

# **Caledonia Housing Association Limited**

## **Report of the Management Board and Consolidated Financial Statements Year ended 31 March 2023**

### **Registration Particulars:**

**Financial Conduct Authority**

**Scottish Housing Regulator**

**The Scottish Charity Register**

**Registered Number 2343 R (S)**

**Registered Number HEP 224**

**Charity Number SC013988**

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT BOARD AND CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**For the year ended 31 March 2023**

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**CALEDONIA HOUSING ASSOCIATION LIMITED**

**ADVISERS**

**For the year ended 31 March 2023**

**Registered Office:**

Suite 4  
Saltire House  
3 Whitefriars Crescent  
Perth  
PH2 0PA

**Auditors:**

RSM UK Audit LLP  
Third Floor  
2 Semple Street  
Edinburgh  
EH3 8BL

**Bankers:**

The Royal Bank of Scotland plc  
12 Dunkeld Road  
Perth  
PH1 5RB

**Solicitors:**

Harper Macleod  
The Ca'd'oro  
45 Gordon Street  
Glasgow  
G1 3PE

Thorntons WS  
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33 Yeaman Shore  
Dundee  
DD1 4BJ

**Internal Auditors:**

Henderson Loggie  
Unit 8, The Vision Building  
20 Greenmarket  
Dundee  
DD1 4QB

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### The Management Board and Executive Officers

The Members of the Management Board of the Association during the year to 31 March 2023 and up to the date of signing of these Financial Statements were as follows:

Alan Nairn	Chair
Andrew Richmond	Vice-Chair & Chair of Audit & Risk Management Committee
Katherine Burke	
Tim Goddard	
Allan Jones	
Graham Logan	(Retired 20 September 2022)
Douglas McLaren	
Derek Robertson	
Lorna Williamson	

#### Key Management Personnel:

Julie Cosgrove	Chief Executive
Tim Calderbank	Director of Customer Services
Leigh Grubb	Director of Finance & Governance
Barry Johnstone	Director of People
Andrew Kilpatrick	Director of Assets
Garry Savage	Director of Strategy & Innovation

#### PRINCIPAL ACTIVITY

The principal activity of the Association is to build, improve and manage affordable housing and related amenities for those in need by reason of age, ill-health, disability, financial hardship or other disadvantage.

#### THE MANAGEMENT BOARD, CHIEF EXECUTIVE AND DIRECTORS

Each member of the Management Board holds one fully paid share of £1 in the Association. The Chief Executive and other Directors of the Association hold no interest in the Association's share capital, do not have the legal status of Directors, and act within the authority delegated by the Board. The governance arrangements include a Management Board with additional Committees for Audit & Risk Management, Health & Safety and Remuneration, and occasional working groups to progress matters of strategic importance to the Association and the Group. All members of the Management Board are currently unpaid though the Association's Rules and policies now permit remuneration to be paid to both the Chair & Chair of the Audit & Risk Management Committee.

#### RECRUITMENT AND TRAINING OF BOARD MEMBERS

Vacancies on the Management Board are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Board members receive initial induction training and are eligible to attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.



# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES

The Co-operative and Community Benefits Societies Act 2014 and Registered Social Housing Association legislation requires the Management Board to prepare Financial Statements for each Financial Year which give a true and fair view of the state of affairs of the Group and Association and of the income and expenditure of the Association for that period. In preparing those Financial Statements, the Management Board are required to:

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

The Management Board is responsible for instituting adequate systems of internal control and for:

- i) safeguarding assets;
- ii) taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- iii) the maintenance and integrity of the corporate and financial information included on the Association's website.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010 and the Registered Social Landlords Determination of Accounting Requirements February 2019 and the Statement of Recommended Practice for Registered Social Landlords 2018. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### STATEMENT ON INTERNAL FINANCIAL CONTROLS

The Management Board acknowledges its' ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- (i) the reliability of financial information used within the Group or for publication;
- (ii) the maintenance of proper accounting records; and
- (iii) the safeguarding of assets against unauthorised use or disposal.

It is the Management Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of our internal financial control system are described below.

- (i) 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 which restrict the unauthorised use of the Group's assets.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions. The Group has appraisal procedures and training & development programmes in place to maintain standards of performance.
- (iii) Cash flow forecasts and budgets are prepared which allow the Board and management to monitor the key financial risks with quarterly management accounts prepared promptly, providing relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated as appropriate. Long term financial plans are considered by the Management Board as part of its annual business planning cycle, and further reviewed during each financial year as required.
- (iv) All significant new initiatives, major commitments and investment projects are subject to formal appraisal techniques and authorisation procedures as set out in the scheme of delegated authorities.

## CALEDONIA HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT BOARD

#### Caledonia Housing Association Limited

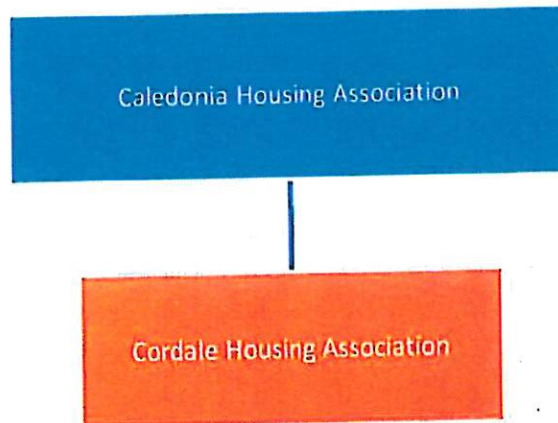
- (v) The Audit & Risk Management Committee has the responsibility of reviewing the internal financial and other controls of the Group and reviews reports from management, from the internal auditors and from the external auditors. In addition, the Audit & Risk Management Committee reviews the Group's corporate risk map at each meeting to monitor and mitigate assessed key risks, and to consider emerging new risks.
- (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2023. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the Financial Statements or in the auditor's report on the Financial Statements.

As far as the Board is aware:

- there is no relevant audit information (information needed by the Group's auditors in connection with preparing their report) of which the Association's auditors are unaware; and
- the Board members have taken all the steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the Association's auditors are aware of that information.

#### GROUP STRUCTURE



The Caledonia Group comprises:

##### 1. Caledonia Housing Association

A registered social landlord registered under the Co-operative and Community Benefits Societies Act 2014 and a Scottish charity and one of Scotland's leading providers of high quality affordable homes for people in housing need. With almost 5,500 homes owned and managed across Tayside, Fife, West & East Dunbartonshire and the Highlands, it is also one of Scotland's largest Housing Associations.



# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### 2. Cordale Housing Association

A registered social landlord and a Scottish charity owning and managing over 500 high quality affordable homes in Renton, West Dunbartonshire for people in housing need. The Association became a wholly owned subsidiary of Caledonia on 1 April 2014.

There have been no changes in the group structure during the financial year.

#### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

##### Financial Review

The Caledonia Group ("Caledonia" or the "Group") achieved an operating surplus for the year of £6.0m (2022: £5.8m) in a year where the remaining COVID restrictions on business activities were lifted and in which the Group significantly increased its level of investment in existing homes. The results for the year were boosted by the transfer of engagements of Faifley Housing Association on 1 April 2022 which added an additional 332 social rented homes to the Group. As well as contributing to operating surplus, the completion of this transfer is recognised as a gain of £12.8m in the surplus for the year. Additional growth in business activities was achieved through the Group's housing development programme which delivered an additional 143 new homes.

The Group's net income from rent and service charges, after allowing for void loss, increased by 13.8% to £29.0m (2022: £25.5m). Though partly driven by a rent increase of 3.1%, this increase in income has resulted from the business growth delivered during the year. The Group has experienced a sizeable increase in the cost of bad debts in the year which have increased to £435k (2022: £113k) reflecting the continuing economic challenges and pressures facing our customers.

The Group's turnover from other activities fell to £3.6m (2022: £7.8m) due to an expected reduction in the number of homes developed for sale during the year. Shared equity sales in the period amounted to £1.0m compared with total property sales in the previous period of £5.8m.

Operating costs include expenditure on reactive, cyclical and planned maintenance totalling £6.5m (2022: £5.3m), with an additional spend of £6.8m (2022: £5.0m) being treated as capital expenditure. The level of spend on reactive repairs increased by 12.8% to £3.2m (2022: £2.8m) reflecting in part the growth in the Group's activities but also the significant levels of cost inflation being experienced across the sector. The level of investment in the Group's planned & cyclical maintenance programme grew by 34.6% to £10.1m (2022: £7.5m) and included £2.2m of investments which enabled the Group to substantially complete the programme of investments which were originally intended to take place in the 2020-21 financial year.

The Group has experienced significant cost inflation across all aspect of its business during the year and has been further impacted by steadily increasing interest rates which begun the financial year at 0.75% and ended the year at 4.25%. The Group's loan interest payable increased to £4.6m (2022: £3.6m) as a result of both rate increases and the additional funding associated with the development of new homes.

The total comprehensive income for the Group was £13.7m (2022: £3.5m). This incorporates an actuarial loss of £0.8m (2022: gain of £1.1m), in respect of the Scottish Housing Association Pension Scheme (SHAPS). The actuarial gain or loss on the pension scheme is calculated by the pension trustee, and adopts the independent actuary's central assumptions in each reporting period.

At 31 March 2023, the Group's total reserves amounted to £75.5m (2022: £61.8m), an increase of £13.7m (2022: £3.5m) from 31 March 2022. The increase in reserves is attributed to the surpluses achieved by the Group in the year to 31 March 2023.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### Going Concern

The Group continues to maintain strong positive cash inflows from its core operating activities, and in spite of the current challenging economic climate, remains in strong financial health. The net current liabilities position of the Group as at 31 March 2023 is not a cause for concern as this includes the Deferred Capital Grant release within one year which has no cash flow implications. The Group undertakes at least annual stress testing and scenario planning, to give consideration as to the financial and operating implications for the Group of a range of different scenarios. These scenarios have, most recently, centred around the impacts and implications of sustained high inflation and steadily increasing interest rates.

Our business plan projections reflect current political and economic circumstances and incorporate prudent assumptions on levels of rent voids and rent arrears which negatively impact the Group's budgeted income. The Group's expenditure budgets and longer term investment plans are managed accordingly to ensure the continuing financial strength of the Group and compliance with all lenders' financial covenants. The Management Board is satisfied, on the basis of the stress testing and scenario planning undertaken, that it remains appropriate to prepare the financial statements on a going concern basis.

