Group and Parent Association that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the Parent Association through discussions with the Management Committee members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the Parent Association, including 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, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Management Committee and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Management Committee and relevant sub-committees;
- enquiring of the senior management team and the Management Committee as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Group's and Parent Association's legal advisors.

We assessed the susceptibility of the Group's and the Parent Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Management Committee as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

MILNBANK HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION ON
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 14 September 2021

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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

Titanium 1

King's Inch Place

Renfrew

PA4 8WF

Date: 14 September 2021

MILNBANK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £	2020 £
Turnover	4	7,644,429	7,301,560
Operating expenditure	4	(6,522,949)	(6,997,791)
Operating surplus	4	1,121,480	303,769
Loss on disposal of property, plant and equipment		-	(18,868)
Interest receivable and other income	10	6,578	30,034
Interest payable and similar charges	11	(713,698)	(574,888)
Surplus/(loss) for the year before taxation		414,360	(259,953)
Taxation	12	296	-
Surplus/(loss) for the year after taxation		414,656	(259,953)
Other comprehensive income			
Actuarial (loss)/gain in respect of SHAPS	22	(826,000)	895,000
Actuarial gain in respect of the Strathclyde pension scheme	22	19,000	98,000
Total comprehensive income for the year		(392,344)	733,047

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 2021**

	Note	2021 £	2020 £
Turnover	4	7,543,729	7,195,864
Operating expenditure	4	(6,436,067)	(6,922,343)
Operating surplus	4	1,107,662	273,521
Loss on disposal of property, plant and equipment		-	(18,868)
Interest receivable and other income	10	6,578	30,034
Interest payable and similar charges	11	(713,698)	(574,888)
Gift aid from subsidiaries	27	29,149	34,051
Surplus/(loss) for the year		429,691	(256,150)
Other comprehensive income			
Actuarial (loss)/gain in respect of SHAPS	22	(826,000)	895,000
Actuarial gain in respect of Strathclyde pension scheme	22	19,000	98,000
Total comprehensive income for the year		(377,309)	736,850

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 2021**

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2021**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2020	809	17,481,652	17,482,461
Total comprehensive income	-	(392,344)	(392,344)
Share capital issued	42	-	42
Share capital cancelled	(62)	-	(62)
	<u>789</u>	<u>17,089,308</u>	<u>17,090,097</u>

**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>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2021**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2020	809	17,447,314	17,448,123
Total comprehensive income	-	(377,309)	(377,309)
Share capital issued LSA	42	-	42
Share capital cancelled	(62)	-	(62)
	<u>789</u>	<u>17,070,005</u>	<u>17,070,794</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 restated	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>

The notes form part of these financial statements

MILNBANK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	2021 £	2020 £
Tangible fixed assets			
Housing properties	13	33,479,268	33,713,230
Other fixed assets	13	786,869	822,817
	13	<u>34,266,137</u>	<u>34,536,047</u>
Current assets			
Stock	16	1,333	1,333
Debtors	17	690,789	769,020
Cash at bank and in hand	18	9,197,188	4,525,207
		<u>9,889,310</u>	<u>5,295,560</u>
Creditors: amounts falling due within one year	19	<u>(2,093,330)</u>	<u>(2,819,536)</u>
Net current assets		<u>7,795,980</u>	<u>2,476,024</u>
Total assets less net current assets		42,062,117	37,012,071
Creditors: amounts falling due after more than one year	20	(24,080,505)	(19,289,799)
Pension - Strathclyde defined benefit liability	22	(123,000)	(127,000)
Pension - SHAPS defined benefit liability	22	(768,000)	(112,000)
Deferred taxation	23	(515)	(811)
Net assets		<u>17,090,097</u>	<u>17,482,461</u>
Capital and reserves			
Share capital	24	789	809
Revenue reserve	25	17,089,308	17,481,652
		<u>17,090,097</u>	<u>17,482,461</u>

The financial statements were authorised for issue by the Management Committee on 14 September 2021 and are signed on their behalf by:

L Williams Chairperson

A Scott 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 2021

	Note	2021 £	2020 £
Tangible fixed assets			
Housing properties	13	33,479,268	33,713,230
Other fixed assets	13	783,663	818,143
	13	<u>34,262,931</u>	<u>34,531,373</u>
Investments			
Investments in subsidiaries	15	2	2
Current assets			
Debtors	17	726,325	820,201
Cash at bank and in hand	18	9,059,848	4,308,056
		<u>9,786,173</u>	<u>5,128,257</u>
Creditors: amounts falling due within one year	19	<u>(2,006,807)</u>	<u>(2,682,710)</u>
Net current assets		<u>7,779,366</u>	<u>2,445,547</u>
Total assets less net current assets		42,042,299	36,976,922
Creditors: amounts falling due after more than one year	20	(24,080,505)	(19,289,799)
Pension - Strathclyde defined benefit liability	22	(123,000)	(127,000)
Pension - SHAPS defined benefit liability	22	(768,000)	(112,000)
		<u>(891,000)</u>	<u>(239,000)</u>
Net assets		<u>17,070,794</u>	<u>17,448,123</u>
Capital and reserves			
Share capital	24	789	809
Revenue reserve	25	17,070,005	17,447,314
		<u>17,070,794</u>	<u>17,448,123</u>

The financial statements were authorised for issue by the Management Committee on 14 September 2021 and are signed on their behalf by:

L Williams Chairperson

A Scott 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 2021

	Notes	£	2021 £	£	2020 £
Net cash generated from operating activities	29		1,138,387		457,467
Cash flow from investing activities					
Purchase of tangible fixed assets		(425,176)		(1,572,246)	
Proceeds from sale of tangible fixed assets		-		260,000	
Grants received		-		50,784	
Interest received		6,578		30,034	
			(418,598)		(1,231,428)
Cash flow from financing activities					
Interest paid		(810,622)		(649,777)	
Repayment of borrowings		(222,004)		(215,772)	
Loans drawn down		4,100,000		-	
Bond premium		941,893		-	
Arrangement fees paid		(57,117)		-	
Issue of share capital		42		115	
			3,952,192		(865,434)
Net changes in cash and cash equivalents			4,671,981		(1,639,395)
Cash and cash equivalents at 1 April			4,525,207		6,164,602
Cash and cash equivalents at 31 March			9,197,188		4,525,207

(i) Analysis of changes in net debt

	At 1 April 2020 £	Cash flows £	Other non-cash changes £	At 31 March 2021 £
Cash and cash equivalents				
Cash	4,525,207	4,671,981	-	9,197,188
	4,525,207	4,671,981	-	9,197,188
Borrowings				
Debt due within one year	(283,154)	222,004	(261,774)	(322,924)
Debt due after one year	(16,864,389)	(5,041,893)	419,814	(21,486,468)
	(17,147,543)	(4,819,889)	158,040	(21,809,392)
Total	(12,622,336)	(147,908)	158,040	(12,612,204)

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	£	2021 £	£	2020 £
Net cash generated from operating activities	29		1,218,198		570,565
Cash flow from investing activities					
Purchase of tangible fixed assets		(425,176)		(1,570,872)	
Proceeds from sale of tangible fixed assets		-		260,000	
Grants received		-		50,784	
Interest received		6,578		30,034	
			(418,598)		(1,230,054)
Cash flow from financing activities					
Interest paid		(810,622)		(649,777)	
Repayment of borrowings		(222,004)		(215,772)	
Loans drawn down		4,100,000		-	
Bond premium		941,893		-	
Arrangement fees paid		(57,117)		-	
Issue of share capital		42		115	
			3,952,192		(865,434)
Net changes in cash and cash equivalents			4,751,792		(1,524,923)
Cash and cash equivalents at 1 April			4,308,056		5,832,979
Cash and cash equivalents at 31 March			9,059,848		4,308,056

(i) Analysis of changes in net debt

	At 1 April 2020 £	Cash flows £	Other non-cash changes £	At 31 March 2021 £
Cash and cash equivalents				
Cash	4,308,056	4,751,792	-	9,059,848
	4,308,056	4,751,792	-	9,059,848
Borrowings				
Debt due within one year	(283,154)	222,004	(261,774)	(322,924)
Debt due after one year	(16,864,389)	(5,041,893)	419,814	(21,486,468)
	(17,147,543)	(4,819,889)	158,040	(21,809,392)
Total	(12,839,487)	(68,097)	158,040	(12,749,544)

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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 2021, 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 2021 and of the results for the year ended on that date.