#### Treasury Management

Caledonia has a comprehensive Treasury Management Strategy and Policy in place. The main aim of the strategy is to ensure that the Group has access, at all times, to sufficient funding to meet all of its operational commitments and the capital commitments it enters into in respect of the Group's housing development programme, as well as any required debt refinancing. The policy ensures there are appropriate controls in place to mitigate treasury risk whilst also ensuring cost-effective and efficient access to sources of funding. Key treasury risks are controlled through a set of Treasury Golden Rules which are monitored on a quarterly basis.

During the year, Caledonia received the first £25m tranche of investment through its £75m sustainable private placement facility, with additional tranches to be funded in 2024 and 2025. These funds have been used in part to fund maturing loan agreements with Nationwide Building Society and in the longer term the private placement investment funds will be used to fund future housing development projects.

At 31 March 2023, the Group had fixed rate debt of £69.5m (2022: £56.4m) and variable rate debt of £39.9m (2022: £42.6m) which were used to fund housing development. At the year end, the Group had £34.0m (2022: £34.0m) undrawn revolving credit facilities in place to finance its ongoing development programme.

#### Risk Management

Caledonia has a comprehensive group risk management policy in place which details how corporate risks are identified, assessed in terms of impact and likelihood, and how these risks are controlled and mitigated. The resultant risk map is reviewed in detail by the Audit & Risk Management Committee on a quarterly basis to assess the effective management of risks and to give consideration to changes in the risk environment. The work of this Committee is reported to the Management Board and informs the annual internal audit programme.

The Group Audit & Risk Management Committee has determined that the key risks facing the Group are as set out in the following table.



# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

Risk	Approach to Mitigation
Failure to comply with Health & Safety Legislation & Procedures	<ul style="list-style-type: none"> <li>- Group Health and Safety Policy and procedure manuals in place</li> <li>- Risk assessments in place for key areas of activity across the Group and reviewed on a rolling programme basis</li> <li>- All new homes designed and constructed to current Building Standards at the time of construction</li> <li>- Continuous monitoring of changes of legislation and regulation</li> <li>- Fire Risk Management Plan introduced</li> <li>- Resident Health &amp; Safety Compliance statement presented to governing bodies twice per annum</li> </ul>
Cyber-attack	<ul style="list-style-type: none"> <li>- Detailed cyber security arrangements are in place and subject to ongoing review and enhancement</li> <li>- Development and ongoing review of ICT strategy</li> <li>- Regular reporting on this risk area to the Group's Audit and Risk Management Committee</li> <li>- Rolling programme of staff training and awareness</li> </ul>
Failure of Group's ICT systems	<ul style="list-style-type: none"> <li>- All data and processing held and carried out at an off-site tier 3 data centre</li> <li>- Fully independent links established between area offices and the data centre</li> <li>- Comprehensive back-up and system monitoring procedures</li> <li>- ICT team supported by third party specialist ICT service providers</li> <li>- ICT Strategy implementation supported by specialist ICT consultants</li> </ul>
Failure to address the risk of Climate Change and Scottish Government mitigation targets	<ul style="list-style-type: none"> <li>- Climate &amp; Sustainability Strategy sets out net zero commitments</li> <li>- Action plan to support climate &amp; sustainability strategy</li> <li>- Dedicated resource in place to drive action plan</li> <li>- Assessment under way of the risk profile of existing housing stock in relation to the effects of climate change, after which planned investment programme will incorporate work required to mitigate impact</li> <li>- Ongoing assessment of carbon emissions leading to action planning</li> </ul>
Failure to deliver on strategy and business plan as a result of political, economic and social challenges in our operating environment	<ul style="list-style-type: none"> <li>- Strategic planning processes and scenario planning</li> <li>- Development and monitoring of a suite of KPIs, with regular discussions and corrective action planning</li> <li>- Business plan implementation tracking via quarterly updates to Board</li> <li>- Economic outlook and forecasts obtained from reputable third parties</li> <li>- Environment scanning and appraising the governing body of key developments within the sector and economy</li> </ul>
Failure to comply with the legal and regulatory requirements relating to information governance and to effectively manage information risks	<ul style="list-style-type: none"> <li>- Comprehensive staff training on the requirements of the legislation</li> <li>- Data Protection Officer services provided by external consultant</li> <li>- Data held within a tier 3 data centre and subject to high levels of security and virus protection</li> <li>- Data Protection policies and procedures in place to respond to requests for information</li> <li>- Implementation of Group electronic document management system</li> <li>- Monitoring of forthcoming legislative changes</li> </ul>
Failure of financial & treasury controls	<ul style="list-style-type: none"> <li>- Comprehensive rent setting policy and procedures</li> <li>- Budget monitoring processes in place</li> <li>- Detailed sensitivity analysis carried out on long term projections</li> <li>- Detailed Treasury Management Policy and monitoring of golden rules</li> <li>- Regular internal audit review of financial controls</li> </ul>
Failure to apply the Asset Management Strategy	<ul style="list-style-type: none"> <li>- Asset Management Report prepared for specific projects prior to significant investment and re-modelling</li> <li>- Asset Management Strategy approved by Management Board</li> <li>- Planned investment, including any stock re-modelling and works to comply with BESSH, based on analysis of stock condition information and built into five year budget projections</li> <li>- Phased investment programme to maximise investment whilst recognising risks to income in the current environment</li> <li>- Communication and engagement with tenants</li> </ul>



# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### Performance

The Group monitors corporate performance in terms of finance, operations, business services and asset management. A range of financial and non-financial ratios and indicators are produced on a quarterly basis which are used to monitor how the organisation is performing and more importantly initiate corrective action in under-performing areas. In addition to this departmental monthly performance indicators are produced for the whole Association and reviewed by the operational management team. The tables below shows the performance of each Association against some key financial performance indicators :

Caledonia Housing Association	Target	2022/23 Actual	2021/22 Actual
• Void Loss	≤ 1.0%	1.0%	0.9%
• Arrears Performance	≤ 5.5%	5.7%	5.3%
• Profitability – Operating surplus	> 17.0%	16.4%	14.5%
• Financial Covenant - Interest Cover	> 120%	120.1%	123.6%
• Financial Covenant – Gearing	< 30%	24.6%	23.9%

Cordale Housing Association	Target	2022/23 Actual	21/22 Actual
• Void Loss	<1.5%	0.7%	2.1%
• Arrears Performance	<6%	5.0%	4.6%
• Profitability – Operating surplus	>12%	14.8%	31.6%
• Financial Covenant - Interest Cover	>120%	126.9%	358.7%
• Financial Covenant – Gearing	<30%	10.8%	11.5%

The performance tables above demonstrate relatively strong financial performance in what has been a challenging year economically. While the interest cover covenant is very close to target, this is comfortably within the strictest lenders' financial covenant of 110%. The governing bodies of Caledonia and Cordale have taken a prudent approach to managing the Associations during these uncertain times and this is borne out in the strong financial covenant compliance of each Association.

We have seen an increase in arrears during the year and we have implemented a range of measures aimed at supporting our tenants and customers deal with the challenges they are facing through increasing household costs. We are continuing to work with partner organisations in this area to support tenants in sustaining their tenancies.

#### Future Plans

The Group's strategy incorporates the aims of achieving high standards of performance, continuing to achieve strong customer satisfaction and demonstrating value for money for our tenants. It is underpinned by ensuring that the Group remains a financially strong and resilient organisation that can continue to grow and develop the homes and services we provide. Our people are vitally important to achieving our goals, which is reflected in the importance that we place on investing in people not only to develop their skills, but also to ensure their health and wellbeing.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

MISSION	Sustainable homes, flexible services, vibrant communities		
GUIDING PRINCIPLES	Keep it Simple	Keep it Personal	Make it Right
VISION	Homes and services that make life better		
STRATEGIC OBJECTIVES	Achieving Excellence	Building Success	Creating Innovation
	We will achieve excellence through our people to deliver quality homes and services that are affordable, sustainable and valued by our customers.	We will make our organisation stronger for the future by ensuring resilience in all areas of our business, creating a strong base for our continued growth.	We will innovate to create efficiencies and deliver value for money through the effective use of our resources.
			Developing People
			We will develop the right people with the right skills and mind-set to achieve excellence, build success and create innovation

Within this context the Group has identified the following Business Plan Priorities, further details of which can be found in the Group's business plan which is published on our website.

Customer Service Improvements	Embedding a hub based local approach to service delivery, including cost of living support; Implementation of an enhanced digitalisation programme and improved service access options; and a strategic review of the Group's reactive repairs service.
Climate Change	Implementation of the Group's Climate Change Strategy action plan, including the coordination of key actions relating to our role as a business, employer, and landlord; and promoting positive environmental behaviours and partnerships.
Assets and Development	Review and Implementation of the Group's Asset Management Strategy and new build development programme, including our investment strategy for existing homes (taking account of net zero objectives), the Bellsmyre regeneration programme and consideration of alternative new build options.
Business Improvement	Business management improvement and efficiencies achieved through enhanced system network and streamlined cloud hosting arrangements; enhanced data management, reporting and insight arrangements; and people development through business review activity and learning and development support.



# **CALEDONIA HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT BOARD**

### **Caledonia Housing Association Limited**

#### **Rental Income and Service Charges**

Rents and services charges are set at a level to recover current and future costs, whilst ensuring that the Associations continue to achieve moderate growth in reserves each year to ensure future financial viability and resilience. Any proposed increases are subject to tenant consultation, and it is the Group's policy to cap the annual rent increase at no more than 1% over CPI and to maintain rents at affordable levels. The headline rent increase applied by the Group in the 2022/23 financial year was 5%, significantly below the level of CPI which peaked at 11.1% during the financial year.

#### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 30 days (2022: 30 days).

#### **Maintenance Policy**

The Group's policies encompass reactive, cyclical and planned maintenance. Reactive repairs are carried out by contractors who have been subject to a selection process which examines cost, experience and capacity. Subsequent repairs are then monitored in terms of contractor and Association performance and tenant satisfaction. Planned and cyclical maintenance is carried out in accordance with our life cycle programme modified where necessary by inspection and supplemented by the inclusion of enhancements required by relevant regulatory authorities. The resultant works are normally awarded after formal tendering procedures have been applied in accordance with the Group's Procurement policies and practices which ensure compliance with all relevant legislation.

#### **Reserves Policies**

The Association is committed to generating sufficient reserves to pursue its core objectives and to meet the following requirements.

- keeping rents as affordable as possible;
- maintaining the Association's properties in a good state of repair;
- financing loan repayments;
- providing a cushion against risk and future uncertainties; and
- establishing new services or developments.

#### **Revenue Reserves**

The Group has determined that it is appropriate to hold revenue reserves equivalent to a minimum of six months recurring turnover to minimise future financial risk. The current level of undesignated revenue reserves is £75.5m following the addition of a £13.7m surplus in the year to 31 March 2023.

#### **Human Resources**

##### **Equality and Diversity re Employment**

All applicants for employment are given full and fair consideration for all vacancies in accordance with their aptitudes and abilities. We will ensure respect, fairness and understanding and at all times value and embrace diversity and eliminate discrimination.

## CALEDONIA HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT BOARD

#### Caledonia Housing Association Limited

##### Climate change & sustainability

Caledonia recognises that climate change is one of the biggest global challenges and acknowledges the role we have to play in reducing carbon emissions. We have committed to meet the Scottish Government's net zero target by 2045. In support of this, Caledonia has approved a Climate Change Statement and Framework aligned to the UN's Sustainable Development Goals. A copy of this strategy and our first annual report tracking progress against the strategy have been published on our website.

##### Employee Involvement and Health & Safety

The Association takes seriously its responsibilities to employees and provides employees with information on matters of concern to them. The Association consults employees or their representatives on a range of issues related to their terms and conditions of employment, including health and safety, so that their views may be taken into account in making decisions likely to affect their interests.

##### AUDITORS

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

By order of the Management Board

Alan Nairn (Chair)...



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29 August 2023



## CALEDONIA HOUSING ASSOCIATION LIMITED

### Independent Auditor's report to the members of Caledonia Housing Association Limited

#### Opinion

We have audited the financial statements of Caledonia Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, Housing Association Statement of Comprehensive Income, Consolidated and Housing Association Statement of Financial Position, Consolidated and Housing Association Statement of Changes in Reserves, Consolidated Statement of Cashflow, Housing Association Statement of Cashflow and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2023 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board'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 the 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 Board with respect to going concern are described in the relevant sections of this report.

#### 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 Board 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.



## CALEDONIA HOUSING ASSOCIATION LIMITED

### Independent Auditor's report to the members of Caledonia Housing Association Limited

We have nothing to report in this regard.

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

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

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

#### Responsibilities of the Board

As explained more fully in the Board's responsibilities statement on page 3, the Board 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 Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the group and the Association operate in and how the group and the Association are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;

## CALEDONIA HOUSING ASSOCIATION LIMITED

### Independent Auditor's report to the members of Caledonia Housing Association Limited

- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019 and the Housing (Scotland) Act 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, the Co-operative and Community Benefit Societies Act 2014, the Data Protection Act 2018, and the Scottish Housing Regulator's Regulatory Framework (published 2019). We performed audit procedures to inquire of management and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities, including a search on publicly available registers for any indications of breaches.

The group audit engagement team identified the risk of management override of controls, cut-off in relation to grant and other income and existence of rental income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates. In respect of grant and rental income, audit procedures performed included assessing a sample of grants pre and post year end to confirm recorded in the correct period; and evaluating a sample of rent on properties to confirm that this was calculated correctly and any voids were appropriately treated.

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

#### Use of our report

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

**RSM UK Audit LLP**  
Statutory Auditor  
Chartered Accountants  
Third Floor  
2 Semple Street  
Edinburgh  
EH3 8BL

Date 15/09/23



## **CALEDONIA HOUSING ASSOCIATION LIMITED**

### **Report by the Auditors to the Members of Caledonia Housing Association on Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 3 and 4 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

#### **Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

#### **Opinion**

In our opinion the Statement on Internal Financial Control on pages 3 and 4 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



**RSM UK AUDIT LLP**  
Statutory Auditor  
Chartered Accountants  
Third Floor  
2 Semple Street  
Edinburgh  
EH3 8BL

Date: 15/09/23

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 March 2023**

	<i>Note</i>	2023 £	2022 £
Turnover	2	36,937,521	37,639,141
Operating expenditure	2	(30,464,495)	(31,595,793)
Loss on disposal of fixed assets		<u>(428,741)</u>	<u>(291,801)</u>
Operating surplus	2	6,044,285	5,751,547
Business combination – Excess of fair value of assets over the fair value of liabilities acquired	26	12,844,401	-
		18,888,686	5,751,547
Interest receivable	8	255,028	218,991
Interest payable and financing costs	9	<u>(4,582,501)</u>	<u>(3,575,845)</u>
Surplus for the year		<u>14,561,213</u>	<u>2,394,693</u>
Other Comprehensive Income			
Actuarial (loss) / gain in respect of pension scheme	29	<u>(825,000)</u>	<u>1,134,270</u>
Total comprehensive income for the year		<u>13,736,213</u>	<u>3,528,963</u>

All figures relate to continuing operations.

The accompanying notes on pages 22 to 50 form part of these Financial Statements.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 March 2023**

	<i>Note</i>	2023 £	2022 £
Turnover	2	33,376,739	34,159,094
Operating costs	2	(27,519,952)	(28,931,570)
Loss on disposal of fixed assets		<u>(357,929)</u>	<u>(290,513)</u>
Operating surplus	2	5,498,858	4,937,011
Business combination – Excess of fair value of assets over the fair value of liabilities acquired	26	12,844,401	-
		<u>18,343,259</u>	<u>4,937,011</u>
Interest receivable	8	246,708	218,699
Interest payable	9	<u>(4,263,098)</u>	<u>(3,316,549)</u>
Surplus for the year		<u>14,326,869</u>	<u>1,839,161</u>
Other Comprehensive Income			
Actuarial (loss) / gain in respect of pension scheme	29	<u>(825,000)</u>	<u>1,134,270</u>
Total comprehensive income for the year		<u>13,501,869</u>	<u>2,973,431</u>

All figures relate to continuing operations.

The accompanying notes on pages 22 to 50 form part of these Financial Statements.



**CALEDONIA HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED AND HOUSING ASSOCIATION  
STATEMENT OF FINANCIAL POSITION**

As at 31 March 2023

	Notes	2023		2022	
		GROUP £	ASSOCIATION £	GROUP £	ASSOCIATION £
<b>Fixed assets</b>					
Housing properties	11,12	371,401,361	338,050,264	345,610,742	311,465,297
Other fixed assets	13,14	2,827,428	1,204,187	2,869,914	1,205,129
Investment property	15,16	1,309,305	354,305	1,309,305	354,305
		<u>375,538,094</u>	<u>339,608,756</u>	<u>349,789,961</u>	<u>313,024,731</u>
<b>Current assets</b>					
Stock and work in progress	17	1,618,548	1,618,548	953,287	953,287
Trade and other debtors	18	2,836,634	2,649,693	2,303,718	2,457,524
Cash and cash equivalents		9,607,635	7,712,959	6,847,692	4,913,382
		<u>14,062,817</u>	<u>11,981,200</u>	<u>10,104,697</u>	<u>8,324,193</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(15,930,522)	(13,655,339)	(27,976,740)	(26,016,938)
		<u>(1,867,705)</u>	<u>(1,674,139)</u>	<u>(17,872,043)</u>	<u>(17,692,745)</u>
<b>Net current liabilities</b>					
		<u>(1,867,705)</u>	<u>(1,674,139)</u>	<u>(17,872,043)</u>	<u>(17,692,745)</u>
<b>Total assets less current liabilities</b>		373,670,389	337,934,617	331,917,918	295,331,986
Creditors: amounts falling due after more than one year	20	(297,505,557)	(269,269,424)	(270,106,263)	(240,785,634)
		<u>(297,505,557)</u>	<u>(269,269,424)</u>	<u>(270,106,263)</u>	<u>(240,785,634)</u>
<b>Defined benefit pension liability</b>	29	(617,000)	(617,000)	-	-
		<u>(617,000)</u>	<u>(617,000)</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>75,547,832</u>	<u>68,048,193</u>	<u>61,811,655</u>	<u>54,546,352</u>
<b>Capital and reserves</b>					
Share capital	23	275	215	311	243
Revenue reserve	24	75,547,557	68,047,978	61,811,344	54,546,109
		<u>75,547,832</u>	<u>68,048,193</u>	<u>61,811,655</u>	<u>54,546,352</u>

These Financial Statements were approved and authorised for issue by the Management Board on 29 August 2023 and were signed on their behalf:

Chair

Board Member

Secretary

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED AND HOUSING ASSOCIATION  
STATEMENT OF CHANGES IN RESERVES**

**For the year ended 31 March 2023**

<b>Group</b>	<b>Share Capital £</b>	<b>Income and expenditure reserve £</b>	<b>Total £</b>
Balance at 1 April 2021	243	58,282,381	58,282,624
Cancelled in the year	(32)	-	(32)
Investment in subsidiary cancelled	100	-	100
Total Comprehensive income for the year	-	3,528,963	3,528,963
Balance as at 31 March 2022	311	61,811,344	61,811,655
Issued in the year	43	-	43
Cancelled in the year	(79)	-	(79)
Total Comprehensive income for the year	-	13,736,213	13,736,213
Balance at 31 March 2023	275	75,547,557	75,547,832

<b>Association</b>	<b>Share Capital £</b>	<b>Income and expenditure reserve £</b>	<b>Total £</b>
Balance at 1 April 2021	263	51,572,678	51,572,941
Cancelled in the year	(20)	-	(20)
Total Comprehensive income for the year	-	2,973,431	2,973,431
Balance as at 31 March 2022	243	54,546,109	54,546,352
Issued in the year	43	-	43
Cancelled in the year	(71)	-	(71)
Total Comprehensive income for the year	-	13,501,869	13,501,869
Balance at 31 March 2023	215	68,047,978	68,048,193