Going Concern

The Management Committee anticipates that a significant deficit will be generated in the year ended 31 March 2022 due to a large non-capitalised major repairs/investment programme and the catch up in maintenance spend before reverting to surpluses in the years after. 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 2021

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
Smoke Detectors - over 10 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.

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.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

Group	2021			2020		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
Affordable letting activities (Note 5)	6,997,865	(5,944,361)	1,053,504	6,679,875	(6,416,986)	262,889
Other activities (Note 6)	545,864	(491,706)	54,158	515,989	(505,357)	10,632
Milnbank Property Services Limited	330,747	(314,963)	15,784	282,664	(258,989)	23,675
Milnbank Community Enterprises Limited	50,053	(52,019)	(1,966)	73,032	(66,459)	6,573
Less: intergroup service level agreement*	(280,100)	280,100	-	(250,000)	250,000	-
	<u>7,644,429</u>	<u>(6,522,949)</u>	<u>1,121,480</u>	<u>7,301,560</u>	<u>(6,997,791)</u>	<u>303,769</u>
Association						
	Turnover £	Operating Expenditure £	2021 Operating Surplus £	Turnover £	Operating Expenditure £	2020 Operating Surplus £
Affordable letting activities (Note 5)	6,997,865	(5,944,361)	1,053,504	6,679,875	(6,416,986)	262,889
Other activities (Note 6)	545,864	(491,706)	54,158	515,989	(505,357)	10,632
	<u>7,543,729</u>	<u>(6,436,067)</u>	<u>1,107,662</u>	<u>7,195,864</u>	<u>(6,922,343)</u>	<u>273,521</u>

*A service level agreement has been entered into between the Association and its two subsidiaries. The Association charged a service charge of £276,000 (2020: £238,000) to Milnbank Property Services Limited and £4,100 (2020: £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 2021

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities					
Association	General Needs Housing £	Supported Housing* £	Shared Ownership £	2021 Total £	2020 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,860,956	120,058	7,736	5,988,750	5,853,821
Service charges	-	-	-	-	-
Gross income from rents and service charges	5,860,956	120,058	7,736	5,988,750	5,853,821
Less voids	(122,130)	-	-	(122,130)	(62,802)
Net income from rents and service charges	5,738,826	120,058	7,736	5,866,620	5,791,019
Other revenue grants	1,163	310,060	-	311,223	488,571
Other income	1,734	29,196	-	30,930	(1,196)
Amortisation of deferred government capital grants	187,949	-	9,690	197,639	61,217
Stage 3 adaptations grant	10,538	-	-	10,538	90,264
Service level agreement	280,100	-	-	280,100	250,000
JRS income	300,815	-	-	300,815	-
Total turnover from affordable letting activities	6,521,125	459,314	17,426	6,997,865	6,679,875
Expenditure					
Management and maintenance administration costs	(2,973,754)	(475,853)	-	(3,449,607)	(3,579,780)
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	(901,621)	-	-	(901,621)	(1,028,500)
Reactive maintenance costs	(906,451)	-	-	(906,451)	(1,158,413)
Bad debts – rents and service charges	(27,544)	-	-	(27,544)	(22,874)
Impairment	(17,296)	-	-	(17,296)	-
Depreciation of social housing**	(611,771)	(17,287)	(12,784)	(641,842)	(627,419)
Operating costs for affordable letting activities	(5,438,437)	(493,140)	(12,784)	(5,944,361)	(6,416,986)
Operating surplus on affordable letting activities, 2021	1,082,688	(33,826)	4,642	1,053,504	
Operating surplus on affordable letting activities, 2020	234,879	23,368	4,642		262,889

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities (continued)

* Relates to Walpole and Circus Drive. **Depreciation includes £624,188 (2020: £596,422) of actual depreciation, and the net book value of disposed components of £17,654 (2020: £30,997) which has been included in depreciation in accordance with the SORP.

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

Group and Association	£	£	£	£	2021 £	2021 £	2021 £	2020 £	2020 £	2020 £
	Grants from Scottish Ministers	Other revenue grants	JRS income	Other income	Total Turnover	Operating expenditure	Surplus	Total Turnover	Operating expenditure	Surplus/ (loss)
Wider role activities #	-	310,422	-	-	310,422	(289,832)	20,590	192,753	(227,096)	(34,343)
Carbon Footprint Nursery	-	-	72,447	162,995	235,442	(201,874)	33,568	323,236	(278,261)	44,975
Total from other activities - 2021	-	310,422	72,447	162,995	545,864	(491,706)	54,158			
Total from other activities - 2020	167,753	25,000	-	323,236				515,989	(505,357)	10,632

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:-

	2021 £	2020 £
Development income	-	70,145
Development expenditure	-	(70,145)
	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
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 (2020: £nil) for their services in the year. The director's remuneration is as follows:

	2021 £	2020 £
Total emoluments of the Director (excluding pension Contributions)	<u>81,844</u>	<u>91,860</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 2021 was £13,944 (2020: £11,534).