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED STATEMENT OF CASHFLOW**

**For the year ended 31 March 2023**

	<i>Notes</i>	2023 £	2022 £
Net cash generated from operating activities	27	<u>10,492,968</u>	<u>12,099,426</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(22,116,336)	(24,704,530)
Proceeds from sale of tangible fixed assets		418,750	421,247
Grants received		7,812,816	10,483,261
Grants repaid		-	(2,015,279)
Interest received		255,028	218,991
Cash acquired on business combination		<u>1,879,285</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(11,750,457)</u>	<u>(15,596,310)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(4,582,501)	(3,546,845)
New secured loans		35,000,000	7,660,000
Repayments of borrowings		<u>(26,400,067)</u>	<u>(2,690,077)</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>4,017,432</u>	<u>1,423,078</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>2,759,943</u>	<u>(2,073,806)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>6,847,692</u>	<u>8,921,498</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	27	<u>9,607,635</u>	<u>6,847,692</u>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION STATEMENT OF CASHFLOW**

**For the year ended 31 March 2023**

	<i>Notes</i>	2023 £	2022 £
Net cash generated from operating activities	27	<u>9,119,894</u>	<u>10,769,548</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(21,363,613)	(24,504,084)
Proceeds from sale of tangible fixed assets		418,750	350,000
Grants received		7,812,816	10,483,261
Interest received		246,708	218,699
Cash acquired on business combination		<u>1,879,285</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(11,006,054)</u>	<u>(13,452,124)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(4,263,098)	(3,287,549)
New secured loans		35,000,000	7,660,000
Repayments of borrowings		<u>(26,051,165)</u>	<u>(2,348,936)</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>4,685,737</u>	<u>2,023,515</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>2,799,577</u>	<u>(659,061)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>4,913,382</u>	<u>5,572,443</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	27	<u><u>7,712,959</u></u>	<u><u>4,913,382</u></u>



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**1. Accounting policies**

**Legal status**

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. Its registered office is in Perth as detailed on page 1.

The Association's principal activities are to build, improve and manage affordable housing and related amenities for those in need by reason of age, ill-health, disability, financial hardship or other disadvantage.

Caledonia Housing Association Limited is a Public Benefit Entity.

**Basis of preparation**

These Financial Statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

The Financial Statements are prepared in Sterling (£) and rounded to the nearest whole pound unless where otherwise stated.

**Critical accounting estimates and areas of judgement**

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

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

- Useful lives of housing property- see depreciation and impairment
- Components of housing properties - see depreciation and impairment
- The measurement of the recoverable amount of assets for impairment reviews - see depreciation and impairment
- Recoverable amount of rent arrears and other debtors - see financial instruments
- Government grants – see government grants
- Valuation of investment property – see below
- Defined benefit pension obligation – see below

***Valuation of investment property***

Investment properties consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available. Changes in fair value are recognised in income and expenditure.

***Obligations under a defined benefit pension scheme***

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS). The Association is able to identify its share of the scheme assets and scheme liabilities and therefore applies full defined benefit accounting for this scheme under FRS 102 Section 28. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses. Full details of the accounting treatment of the Association and Group's interest in the SHAPS defined benefit scheme, including information on critical assumptions, is set out in note 29.

*Defined contribution plans*

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

*Basis of consolidation*

The Group Financial Statements consolidate the results of Caledonia Housing Association Limited and Cordale Housing Association Limited using the acquisition method. Both Associations are registered under the Co-operative and Community Benefit Societies Act 2014 and are registered with the Scottish Housing Regulator. Whilst the Associations adopt consistent policies on the depreciation of housing properties, each Association determines and applies different expected economic useful lives in its depreciation charges.

*Going concern*

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out within the Review of Business and Future Developments and Financial Review. The Review of Business and Future Developments and Financial Review also includes a review of the financial position of the Association, its cash flows, liquidity position and borrowing facilities. It also reports on the Association's response and resilience in respect of the current economic challenges. The net current liabilities position of the Group as at 31 March 2023 is not a cause for concern as this includes the Deferred Capital Grant release within one year which has no cash flow implications.

The Association's financial projections demonstrate that the Association has sufficient financial resources to ensure that it meets its commitments in the short, medium and longer term. Therefore, the Management Board believes that the Association has adequate resources to continue in operational existence for the foreseeable future which is defined as 12 months after the date of these financial statements. For this reason, the going concern basis has been adopted in these Financial Statements.

*Business combination*

Assets and liabilities acquired through a business combination are recognised at fair value. Combinations which are for £nil consideration are treated as a public benefit entity combination that is in substance a gift with any excess of fair value of the assets received over the fair value of the liabilities acquired being recognised as income within the Statement of Comprehensive Income.

*Government grants*

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

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

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

*Other grants*

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



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**Turnover & revenue recognition**

Turnover represents rents, service charges and revenue grants receivable in respect of tenanted properties, amounts receivable from the sale of housing accommodation and amounts invoiced in respect of the provision of services.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids on a receivables basis.

Grant income is recognised when any associated performance conditions have been met.

**Fixed Assets – housing land and buildings**

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

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The major components are deemed to be Land, Structure, Roofs, Windows, Kitchens, Bathrooms, Lifts, Warden Call/Fire Alarm and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1.

**Capitalised development overheads and borrowing costs**

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties cost. Directly attributable costs include direct labour cost of the Association and incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development costs are written off to the Income and Expenditure Account in the period in which it occurs.

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion and then amortised thereafter over the remaining loan term. Interest charges arising after that date are charged to the Income and Expenditure Account.

**Impairment of fixed assets**

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

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**Sales of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, 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 and the grants removed from the Financial Statements.

**Depreciation of housing properties**

Depreciation is charged by each Association on a straight-line basis over the expected economic useful lives of each major component that makes up the housing property. Whilst each Association has a consistent policy on depreciating each of the identified components, the Associations have determined different expected economic useful lives as detailed below:

	<b>Caledonia HA</b>	<b>Cordale HA</b>
Land	Not depreciated	Not depreciated
Structure	75 years	50 years
Roof	65 years	50 years
Windows & Doors	35 years	25 years
Central Heating Systems	35 years	20 years
Kitchen	20 years	15 years
Bathroom	30 years	30 years
Central Heating- Individual Boilers	20 years	Not applicable
Central Heating- Common Plant	30 years	Not applicable
Lifts	20 years	Not applicable
Warden Call/ Fire Alarm	20 years	Not applicable
Lighting	Not applicable	15 years

**Depreciation of other fixed assets**

Scheme plant and equipment is depreciated at 10% per annum on cost.

Office Furniture and Equipment is depreciated at 10% per annum on cost, with the exception of computer equipment which is depreciated at 33.3% per annum on cost, and photocopiers which are depreciated at 20% per annum.

Motor Vehicles are depreciated at 25% per annum on cost.

Office Premises are depreciated on a straight line basis over the expected remaining useful life. It is assumed to have an estimated useful life of 75 years. The Association has carried out the necessary impairment review to ensure properties are not shown at an amount exceeding their recoverable amount.

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

In accordance with FRS 102, (i) it is the Group's policy that investment properties are revalued annually by persons holding a recognised professional qualification and at least every five years by an external valuer; and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties.

**Cash and cash equivalents**

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



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**Housing loans**

Mortgage loans on housing land and properties are advanced under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of these developments that have been given approval for Housing Association Grant by Scottish Housing Regulator. Mortgage loans in the balance sheet include amounts due but not received.

**Revenue Reserves**

The Association has determined that it is appropriate to hold revenue reserves equivalent to a minimum of six months turnover net of LIFT property sales to minimise future financial risk.

**Operating lease commitments**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis.

**VAT**

Whilst being VAT Registered, most of the Association's income is exempt for VAT purposes. Expenditure is therefore shown inclusive of VAT.

**Low-cost Initiative for First-Time Buyers – LIFT (formally undertaken under Homestake)**

During the development of LIFT properties the costs and HAG received are shown in the Balance Sheet as a Current Asset, once sold the cost is reported as a Fixed Asset Investment and the related grant is shown as deferred income. The Current Asset treatment reflects the risks to the Association until a sale is achieved. LIFT income received from sales is included within turnover and the expenses are included as Cost of Sales to reflect the level of activity undertaken.

**Shared ownership**

Proceeds from, and cost of sales of, first tranche disposals of shared ownership properties are accounted for in the Income and Expenditure account of the period in which the disposal occurred. The balance of the costs of shared ownership properties are recorded within fixed assets and subsequent disposals are accounted for through the disposal of fixed assets.

**Stock and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Shared Equity units in progress and Developments in Progress for other Associations are included in WIP at cost, net of any related HAG.

**Employee benefits**

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

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

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

**Financial instruments**

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Financial assets**

**Debtors**

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

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

***Financial liabilities***

***Trade creditors***

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

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

***Borrowings***

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

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

***Provisions***

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

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

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2023

2. Particulars of turnover, operating costs and operating surplus for the financial period by class of business

Group:	Turnover £	Operating costs £	Loss on sale of Fixed Assets £	Operating surplus 2023 £	Operating surplus 2022 £
Social lettings (note 3a)	33,300,406	(27,078,057)	-	6,222,349	5,925,775
Other activities (note 4a)	3,637,115	(3,386,438)	-	250,677	117,573
Loss on sale of fixed assets	-	-	(428,741)	(428,741)	(291,801)
<b>Total – 2023</b>	<b>36,937,521</b>	<b>(30,464,495)</b>	<b>(428,741)</b>	<b>6,044,285</b>	<b>5,751,547</b>
<b>Total – 2022</b>	<b>37,639,141</b>	<b>(31,595,793)</b>	<b>(291,801)</b>	<b>5,751,547</b>	

Housing Association:	Turnover £	Operating costs £	Loss on sale of Fixed Assets £	Operating surplus 2023 £	Operating surplus 2022 £
Social lettings (note 3b)	29,826,155	(24,156,216)	-	5,669,939	5,169,873
Other activities (note 4b)	3,550,584	(3,363,736)	-	186,848	57,651
Loss on sale of fixed assets	-	-	(357,929)	(357,929)	(290,513)
<b>Total – 2023</b>	<b>33,376,739</b>	<b>(27,519,952)</b>	<b>(357,929)</b>	<b>5,498,858</b>	<b>4,937,011</b>
<b>Total – 2022</b>	<b>34,159,094</b>	<b>(28,931,570)</b>	<b>(290,513)</b>	<b>4,937,011</b>	



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**3a. Particulars of turnover, operating costs and operating surplus from social letting activities**

<b>Group</b>	<b>General Needs Housing £</b>	<b>Supported Social Housing £</b>	<b>Shared Ownership Housing £</b>	<b>Total 2023 £</b>	<b>Total 2022 £</b>
Rent receivable net of service charges	21,065,964	3,056,828	879,079	25,001,871	22,333,628
Service charges	1,545,752	2,484,943	259,538	4,290,233	3,419,189
<b>Gross income from rents and service charges</b>	<b>22,611,716</b>	<b>5,541,771</b>	<b>1,138,617</b>	<b>29,292,104</b>	<b>25,752,817</b>
Less Voids	(175,390)	(98,298)	(155)	(273,843)	(256,521)
Net income from rents and service charges	22,436,326	5,443,473	1,138,462	29,018,261	25,496,296
Grants released from deferred income	3,391,603	724,520	148,802	4,264,925	4,288,295
Other revenue grants	17,220	-	-	17,220	50,727
<b>Total turnover from social letting activities</b>	<b>25,845,149</b>	<b>6,167,993</b>	<b>1,287,264</b>	<b>33,300,406</b>	<b>29,835,318</b>
Management and maintenance administration costs	6,230,692	1,446,588	313,683	7,990,963	7,747,336
Service costs	1,150,358	2,766,645	280,191	4,197,194	3,510,389
Planned and cyclical maintenance including major repairs costs	2,801,874	385,351	71,488	3,258,713	2,471,298
Reactive maintenance costs	2,538,348	642,107	29,057	3,209,512	2,845,130
Bad debts	395,622	16,778	22,679	435,079	112,824
Depreciation of affordable let properties	6,764,825	963,587	258,184	7,986,596	7,178,528
Impairment of affordable let properties	-	-	-	-	44,038
<b>Operating costs for affordable letting activities</b>	<b>19,881,719</b>	<b>6,221,056</b>	<b>975,282</b>	<b>27,078,057</b>	<b>23,909,543</b>
<b>Operating surplus / (deficit) for affordable letting activities</b>	<b>5,963,430</b>	<b>(53,063)</b>	<b>311,982</b>	<b>6,222,349</b>	<b>5,925,775</b>
Operating surplus for affordable letting activities for previous accounting period	5,363,569	102,385	459,821	5,925,775	

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**3b. Particulars of turnover, operating costs and operating surplus from social letting activities (continued)**

Association	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total 2023 £	Total 2022 £
Rent receivable net of service charges	19,082,919	2,854,584	858,191	22,795,694	20,189,648
Service charges	1,518,913	2,254,476	259,538	4,032,927	3,221,869
Gross income from rents and service charges	20,601,832	5,109,060	1,117,729	26,828,621	23,411,517
Less Voids	(165,399)	(92,076)	-	(257,475)	(207,668)
Net income from rents and service charges	20,436,433	5,016,984	1,117,729	26,571,146	23,203,849
Grants released from deferred income	2,477,451	621,806	138,532	3,237,789	3,195,888
Other revenue grants	17,220	-	-	17,220	50,727
Total turnover from social letting activities	22,931,104	5,638,790	1,256,261	29,826,155	26,450,464
Management and maintenance administration costs	5,607,260	1,376,539	306,678	7,290,477	7,094,449
Service costs	1,113,760	2,549,582	280,191	3,943,533	3,323,972
Planned and cyclical maintenance including major repairs costs	2,489,644	385,351	71,488	2,946,483	2,307,494
Reactive maintenance costs	2,298,751	619,756	29,057	2,947,564	2,554,705
Bad debts	360,400	16,778	22,679	399,857	154,655
Depreciation of affordable letting properties	5,548,739	830,027	249,536	6,628,302	5,801,278
Impairment of affordable letting properties	-	-	-	-	44,038
Operating costs for affordable letting activities	17,418,554	5,778,033	959,629	24,156,216	21,280,591
Operating surplus / (deficit) for affordable letting activities	5,512,550	(139,243)	296,632	5,669,939	5,169,873
Operating surplus / (deficit) for affordable letting activities for previous accounting period	4,797,787	(68,391)	440,477	5,169,873	

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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For the year ended 31 March 2023

**4a. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities**

Group:	Grants from Scottish Ministers £	Other revenue grants £	Supporting Income £	Other Income £	Total turnover £	Operating costs £	Operating (deficit) / surplus 2023 £	Operating (deficit) / surplus 2022 £
Factoring	-	-	-	178,174	178,174	(188,715)	(10,541)	5,651
Other services – owner occupiers	-	-	-	7,937	7,937	(7,937)	-	(9,298)
Care and repair property	1,439,014	-	-	-	1,439,014	(1,437,702)	1,312	59,623
Stage 3 Adaptations	493,932	-	-	-	493,932	(352,818)	141,114	15,066
Support activities	-	-	126,994	-	126,994	(129,291)	(2,297)	(1,260)
Commercial rents	-	-	-	59,375	59,375	-	59,375	59,375
Tenant participation	-	-	-	-	-	(69)	(69)	(278)
Dundee Voluntary Action	-	-	-	54,038	54,038	(57,341)	(3,303)	4,769
Income from Office Lease	-	-	-	45,330	45,330	-	45,330	47,472
Agency management services	-	-	-	133,565	133,565	(120,209)	13,356	9,119
Other Activities	-	-	-	64,006	64,006	(57,606)	6,400	4,572
Shared equity sales	-	-	-	1,034,750	1,034,750	(1,034,750)	-	-
Properties for other Associations	-	-	-	-	-	-	-	48,227
HMRC Furlough Grant	-	-	-	-	-	-	-	3,370
Impairment of office property	-	-	-	-	-	-	-	(128,835)
<b>Total from other activities</b>	<b>1,932,946</b>	<b>-</b>	<b>126,994</b>	<b>1,577,175</b>	<b>3,637,115</b>	<b>(3,386,438)</b>	<b>250,677</b>	<b>117,573</b>
<b>Total from other activities – 2022</b>	<b>1,451,131</b>	<b>3,370</b>	<b>122,946</b>	<b>6,226,376</b>	<b>7,803,823</b>	<b>(7,686,250)</b>	<b>117,573</b>	



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For the year ended 31 March 2023

4b. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

Association:	Grants from Scottish Ministers £	Supporting Income £	Other Income £	Total turnover £	Operating costs £	Operating (deficit) / surplus 2023 £	Operating (deficit) / surplus 2022 £
Factoring	-	-	169,956	169,956	(180,497)	(10,541)	5,651
Other services – owner occupiers	-	-	7,937	7,937	(7,937)	-	(9,298)
Care and repair property	1,439,014	-	-	1,439,014	(1,437,702)	1,312	59,623
Stage 3 Adaptations	474,994	-	-	474,994	(338,403)	136,591	14,241
Support activities	-	126,994	-	126,994	(129,291)	(2,297)	(1,260)
Dundee Voluntary Action	-	-	54,038	54,038	(57,341)	(3,303)	4,769
Income from Office Lease	-	-	45,330	45,330	-	45,330	47,472
Agency management services	-	-	133,565	133,565	(120,209)	13,356	9,119
Other Activities	-	-	64,006	64,006	(57,606)	6,400	4,572
Shared equity sales	-	-	1,034,750	1,034,750	(1,034,750)	-	-
Properties for other Associations	-	-	-	-	-	-	48,227
HMRC Furlough Grant	-	-	-	-	-	-	3,370
Impairment of office property	-	-	-	-	-	-	(128,835)
<b>Total from other activities</b>	<b>1,914,008</b>	<b>126,994</b>	<b>1,509,582</b>	<b>3,550,584</b>	<b>(3,363,736)</b>	<b>186,848</b>	<b>57,651</b>
<b>Total from other activities – 2022</b>	<b>1,424,131</b>	<b>122,946</b>	<b>6,161,553</b>	<b>7,708,630</b>	<b>(7,650,979)</b>	<b>57,651</b>	

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**5. Number of units in Management at the year end**

	2023 No.	2022 No.
<b>a) Housing stock (group)</b>		
General needs	5,587	5,281
Shared ownership	381	394
Supported housing	40	40
	<u>6,008</u>	<u>5,715</u>
<b>b) Investment properties (Group)</b>		
Office	1	1
Other	3	3
Total	<u>4</u>	<u>4</u>
<b>c) Housing stock (Association)</b>		
New build	5,121	4,815
Shared ownership	371	384
Total	<u>5,492</u>	<u>5,199</u>
<b>d) Investment properties (Association)</b>		
Office	1	1
Total	<u>1</u>	<u>1</u>

**6. Key Management Personnel (Group and Association)**

Key management personnel are defined as the Chief Executive and any other senior staff reporting directly to the Chief Executive.

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

	No.	No.
£60,000 - £70,000	-	-
£70,001 - £80,000	-	-
£80,001 - £90,000	4	5
£90,001 - £100,000	1	-
£100,001 - £110,000	-	-
£110,001 - £120,000	1	1
	<u>1</u>	<u>1</u>
	2023	2022
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>553,779</u>	<u>538,529</u>
Aggregate pension contributions in relation to the above key management personnel	<u>62,832</u>	<u>61,002</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>117,075</u>	<u>113,790</u>
Aggregate pension contributions made on behalf of the Chief Executive	<u>13,533</u>	<u>13,139</u>

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

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**7. Employees**

All group staff are employed by Caledonia Housing Association. The average monthly number of full time equivalent including key management personnel persons employed (excluding board members) in the year, analysed by category, was as follows:

Group and Association	Number of employees	
	2023	2022
Office, administrative and management	109	107
Development	5	5
Housing Support and Care	42	44
	<u>156</u>	<u>156</u>

The aggregate payroll costs of these persons were as follows:

	2022 £	2022 £
Wages and salaries	5,522,624	5,393,386
Social security costs	568,922	520,685
Other pension costs and current service costs (note 29)	748,315	896,836
Temporary staffing	89,454	97,062
	<u>6,929,315</u>	<u>6,907,969</u>

8. Interest receivable	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Bank and Building Society interest	255,028	246,708	218,991	218,699
	<u>255,028</u>	<u>246,708</u>	<u>218,991</u>	<u>218,699</u>
9. Interest payable and financing costs	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Interest arising on:				
Social Housing debt	4,859,828	4,540,425	3,767,196	3,507,900
Shared Ownership bank loans	272,611	272,611	272,611	272,611
Defined benefit pension charge	-	-	29,000	29,000
	<u>5,132,439</u>	<u>4,813,036</u>	<u>4,068,807</u>	<u>3,809,511</u>
Less: interest capitalised on housing properties under construction	<u>(549,938)</u>	<u>(549,938)</u>	<u>(492,962)</u>	<u>(492,962)</u>
	<u>4,582,501</u>	<u>4,263,098</u>	<u>3,575,845</u>	<u>3,316,549</u>



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**10. Taxation**

**Group**

The Associations both have charitable status for taxation purposes and all income falls within the charitable exemptions.