Total emoluments paid to those earning more than £60,000 excluding pension contributions	<u>149,813</u>	<u>162,895</u>
Pension contributions paid to those earning more than £60,000	<u>24,973</u>	<u>20,658</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>387</u>	<u>1,850</u>
Total emoluments paid to key management personnel including pension contributions and employers' NI	<u>449,769</u>	<u>423,879</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

8. Employee Information

Group

	2021	<i>2020</i>
	No.	<i>No.</i>
The full time equivalent number of employees employed during the year was:		
Administration & Finance	15	<i>20</i>
Housing services management	9	<i>10</i>
Property services (including maintenance)	36	<i>40</i>
Housing with Support	13	<i>13</i>
Wardens & Cleaners	12	<i>10</i>
Nursery	15	<i>15</i>
Wider role	6	<i>1</i>
Milnbank Community Enterprise Limited	2	<i>2</i>
	108	<i>111</i>
	2021	<i>2020</i>
	£	<i>£</i>
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,526,875	<i>2,769,784</i>
Social security costs	217,344	<i>238,528</i>
Pension costs	127,840	<i>134,321</i>
Defined benefit pension charge – Strathclyde pension fund (note 22)	12,000	<i>50,000</i>
Defined benefit pension charge - SHAPS (note 22)	2,493	<i>38,067</i>
	2,886,552	<i>3,230,700</i>

Association

	2021	<i>2020</i>
	No.	<i>No.</i>
The full time equivalent number of employees employed during the year was:		
Administration & Finance	15	<i>20</i>
Housing services management	9	<i>10</i>
Property services (including maintenance)	36	<i>40</i>
Housing with Support	13	<i>13</i>
Wardens & Cleaners	12	<i>10</i>
Nursery	15	<i>15</i>
Wider role	6	<i>1</i>
	106	<i>109</i>

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

8. Employee Information (continued)

	2021 £	2020 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,487,838	2,728,486
Social security costs	215,147	236,158
Pension costs	127,171	133,627
Defined benefit pension charge – Strathclyde Pension Fund (note 22)	12,000	50,000
Defined benefit pension liability – SHAPS (note 22)	2,493	38,067
	<u>2,844,649</u>	<u>3,186,338</u>

9. Operating Surplus

Group

	2021 £	2020 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	660,136	635,615
Depreciation due to loss on disposal of components	17,654	30,997
Auditor's remuneration (excluding VAT)		
- In their capacity as auditor	21,000	19,850
- In respect of other services	5,500	6,120
	<u>21,000</u>	<u>19,850</u>
	<u>5,500</u>	<u>6,120</u>

Association

	2021 £	2020 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	658,668	634,147
Depreciation due to loss on disposal of components	17,654	30,997
Auditor's remuneration (excluding VAT)		
- In their capacity as auditor	13,000	12,000
- In respect of other services	4,540	5,190
	<u>13,000</u>	<u>12,000</u>
	<u>4,540</u>	<u>5,190</u>

10. Interest Receivable and Other Income – Group and Association

	2021 £	2020 £
Interest receivable on deposits	<u>6,578</u>	<u>30,034</u>

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

11. Interest payable and similar charges – Group and Association

	2021 £	2020 £
On private loans*	818,622	649,777
Strathclyde Pension Fund finance charge (note 22)	3,000	5,000
Defined benefit pension liability – interest charge (Note 22)	1,000	25,000
Release of bond creditor	(108,924)	(104,889)
	<u>713,698</u>	<u>574,888</u>

*Includes £8,000 (2020: £5,885) arrangement fee amortisation

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 (2020: *£nil*). No corporation tax arose in either subsidiary (2020: *£nil*), however a deferred tax credit of £296 (2020: *£nil*) arose in Milnbank Community Enterprises Limited in 2020/21.

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 (2020: *£nil*).