**11. Tangible fixed assets - housing properties (Group)**

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2022	412,713,247	24,893,540	17,016,649	454,623,436
Acquired through business combination (note 26)	12,957,207	-	-	12,957,207
Works to existing properties	6,799,157	-	-	6,799,157
Additions	-	15,041,752	-	15,041,752
Disposals	(2,205,997)	-	(201,855)	(2,407,852)
Transfers	23,934,298	(23,934,298)	-	-
At 31 March 2023	<u>454,197,912</u>	<u>16,000,994</u>	<u>16,814,794</u>	<u>487,013,700</u>
<i>Depreciation</i>				
At 1 April 2022	104,010,948	-	5,001,746	109,012,694
Provided during year	7,771,564	-	215,032	7,986,596
Eliminated on disposals	(1,339,776)	-	(47,175)	(1,386,951)
At 31 March 2023	<u>110,442,736</u>	<u>-</u>	<u>5,169,603</u>	<u>115,612,339</u>
<i>Net book value</i>				
At 31 March 2023	<u>343,755,176</u>	<u>16,000,994</u>	<u>11,645,191</u>	<u>371,401,361</u>
At 31 March 2022	<u>308,702,299</u>	<u>24,893,540</u>	<u>12,014,903</u>	<u>345,610,742</u>

Additions to housing properties included capitalised development administration costs of £773,062 (2022: £674,716) of which development allowances of £nil (2022: £nil) were received in respect of these costs and capitalised. Additions in the year also include an amount of capitalised interest of £549,938 (2022: £492,962). Interest is capitalised at a rate of 4.9% (2022: 3.5%).

Major repairs in the year amounted to £8,426,303 (2022: £6,222,305). Of the total £6,799,157 (2022: £4,987,465) was capitalised and related to replacement of components. The remaining £1,627,146 (2022: £1,234,840) was charged to the statement of comprehensive income. Included in the major repairs figure for the year to 31 March 2023 is £2,210,319 relating to works delayed in the prior year due to COVID restrictions.

The total cost of land included above is £57,111,216 (2022: £50,386,543).

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

**12. Tangible fixed assets - housing properties (Association)**

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2022	346,534,009	24,529,642	16,447,654	387,511,305
Acquired through business combination (note 26)	12,957,207	-	-	12,957,207
Works to existing properties	6,182,584	-	-	6,182,584
Additions	-	14,905,602	-	14,905,602
Disposals	(1,374,029)	-	(201,855)	(1,575,884)
Transfers	23,934,298	(23,934,298)	-	-
At 31 March 2023	<u>388,234,069</u>	<u>15,500,946</u>	<u>16,245,799</u>	<u>419,980,814</u>
<i>Depreciation</i>				
At 1 April 2022	71,286,644	-	4,759,364	76,046,008
Provided during year	6,413,270	-	215,032	6,628,302
Eliminated on disposals	(696,585)	-	(47,175)	(743,760)
At 31 March 2023	<u>77,003,329</u>	<u>-</u>	<u>4,927,221</u>	<u>81,930,550</u>
<i>Net book value</i>				
At 31 March 2023	<u>311,230,740</u>	<u>15,500,946</u>	<u>11,318,578</u>	<u>338,050,264</u>
At 31 March 2022	<u>275,247,365</u>	<u>24,529,642</u>	<u>11,688,290</u>	<u>311,465,297</u>

Additions to housing properties included capitalised development administration costs of £762,478 (2022: £653,970) of which development allowances of £nil (2022: £nil) were received in respect of these costs and capitalised. Additions in the year also include an amount of capitalised interest of £549,938 (2022: £492,962). Interest is capitalised at a rate of 4.9% (2022: 3.5%).

Major repairs in the year amounted to £7,600,182 (2022: £5,961,071). Of the total £6,182,584 (2022: £4,805,354) was capitalised and related to replacement of components. The remaining £1,417,598 (2022: £1,155,717) was charged to the statement of comprehensive income. Included in the major repairs figure for the year to 31 March 2023 is £2,010,317 relating to works delayed in the prior year due to COVID restrictions.

The total cost of land included above is £52,732,258 (2022: £46,007,585).

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. Tangible fixed assets – other (Group)

	Office Furniture and Equipment £	Scheme Plant and Equipment £	Office Accommodation £	Leasehold Property £	Motor Vehicles £	Total £
<i>Cost/Revaluation</i>						
At 1 April 2022	1,394,672	1,842,222	2,433,255	305,418	119,403	6,094,970
Acquired through business combination (note 26)	4,854	-	-	-	5,630	10,484
Additions	83,200	24,416	-	167,811	-	275,427
Disposals	(613,586)	(378,280)	-	(235,861)	-	(1,227,727)
At 31 March 2023	869,140	1,488,358	2,433,255	237,368	125,033	5,153,154
<i>Depreciation</i>						
At 1 April 2022	1,275,514	891,457	693,927	257,839	106,319	3,225,056
Provided during year	100,942	150,775	29,998	27,968	18,714	328,397
Eliminated on disposals	(613,586)	(378,280)	-	(235,861)	-	(1,227,727)
At 31 March 2023	762,870	663,952	723,925	49,946	125,033	2,325,726
<i>Net book value</i>						
At 31 March 2023	106,270	824,406	1,709,330	187,422	-	2,827,428
At 31 March 2022	119,158	950,765	1,739,328	47,579	13,084	2,869,914



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14. Tangible fixed assets – other (Association)	Office Furniture and Equipment £	Scheme Plant and Equipment £	Office Accommodation £	Leasehold Property £	Commercial Property £	Motor Vehicles £	Total £
<i>Cost</i>							
At 1 April 2022	1,017,440	1,842,222	567,471	235,861	47,579	119,403	3,829,976
Acquired through business combination (note 26)	4,854	-	-	-	-	5,630	10,484
Additions	83,200	24,416	-	167,811	-	-	275,427
Disposals	(613,586)	(378,280)	-	(235,861)	-	-	(1,227,727)
At 31 March 2023	491,908	1,488,358	567,471	167,811	47,579	125,033	2,888,160
<i>Depreciation</i>							
At 1 April 2022	914,073	891,457	476,491	235,861	646	106,319	2,624,847
Provided during year	88,328	150,775	745	27,968	323	18,714	286,853
Eliminated on disposals	(613,586)	(378,280)	-	(235,861)	-	-	(1,227,727)
At 31 March 2023	388,815	663,952	477,236	27,968	969	125,033	1,683,973
<i>Net book value</i>							
At 31 March 2023	103,093	824,406	90,235	139,843	46,610	-	1,204,187
At 31 March 2022	103,367	950,765	90,980	-	46,933	13,084	1,205,129

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**For the year ended 31 March 2023**

15. Investment properties (Group)	2023 £	2022 £
At 1 April 2022	1,309,305	1,309,305
At 31 March 2023	<u>1,309,305</u>	<u>1,309,305</u>

Investment property at Scott Street, which is freehold, was valued at £340,000 on an open market existing use basis at 31 March 2023 by Graham & Sibbald. The reduction in the carrying value of £14,305 has not been reflected in the accounts on the ground of materiality and the property continues to be held at a value of £354,305. No depreciation is provided in respect of investment properties.

Cordale Housing Association owns three investment properties: An Integrated Healthy Living Centre; a pharmacy and a community hall. The Integrated Healthy Living Centre and the pharmacy were valued in July 2022 at £750,000 and £175,000 respectively on an open market basis by Jones Lang LaSalle Limited. The valuations of these properties are unchanged since their previous valuation in 2019 and continue to be held at that value. Cordale Housing Association has commenced a process to market for sale its community hall, which was last valued at £30,000 in 2012. The property has been valued post year end and the selling agents are seeking offers of over £37,500 which they consider to represent a fair market value. As the sales process is at an early stage and the uplift in market valuation is not considered to be material, the property continues to be held at its previous valuation of £30,000.

The Management Board do not believe there has been any material change in the value of these properties in the period to 31 March 2023. No depreciation is provided in respect of investment properties.

16. Investment properties (Association)	2023 £	2022 £
At 1 April 2022 and 31 March 2023	<u>354,305</u>	<u>354,305</u>

The investment property in the Association is the property at Scott Street, noted above.