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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	36,187,601	17,296	639,221	52,500	838,320	435,714	386,884	38,557,536
Additions – units	-	-	-	-	-	-	-	-
Additions – components	425,176	-	-	-	-	-	-	425,176
Impairment	-	(17,296)	-	-	-	-	-	(17,296)
Disposals – units	-	-	-	-	-	-	-	-
Disposals – components	(24,083)	-	-	-	-	-	-	(24,083)
At end of year	36,588,694	-	639,221	52,500	838,320	435,714	386,884	38,941,333
Depreciation								
At start of year	2,874,428	-	256,460	-	468,776	375,397	46,428	4,021,489
Charge for year	611,404	-	12,784	-	13,762	14,450	7,736	660,136
On disposals – units	-	-	-	-	-	-	-	-
On disposals – components	(6,429)	-	-	-	-	-	-	(6,429)
At end of year	3,479,403	-	269,244	-	482,538	389,847	54,164	4,675,196
Net Book Value								
At end of year	33,109,291	-	369,977	52,500	355,782	45,867	332,720	34,266,137
At start of year	33,313,173	17,296	382,761	52,500	369,544	60,317	340,456	34,536,047

Note 1: Properties with a cost of £nil (2020: £299,034) and depreciation of £nil (2020: £20,166) have been disposed of in the year with net proceeds totalling £nil (2020: £260,000).

Note 2: Components with a total cost of £425,176 (2020: £1,415,103) were capitalised in the year. The purchase of additional housing units with a total cost of £nil (2020: £55,116) were capitalised in the year. Additions to Housing Properties during the year includes £nil (2020: £nil) capitalised interest and £nil (2020: £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 (2020: £6,287,504) and included in shared ownership properties is land with a carrying value of £95,833 (2020: £95,883).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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	36,187,601	17,296	639,221	52,500	838,320	428,380	386,884	38,550,202
Additions – units	-	-	-	-	-	-	-	-
Additions – components	425,176	-	-	-	-	-	-	425,176
Impairment	-	(17,296)	-	-	-	-	-	(17,296)
Disposals – units	-	-	-	-	-	-	-	-
Disposals – components	(24,083)	-	-	-	-	-	-	(24,083)
At end of year	36,588,694	-	639,221	52,500	838,320	428,380	386,884	38,933,999
Depreciation								
At start of year	2,874,428	-	256,460	-	468,776	372,737	46,428	4,018,829
Charge for year	611,404	-	12,784	-	13,762	12,982	7,736	658,668
On disposals – units	-	-	-	-	-	-	-	-
On disposals – components	(6,429)	-	-	-	-	-	-	(6,429)
At end of year	3,479,403	-	269,244	-	482,538	385,719	54,164	4,671,068
Net Book Value								
At end of year	33,109,291	-	369,977	52,500	355,782	42,661	332,720	34,262,931
At start of year	33,313,173	17,296	382,761	52,500	369,544	55,643	340,456	34,531,373

Note 1: Properties with a cost of £nil (2020: £299,034) and depreciation of £nil (2020: £20,166) have been disposed of in the year with net proceeds totalling £nil (2020: £260,000).

Note 2: Components with a total cost of £425,176 (2020: £1,415,103) were capitalised in the year. The purchase of additional housing units with a total cost of £nil (2020: £55,116) were capitalised in the year. Additions to Housing Properties during the year includes £nil (2020: £nil) capitalised interest and £nil (2020: £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 (2020: £6,287,504) and included in shared ownership properties is land with a carrying value of £95,883 (2020: £95,883).

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14. Housing Stock – Group and Association

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

	Units in management 2021 Improved	<i>Units in management 2020 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	2021 £	2020 £
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 loss on ordinary activities after taxation for the year ended 31 March 2021 was £1,670 (2020: profit of £6,574). The capital and reserves of Milnbank Community Enterprises Limited as at 31 March 2021 was £1,557 (2020: £10,595).

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 2021 was £17,677 (2020: £21,781). The capital and reserves of Milnbank Property Services Limited as at 31 March 2021 was £17,748 (2020: £21,852).

16. Stock

Group	2021 £	2020 £
Bar Stock	<u>1,333</u>	<u>1,333</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

17. Debtors

Group	2021	2020
	£	£
Amounts falling due within one year:		
Rental arrears	438,849	403,881
Less: provision for bad debts	(224,975)	(213,446)
	<u>213,874</u>	<u>190,435</u>
Trade debtors	33,408	27,135
Other debtors	224,395	378,691
Accrued income	219,112	172,759
	<u><u>690,789</u></u>	<u><u>769,020</u></u>

Association

	2021	2020
	£	£
Amounts falling due within one year:		
Rental arrears	438,849	403,881
Less: provision for bad debts	(224,975)	(213,446)
	<u>213,874</u>	<u>190,435</u>
Amounts owed by subsidiaries	288,097	241,131
Other debtors	224,354	388,635
	<u><u>726,325</u></u>	<u><u>820,201</u></u>

18. Cash and cash equivalents

Group	2021	2020
	£	£
Balances held in current accounts	747,188	725,207
Balances held in deposit accounts	8,450,000	3,800,000
	<u><u>9,197,188</u></u>	<u><u>4,525,207</u></u>

Association

	2021	2020
	£	£
Balances held in current accounts	609,848	508,056
Balances held in deposit accounts	8,450,000	3,800,000
	<u><u>9,059,848</u></u>	<u><u>4,308,056</u></u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

19. Creditors: amounts falling due within one year

Group	2021 £	2020 £
Bank loans and bond	322,924	283,154
Trade creditors	-	486,901
Other creditors	1,347,295	1,660,178
Accruals	135,649	119,268
Rent prepaid	173,421	130,559
Other taxes and social security	55,704	81,139
Deferred Government capital grant (Note 21)	58,337	58,337
	2,093,330	2,819,536
	322,924	283,154

At the year-end pension contributions of £Nil (2020: £nil) were outstanding and included within other creditors.

Association	2021 £	2020 £
Bank loans and bond	322,924	283,154
Trade creditors	-	472,047
Other creditors	1,299,510	1,612,969
Accruals	97,384	63,771
Rent prepaid	173,421	130,559
Other taxes and social security	55,231	61,873
Deferred Government capital grant (Note 21)	58,337	58,337
	2,006,807	2,682,710
	322,924	283,154

At the year-end pension contributions of £Nil (2020: £nil) were outstanding and included within other creditors.

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

	2021 £	2020 £
Bank loans and bond	21,486,468	16,864,389
Deferred Government capital grant (Note 21)	2,587,211	2,418,584
SHAPS past service pension deficit liability in respect of the Growth Plan	6,826	6,826
	24,080,505	19,289,799
	21,486,468	16,864,389

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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 £21.6m (2020: £21.240m). 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: -

	2021 £	2020 £
Due between one and two years	320,424	284,154
Due between two and five years	966,522	852,464
Due in five years or more	20,199,522	15,727,771
	<u>21,486,468</u>	<u>16,864,389</u>

21. Deferred Government capital grants – Group and Association

	2021 £	2020 £
<u>Housing grants</u>		
At 1 April	2,476,921	2,487,354
Reallocation from creditors	366,266	-
Grants received in year	-	50,784
Released to income in year	(197,639)	(61,217)
	<u>2,645,548</u>	<u>2,476,921</u>

The ageing on deferred capital grants is as follows:

Due in less than one year	58,337	58,337
Due in one to two years	58,337	58,337
Due between two and five years	175,011	175,011
Due in five years or more	2,353,863	2,185,236
	<u>2,645,548</u>	<u>2,476,921</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.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 9 (2020: 10) 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

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.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Pensions – Group and Association (continued)

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

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets	6,284	5,936
Present value of defined benefit obligation	(7,052)	(6,048)
	-----	-----
Defined benefit liability to be recognised	(768)	(112)
	-----	-----

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Defined benefit obligation at start of period	(6,048)	(6,527)
Current service cost	(72)	(110)
Expenses	(6)	(5)
Interest expense	(141)	(152)
Member contributions	(61)	(66)
Actuarial (loss)/gain due to scheme experience	109	(72)
Actuarial gain/(loss) due to changes in demographic assumptions	-	39
Actuarial (loss)/gain due to changes in financial assumptions	(1,216)	718
Benefits paid and expenses	383	127
	-----	-----
Defined benefit liability at the end of the period	(7,052)	(6,048)
	-----	-----