17. Stock and work in progress	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Open Market Shared Equity properties	1,618,548	1,618,548	953,287	953,287
	<u>1,618,548</u>	<u>1,618,548</u>	<u>953,287</u>	<u>953,287</u>
18. Debtors	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Due < 1 Year				
Rent and service charges receivable	1,822,063	1,662,798	1,542,890	1,419,580
Less: bad debt provision	<u>(1,245,728)</u>	<u>(1,168,557)</u>	<u>(973,434)</u>	<u>(922,091)</u>
	576,335	494,241	569,456	497,489
Prepayments and accrued income	1,013,140	1,013,140	718,692	718,692
Other debtors	302,684	221,806	109,308	37,393
Amount due from subsidiary undertakings	-	335,005	-	297,688
Grants Receivable	<u>944,475</u>	<u>585,501</u>	<u>906,262</u>	<u>906,262</u>
	<u>2,836,634</u>	<u>2,649,693</u>	<u>2,303,718</u>	<u>2,457,524</u>

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**For the year ended 31 March 2023**

19. Creditors: amounts falling due within one year	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Debt (note 22)	1,781,410	1,424,141	15,854,579	15,481,191
Trade creditors	2,733,579	2,733,579	158,051	158,051
Other Taxes and Social Security	152,910	152,910	137,510	137,510
Rent in Advance	1,411,872	1,258,750	1,281,326	1,116,915
Accruals and Deferred Income	5,132,177	4,635,930	5,949,131	5,814,998
Pensions	64,238	64,238	59,700	59,700
Other Creditors	389,411	148,002	369,131	142,811
Deferred capital grants (note 21)	4,264,925	3,237,789	4,167,312	3,105,762
	<u>15,930,522</u>	<u>13,655,339</u>	<u>27,976,740</u>	<u>26,016,938</u>
20. Creditors: amounts falling due after more than one year	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Debt (note 22)	107,662,962	101,799,876	83,173,489	76,977,620
Deferred capital grants (note 21)	189,842,595	167,469,548	186,932,774	163,808,014
	<u>297,505,557</u>	<u>269,269,424</u>	<u>270,106,263</u>	<u>240,785,634</u>
21. Deferred capital grant	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Social Housing Grants				
As at 1 April 2022	191,100,086	166,913,776	188,989,081	161,675,747
Additions	8,171,790	7,812,816	10,483,261	10,483,261
Disposals	(899,431)	(781,466)	(4,204,944)	(2,139,470)
Capital grant released in year	(4,264,925)	(3,237,789)	(4,167,312)	(3,105,762)
At 31 March 2023	<u>194,107,520</u>	<u>170,707,337</u>	<u>191,100,086</u>	<u>166,913,776</u>
Amounts to be released within one year	4,264,925	3,237,789	4,167,312	3,105,762
Amounts to be released in more than one year	189,842,595	167,469,548	186,932,774	163,808,014
	<u>194,107,520</u>	<u>170,707,337</u>	<u>191,100,086</u>	<u>166,913,776</u>
22. Debt analysis – Borrowings	2023 Group £	2023 Association £	2022 Group £	2022 Association £
Creditors: amounts falling due within one year:	<u>1,781,410</u>	<u>1,424,141</u>	<u>15,854,579</u>	<u>15,481,191</u>
Bank loans	<u>1,781,410</u>	<u>1,424,141</u>	<u>15,854,579</u>	<u>15,481,191</u>
Creditors: amounts falling due after one year:	<u>107,662,962</u>	<u>101,799,876</u>	<u>83,173,489</u>	<u>76,977,620</u>
Bank loans	<u>109,444,372</u>	<u>103,224,017</u>	<u>99,028,068</u>	<u>92,458,811</u>



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**22. Debt analysis – Borrowings (continued)**

*Caledonia HA*

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

Borrowings mature between 14 November 2023 and 22 March 2058. Fixed rate debt of £66.7m (2022: £53.5m) bear average fixed-rate coupons of 4.37% per annum (2022: 5.23% per annum) and £36.5m (2022: £39m) variable rate loans bear average variable-rate coupons of 1.45% above SONIA (2022: 2.15% above SONIA). The Association makes quarterly and semi-annual interest payments on all bank borrowings.

Borrowings of £103.2m (2022: £92.5m) are secured by specific charges against the Association's housing properties.

*Cordale HA*

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

Bank borrowings mature between 31 March 2029 and 31 March 2041. Fixed rate loans £2.8m (2022: £2.9m) bear average fixed-rate coupons of 5.45% per annum (2022: 5.45% per annum) and £3.4m (2022: £3.7m) variable rate loans bear average variable-rate coupons of 1.79% above SONIA (2022: 1.9% above SONIA). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £6.2m (2022: £6.6m) are secured by specific charges against the Association's housing properties.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2023 Group £	2023 Association £	2022 Group £	2022 Association £
In one year or less	1,781,410	1,424,141	15,854,579	15,481,191
Between one and two years	1,779,994	1,410,708	1,623,804	1,267,037
Between two and five years	28,082,843	27,083,594	24,972,585	23,879,200
In five years and more	77,800,125	73,305,574	56,577,100	51,831,383
	<u>109,444,372</u>	<u>103,224,017</u>	<u>99,028,068</u>	<u>92,458,811</u>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

<b>23. Share capital</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>No</b>	<b>No.</b>	<b>£</b>	<b>£</b>
<b>Group</b>				
Shares of £1 each fully paid				
At 1 April 2022	311	243	311	343
Issued in year	43	-	43	-
Withdrawn in year	(79)	(32)	(79)	(32)
Investment in subsidiary cancelled	-	100	-	-
	<u>275</u>	<u>311</u>	<u>275</u>	<u>311</u>
At 31 March 2023				
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>No</b>	<b>No.</b>	<b>£</b>	<b>£</b>
<b>Association</b>				
Shares of £1 each fully paid				
At 1 April 2022	243	263	243	263
Issued in year	43	-	43	-
Cancelled in year	(71)	(20)	(71)	(20)
	<u>215</u>	<u>243</u>	<u>215</u>	<u>243</u>
At 31 March 2023				

**24. Reserves**

Reserves of the Association represent the following:

*Revenue Reserve*

The cumulative surplus / deficit.

**25. Commitments under operating leases – Group and Association**

The total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2023</b>	<b>2022</b>
	<b>Land and Buildings</b>	<b>Land and buildings</b>
	<b>£</b>	<b>£</b>
Amounts due:		
Within one year	37,274	17,500
Between one and five years	149,098	-
After five years	8,851	-
	<u>195,223</u>	<u>17,500</u>

During the year £36,605 (2022: £70,000) of payments made under an operating lease were recognised as an expense. The existing office lease terminated during the year and a new 6-year lease commenced on 27 June 2023.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**26. Business Combination**

On 1 April 2022, Caledonia Housing Association acquired the assets and liabilities of Fairley Housing Association for £nil consideration.

On 1 April 2022 (the 'acquisition date') the assets and liabilities of Fairley Housing Association were consolidated at their fair values as set out below. The properties were valued on the basis of Existing Use Value for Social Housing (EUV-SH) by Jones Lang LaSalle during the year ended 31 March 2023. The value of the housing stock was below the initial book value resulting in the fair value adjustment of £3,971,315 shown in the table below. As part of the fair value assessment of housing assets and liabilities, the deferred grant income balance of £11,146,024 is extinguished, resulting in an overall increase in the net carrying value of the housing assets of £7,174,709.

The excess of the fair value of the assets acquired over the fair value of the liabilities acquired of £12,844,401 has been recognised in the Statement of Comprehensive Income.

	Initial book value £	Fair value adjustment £	Fair value at date of acquisition £
Housing Properties	16,928,523	(3,971,315)	12,957,208
Other Fixed Assets	10,484	-	10,484
Arrears of rent and service charges	14,730	-	14,730
Other debtors	10,727	-	10,727
Cash	1,879,285	-	1,879,285
<b>Total assets</b>	<b>18,843,749</b>	<b>(3,971,315)</b>	<b>14,872,434</b>
Housing loans	1,816,371	-	1,816,371
Deferred grant income	11,146,024	(11,146,024)	-
Trade payables	111,173	-	111,173
Rent received in advance	39,828	-	39,828
Other creditors	18,140	-	18,140
Pension provision	42,521	-	42,521
<b>Total liabilities</b>	<b>13,174,057</b>	<b>(11,146,024)</b>	<b>2,028,033</b>
<b>Net assets</b>	<b>5,669,692</b>	<b>7,174,709</b>	<b>12,844,401</b>



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

27. Notes to the cash flow statement – Group	2023 £	2022 £
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	13,736,213	3,528,963
Adjustments for non-cash items:		
Business combination – excess of Fair Value over book value	(12,844,401)	-
Depreciation of tangible fixed assets	8,314,993	7,477,042
Amortisation of capital grant	(4,264,925)	(4,167,312)
Grants released	(726,020)	(2,189,665)
Impairment of office property	-	128,835
Impairment of property held for letting	-	44,038
Loss on disposal of tangible fixed assets	428,741	291,801
Interest received	(255,028)	(218,991)
Interest payable	4,582,501	3,546,845
Withdrawal from investment	-	100
Shares issued	43	-
Cancelled shares	(79)	(32)
Operating cash flows before movement in working capital	8,972,038	8,441,624
(Increase) / decrease in stock	(665,261)	5,127,097
Increase in trade and other debtors	(520,807)	(1,458,925)
Increase in trade and other creditors	2,132,519	1,513,569
Increase / (decrease) in defined pension benefit liability	574,479	(1,523,939)
Cash generated from operations	10,492,968	12,099,426
Cash and cash equivalents	9,508,336	6,718,682
Short Term Deposits	90,986	115,149
Loan Servicing Account	8,313	13,861
Cash	9,607,635	6,847,692

**Net debt reconciliation**

	1 April 2022	Cashflow	Other Non-cash movements	31 March 2023
Cash at bank and in hand	6,847,692	2,759,943	-	9,607,635
Bank Loan	(15,854,579)	26,400,067	(12,326,898)	(1,781,410)
Debt due within 1 year	(15,854,579)	26,400,067	(12,326,898)	(1,781,410)
Bank Loan	(83,173,489)	(35,000,000)	10,510,527	(107,662,962)
Debt due after 1 year	(83,173,489)	(35,000,000)	10,510,527	(107,662,962)
Total net debt	(92,180,376)	(5,839,990)	(1,816,371)	(99,836,737)

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2023**

27. Notes to the cash flow statement (continued) – association	2023 £	2022 £
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	13,501,869	2,973,431
Adjustments for non-cash items:		
Business combination – excess of fair value of assets over the fair value of liabilities acquired	(12,844,401)	-
Depreciation of tangible fixed assets	6,915,155	6,056,104
Amortisation of capital grant	(3,237,789)	(3,105,762)
Grants released	(726,020)	(2,139,470)
Impairment of office property	-	128,835
Impairment of property held for letting	-	44,038
Loss on disposal of tangible fixed assets	357,929	290,513
Interest received	(246,708)	(218,699)
Interest payable	4,263,098	3,287,549
Cancelled shares	(71)	(20)
Shares issued	43	-
Operating cash flows before movement in working capital	7,983,105	7,316,519
(Increase) / decrease in stock	(665,261)	5,127,097
Increase in trade and other debtors	(166,712)	(1,130,457)
Increase in trade and other creditors	1,394,283	980,328
Increase / (decrease) in defined pension benefit liability	574,479	(1,523,939)
Cash generated from operations	9,119,894	10,769,548
Cash and cash equivalents	7,712,959	4,913,382
Cash	7,712,959	4,913,382

**Net debt reconciliation**

	1 April 2022	Cashflow	Other Non-cash movements	31 March 2023
Cash at bank and in hand	4,913,382	2,799,577	-	7,712,959
Bank Loan	(15,481,191)	26,051,165	(11,994,115)	(1,424,141)
Debt due within 1 year	(15,481,191)	26,051,165	(11,994,115)	(1,424,141)
Bank Loan	(76,977,620)	(35,000,000)	10,177,744	(101,799,876)
Debt due after 1 year	(76,977,620)	(35,000,000)	10,177,744	(101,799,876)
Total net debt	(87,545,429)	(6,149,258)	(1,816,371)	(95,511,058)



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

28. Capital commitments Group	2023 £	2022 £
Capital expenditure contracted for but not provided in the Financial Statements	20,301,368	15,488,409
Capital expenditure authorised by the Board but not contracted	<u>6,900,000</u>	<u>8,100,000</u>
Association	2023 £	2022 £
Capital expenditure contracted for but not provided in the Financial Statements	15,361,520	15,488,409
Capital expenditure authorised by the Board but not contracted	<u>6,900,000</u>	<u>8,100,000</u>

The above expenditure will be funded through Scottish Housing Association grant, internal resources and private finance.