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

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Fair value of plan assets at start of the period	5,936	5,395
Interest income	140	127
Experience on plan assets (excluding amounts included in interest income) – gain	281	210
Employer contributions	249	265
Member contributions	61	66
Benefits paid and expenses	(383)	(127)
	-----	-----
Fair value of plan assets at end of period	6,284	5,936
	-----	-----

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Current service cost	72	110
Admin expenses	6	5
Net interest expense	1	25
	-----	-----
Defined benefit costs recognised in Statement of Comprehensive Income	79	140
	-----	-----

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Pensions – Group and Association (continued)

Defined benefit costs recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost – gain)	281	210
Experience gains and losses arising on the plan liabilities – gain/(loss)	109	(72)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	-	39
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	<u>(1,216)</u>	<u>718</u>
Total amount recognised in other comprehensive income – (loss)/gain	<u>(826)</u>	<u>895</u>

Fund allocation for employer's calculated share of assets

	31 March 2021 £'000	31 March 2020 £'000
Global Equity	972	816
Absolute Return	310	364
Distressed Opportunities	215	108
Credit Relative Value	181	143
Alternative Risk Premia	252	476
Emerging Markets Debt	253	211
Risk Sharing	225	188
Insurance-Linked Securities	131	159
Property	113	111
Infrastructure	351	350
Private Debt	148	118
Opportunistic Illiquid Credit	161	145
High Yield	165	-
Opportunistic Credit	172	-
Cash	2	-
Corporate Bond Fund	474	434
Liquid Credit	108	156
Long Lease Property	146	145
Secured Income	345	329
Over 15 Year Gilts	3	75
Liability Driven Investment	1,510	1,563
Net Current Assets	<u>47</u>	<u>45</u>
Total Assets	<u>6,284</u>	<u>5,936</u>

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Pensions – Group and Association (continued)

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

Assumptions as at	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.17	2.38
Inflation (RPI)	3.28	2.62
Inflation (CPI)	2.86	1.62
Salary growth	3.86	2.62
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	2	119	63
Females	7	289	54
Total	9	408	56

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	5	13	49
Females	6	9	55
Total	11	21	52

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	4	38	64
Females	8	50	62
Total	12	88	63

22. Pensions – Group and Association (continued)

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.

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 2020. As of this date the estimated employer debt for the Association was £4,558,931.

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 2021	<i>31 March 2020</i>
Inflation / Pension Increase Rate	2.85%	<i>1.90%</i>
Salary increases	3.55%	<i>3.00%</i>
Discount rate	2.00%	<i>2.30%</i>

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	19.8 years	22.6 years
Future Pensioners	21.2 years	24.7 years

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 2021

22. Pensions – Group and Association (continued)

Scheme assets

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

	Value at 31 March 2021 £'000	<i>Value at 31 March 2020 £'000</i>
Fair value of plan assets	955	752
Present value of scheme liabilities	(1,078)	(879)
Net pension liability	(123)	(127)
Reconciliation of defined benefit obligation	2021 £'000	<i>2020 £'000</i>
Opening Defined Benefit Obligation	879	943
Current Service Cost	33	45
Past service cost	-	26
Interest cost	20	24
Plan participants contributions	6	6
Changes in financial assumptions	241	(111)
Changes in demographic assumptions	(67)	(34)
Other experience	(11)	(5)
Benefits Paid	(23)	(15)
Closing Defined Benefit Obligation	1,078	879
Reconciliation of fair value of employer assets	2021 £'000	<i>2020 £'000</i>
Opening Fair Value of Employer Assets	752	773
Plan participants contributions	6	6
Contributions by the Employer	21	21
Interest income on plan assets	17	19
Return on assets excluding amounts included in net interest	172	(52)
Other experience	10	-
Benefits Paid	(23)	(15)
Closing Fair Value of Employer Assets	955	752
Net pension liability	(123)	(127)
Analysis of amount recognised in Other Comprehensive Income	2021 £	<i>2020 £</i>
Return on assets excluding amounts included in net interest	182,000	(52,000)
Changes in financial assumptions	(163,000)	150,000
Actuarial gain	19,000	98,000

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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	11%	123
0.5% increase in the Salary Increase Rate	1%	13
0.5% increase in the Pension Increase Rate	10%	107

2021
£

23. Deferred taxation - Group

At the start of the year	811
Charged to profit or loss	(296)
At end of year	<u>515</u>

A deferred taxation balance is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	(609)	(811)
Losses carried forward	94	-
	<u>(515)</u>	<u>(811)</u>

24. Share capital – Group and Association

	2021 £	2020 £
At 1 April	809	782
Shares of £1 each fully paid and issued during the year	42	115
Shares forfeited in year	(62)	(88)
At 31 March	<u>789</u>	<u>809</u>

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.