**29. Pensions**

**(a) Defined Contribution**

The Association operates a Defined Contribution Pension Scheme. The assets are held separately from the Association in an independently administered fund. The pension cost charge represents the contributions payable by the Association to the fund and amounted to £496,998 (2022: £477,715). Contributions totalling £64,238 (2022: £59,700) were payable to the fund at the year end and are included in creditors.

**(b) Scottish Housing Associations' Pension Scheme**

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

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2021. This valuation revealed a deficit of £27m. A Recovery Plan was put in place to eliminate the deficit which ran to 30 September 2022.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

The Scheme is accounted for as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive. The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

On 1 April 2022, the assets and liabilities of Faifley Housing Association were acquired by Caledonia Housing Association resulting in the recognition of a deficit of £43k for Caledonia HA in relation to the SHAPS pension scheme, being the shortfall in the value of assets acquired relative to liabilities.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 31 March 2023 is £617k (2022: £nil) for the Association and £617k (2022: £nil) for the Group.

**29. Pensions (continued)**



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**Fair value of plan assets, present values of defined benefit obligation, and defined benefit liability**

	2023 Group (£000s)	2022 Group (£000s)	2023 Association (£000s)	2022 Association (£000s)
Fair value of plan assets	11,415	15,382	11,415	15,382
Present value of defined benefit obligation	12,032	15,361	12,032	15,361
Surplus (deficit) in plan	(617)	21	(617)	21
Unrecognised surplus	-	21	-	21
Defined benefit liability	(617)	-	(617)	-

Reconciliation of the impact of the asset ceiling	2023 Group (£000s)	2022 Group (£000s)	2023 Association (£000s)	2022 Association (£000s)
Impact of asset ceiling at start of period	21	-	21	-
Effect of the asset ceiling included in net interest cost	4	-	4	-
Actuarial losses (gains) on asset ceiling	(25)	21	(25)	21
Impact of asset ceiling at end of period	-	21	-	21

Reconciliation of opening and closing balances of the defined benefit obligation	2023 Group (£000s)	2022 Group (£000s)	2023 Association (£000s)	2022 Association (£000s)
Defined benefit obligation at start of period	15,361	16,240	15,361	16,240
Expenses	16	14	16	14
Interest expense	461	353	461	353
Actuarial (gains) losses due to scheme experience	(711)	307	(711)	307
Actuarial (gains) losses due to changes in demographic assumptions	(256)	49	(256)	49
Actuarial gains due to changes in financial assumptions	(5,214)	(1,344)	(5,214)	(1,344)
Benefits paid and expenses	(353)	(258)	(353)	(258)
Liabilities acquired in a business combination	2,728	-	2,728	-
Defined benefit obligation at end of period	12,032	15,361	12,032	15,361

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2023**

**29. Pensions (continued)**

Reconciliation of opening and closing balances of the fair value of plan assets	2023 Group (£000s)	2022 Group (£000s)	2023 Association (£000s)	2022 Association (£000s)
Fair value of plan assets start of period	15,382	14,716	15,382	14,716
Interest Income	465	324	465	324
Experience on plan assets (excluding amounts included in interest income) – (loss)/gain	(7,031)	167	(7,031)	167
Contributions by the employer	267	433	267	433
Contributions by plan participants	-	-	-	-
Benefits paid and expenses	(353)	(258)	(353)	(258)
Assets acquired in a business combination	2,685	-	2,685	-
Fair value of plan of assets at end of period	<u>11,415</u>	<u>15,382</u>	<u>11,415</u>	<u>15,382</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 for the Group was a loss of £6,566,000 (2022: gain of £491,000) and for the Association was a loss of £6,566,000 (2022: a gain of £491,000).

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)	2023 Group (£000s)	2022 Group (£000s)	2023 Association (£000s)	2022 Association (£000s)
Expenses	16	14	16	14
Net interest expense	-	29	-	29
Losses on business combination (note 26)	43	-	43	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>59</u>	<u>43</u>	<u>59</u>	<u>43</u>

Defined benefit costs recognised in Other Comprehensive Income	2023 Association (£000s)	2022 Group (£000s)	2023 Association (£000s)	2022 Association (£000s)
Experience on plan assets (excluding amounts included in net interest cost) – (loss) gain	(7,031)	167	(7,031)	167
Experience gains and losses arising on the plan liabilities – gain (loss)	711	(307)	711	(307)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	256	(49)	256	(49)
Effects of changes in the financial assumptions underlying the present value of the defined obligation – gain	5,214	1,344	5,214	1,344
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	<u>25</u>	<u>(21)</u>	<u>25</u>	<u>(21)</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – (loss) gain	<u>(850)</u>	<u>1,155</u>	<u>(850)</u>	<u>1,155</u>
Total amount recognised in other comprehensive income – (loss) gain	<u>(825)</u>	<u>1,134</u>	<u>(825)</u>	<u>1,134</u>

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**29. Pensions (continued)**

Assets	Group		Association	
	2023 (£000s)	2022 (£000s)	2023 (£000s)	2022 (£000s)
Global Equity	301	3,041	301	3,041
Absolute Return	155	705	155	705
Distressed Opportunities	351	551	351	551
Credit Relative Value	35	493	35	493
Alternative Risk Premia	66	635	66	635
Emerging Markets Debt	88	573	88	573
Risk Sharing	832	502	832	502
Insurance-Linked Securities	318	322	318	322
Property	475	399	475	399
Infrastructure	1,230	960	1,230	960
Private Debt	510	387	510	387
Opportunistic Illiquid Credit	505	510	505	510
High Yield	58	150	58	150
Opportunistic Credit	1	54	1	54
Cash	48	43	48	43
Corporate Bond Fund	15	972	15	972
Liquid Credit	-	99	-	99
Long Lease Property	383	443	383	443
Secured Income	763	822	763	822
Over 15 Year Gilts	-	6	-	6
Liability Driven Investment	4,833	3,722	4,833	3,722
Currency Hedging	22	(56)	22	(56)
Net Current Assets	26	49	26	49
Total assets	<u>11,415</u>	<u>15,382</u>	<u>11,415</u>	<u>15,382</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**Key assumptions – Association**

	31 March 2023 % per annum	31 March 2022 % per annum
Discount Rate	4.86%	2.79%
Inflation (RPI)	3.19%	3.54%
Inflation (CPI)	2.77%	3.17%
Salary Growth	3.77%	4.17%
Allowance for commutation of pension cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4



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**For the year ended 31 March 2023**

**30. Contingent liabilities**

The Association has been notified by the Pensions Trust of the employer debt on withdrawal from the scheme with the latest data provided to 30 September 2022. At this date the debt on withdrawal, calculated on the solvency – or ‘buy-out’ – basis was £4,835,118 (30 September 2021 - £8,240,381).

The Association has been notified by the Trustee of the Scheme that it has performed a review comparing the benefits provided to scheme members over recent years with the requirements of the Scheme documentation. Due to uncertainty as to the effect of some benefit changes, the Trustee has been advised by lawyers to seek clarification from the Court on potential changes to the pension liability. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the ongoing Court process is known, it is not possible to calculate the impact on the liabilities of this issue with any accuracy, particularly on an individual employer basis, for the purposes of the 31 March 2023 financial statements. Accordingly, no adjustment has been made in these financial statements in respect of this potential issue.

**31. Auditors remuneration**

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

	2023 £	2022 £
Audit services – statutory audit – Group	49,560	42,840
Other services – Group	1,920	4,260
	<u>51,480</u>	<u>47,100</u>

**32. Related party disclosures**

*Group*

During the year, two Management Committee members were also tenants of Cordale Housing Association Limited. Their tenancies are on normal commercial terms. The amount of rent receivable from tenant members for the year ended 31 March 2023 was £8,004 (2022: £8,071). At the year-end there were £318 (2022: £321) of rent arrears due from these tenant members and £nil (2022: £nil) of rent in advance due.

Any transaction between the Association and any entity with which a Management Committee member has a connection is made at arm's length and is under normal commercial terms.

*Association*

The Association provides management services to Cordale Housing Association, Management Charges and recharged salary costs of £543,140 (2022: £510,346) were charged in the year. At the year end Cordale Housing Association owed the Association £335,005 (2022: £297,688) in respect of management services provided and expenditure incurred on behalf of Cordale Housing Association by the Association.

The Association is also a member of Upper Dens Landscaping Limited, which is a company limited by guarantee. There are four Directors appointed two of which are employees of the Association. During the year, £4,413 (2022: £3,481) was paid to Upper Dens Landscaping Limited.

One Management Board member is also a tenant of the Association. Their tenancy is on normal commercial terms. During the year £4,866 (2022: £4,674) of rent was receivable from this tenant member. At the year-end there were £nil (2022: £nil) of rent arrears due from these tenant members.

Some board members are employees of related local authorities and other related public or commercial entities. Any transactions with these related parties are made at arm's length, on normal commercial terms and board members cannot use their position to their advantage.