25. Reserves

Revenue reserves represent the cumulative retained surplus and deficits.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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:

	Property 2021 £	<i>Property 2020 £</i>
Within one year	73,347	73,347
Between one and five years	1,400	1,050
More than five years	2,625	2,800
	<hr/> 77,372 <hr/>	<hr/> 77,197 <hr/>
	Other 2021 £	<i>Other 2020 £</i>
Within one year	143,286	174,229
Between one and five years	125,318	246,119
More than five years	-	6,914
	<hr/> 268,604 <hr/>	<hr/> 427,262 <hr/>

27. Related Party Transactions

Milnbank Community Enterprises Limited

A management fee of £6,600 (2020: £6,600) was charged to the Association by the company for the management of the Association's shop premises.

Salary costs of £11,578 (2020: £9,401) were incurred and then recharged by the Association.

Milnbank Community Enterprises has entered into a Service Level Agreement with Milnbank Housing Association. £4,100 (2020: £12,000) was paid to Milnbank Housing Association Limited as a result of this Service Level Agreement.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2021 was £27,067 (2020: £23,047) and is included in creditors.

A distribution in the form of gift aid of £7,368 (2020: £15,374) 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 £nil (2020: £7,368) next year to Milnbank Housing Association Limited.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

27. Related Party Transactions (continued)

Milnbank Property Services Limited

Milnbank Housing Association Limited provide support and services to Milnbank Property Services Limited. A formal service level agreement is in place. The charge for the year was £276,000 (2020: £238,000).

During the year, expenditure of £269,834 (2020: £236,899) 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.

The balance owed to Milnbank Housing Association Limited by Milnbank Property Services Limited at 31 March 2021 was £261,030 (2020: £218,084). This is included within amounts owed by subsidiaries in debtors.

A distribution in the form of gift aid of £21,781 (2020: £18,677) was paid by Milnbank Property Services Limited to Milnbank Housing Association Limited in respect of the year 31 March 2021.

A distribution in the form of gift aid of £17,677 (2020: £21,781) will be made to Milnbank Housing Association Limited in 2021/22.

Milnbank Property Services Limited and Milnbank Community Enterprises Limited

During the year, £nil (2020: £116) 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 £174 (2020: £116).

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 (2020: £26,236). The total rent prepaid relating to tenant Committee members included within creditors at the year-end is £713 (2020: £756) and there are technical arrears of £500 (2020: £191) 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 £7,373 (2020: £3,682).

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 2021

29. Net Cash Flow from Operating Activities
Group

	2021 £	2020 £
Surplus/(loss) for the year	414,656	(259,953)
Interest payable	713,698	574,888
Interest received	(6,578)	(30,034)
Depreciation on tangible fixed assets (including loss on disposed components)	677,790	666,612
SPF – non-cash movement	12,000	50,000
SHAPS deficit movement	2,493	38,067
Increase in stock	-	699
Decrease/(increase) in debtors	78,231	(252,517)
(Increase)/decrease in creditors	(399,710)	(99,790)
Release of deferred grant	(197,639)	(61,217)
SHAPS past service deficit payment	(173,940)	(169,200)
Shares forfeited	(62)	(88)
Deferred taxation	(296)	-
Impairment charge	17,744	-
	<u>1,138,387</u>	<u>457,467</u>

Association

	2021 £	2020 £
Surplus/(loss) for the year	429,691	(256,150)
Interest payable	713,698	574,888
Interest received	(6,578)	(30,034)
Depreciation on tangible fixed assets (including loss on disposed components)	676,322	665,145
SPF – non-cash movement	12,000	50,000
SHAPS deficit movement	2,493	38,067
Decrease/(increase) in debtors	93,876	(281,422)
(Increase)/decrease in creditors	(349,407)	40,576
Release of deferred grant	(197,639)	(61,217)
SHAPS past service deficit payment	(173,940)	(169,200)
Shares forfeited	(62)	(88)
Impairment charge	17,744	-
	<u>1,218,198</u>	<u>570,565</u>

30. Capital Commitments

	2021 £	2020 £
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	-	-