

# **Caledonia Housing Association Limited**

## **Report of the Management Board and Consolidated Financial Statements Year ended 31 March 2020**

### **Registration Particulars:**

Financial Conduct Authority

Registered Number 2343 R (S)

Scottish Housing Regulator

Registered Number HEP 224

The Scottish Charity Register

Charity Number SCO13988

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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# CALEDONIA HOUSING ASSOCIATION LIMITED

## ADVISERS

For the year ended 31 March 2020

<b>Registered Office:</b>	5 South St Johns Place Perth PH1 5SU
<b>Auditors:</b>	RSM UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
<b>Bankers:</b>	The Royal Bank of Scotland plc 12 Dunkeld Road Perth PH1 5RB
<b>Solicitors:</b>	Thorntons WS Whitehall Road 33 Yeaman Shore Dundee DD1 4BJ  TC Young 7 West George Street Glasgow G2 1BA  Harper Macleod The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
<b>Internal Auditors:</b>	MHA 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 2020 and up to the date of signing of these Financial Statements were as follows:

Mrs Helen Archibald  
Mrs Mary Clark (appointed 17 September 2019)  
Mrs Penny Coburn (Chair)  
Mr Lindsay Darroch  
Mr Ian Gray  
Mr Martin Harkness  
Mr Graham Logan  
Ms Veronica Lynch  
Mr Alex McDougall  
Mr Alan Nairn (Vice Chair)  
Mrs Elaine O'Brien (resigned 17 September 2019)  
Mr Andrew Richmond (appointed 29 October 2019)

#### Senior Staff Members:

Tim Calderbank	Director of Customer Services
Julie Cosgrove	Chief Executive
Leigh Grubb	Director of Finance & Governance / Company Secretary
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 and although not having the legal status of Directors, they act within the authority delegated by the Board. The members of the Management Board are unpaid. The governance arrangements include a Management Board with additional Committees for Audit & Risk Management, Health & Safety and Remuneration.

#### 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 then 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.
- 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 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 acknowledge their ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the business environments 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 include ensuring that:

- (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 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 at least annually and whenever significant business changes are being considered. This demonstrates forward planning and reporting to ensure a sound and viable financial position.
- (iv) All significant new initiatives, major commitments and investment projects are subject to formal appraisal techniques and authorisation procedures, through the Management Board.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

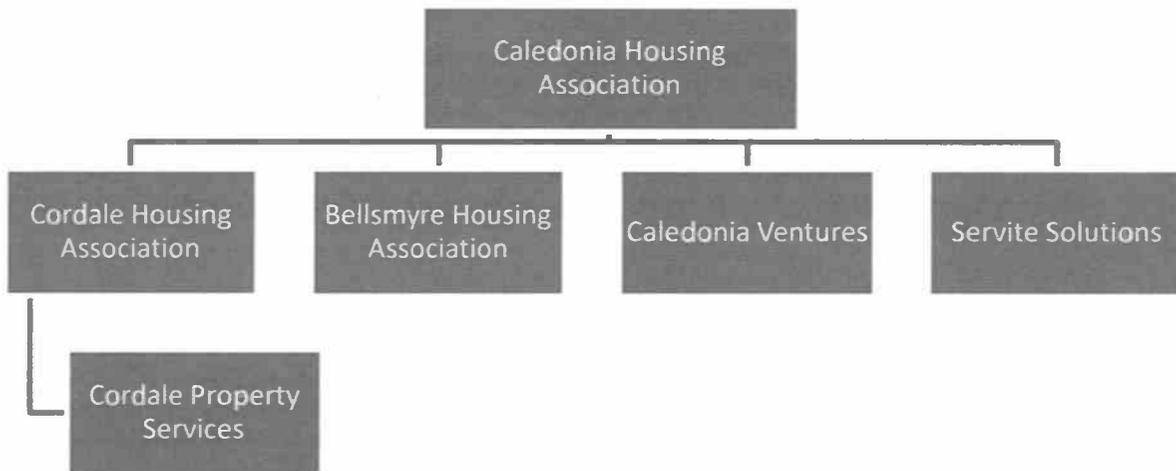
- (v) The Audit & Risk Management Committee has the responsibility of reviewing the internal financial and other controls of the Group and will review reports from management, from the internal auditors and from the external Auditors. In addition, the Audit & Risk Management Committee reviews the Group's corporate risk map at each meeting to monitor and mitigate assessed key risks.
- (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.
- (vii) A detailed review of the Group's governance arrangements was undertaken during the year ahead of submitting the Group's first annual assurance statement to the Scottish Housing Regulator. A continuous improvement plan has been developed, though no major weaknesses were reported to the regulator.

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 2020. 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 are 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, a Scottish charity, and one of Scotland's leading providers of high quality affordable homes for people in housing need. With over 4000 homes owned and managed across Tayside, Fife 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.

##### 3. Bellsmyre Housing Association

A registered social landlord and a Scottish charity owning and managing over 500 affordable homes in the Bellsmyre area of Dumbarton for people in housing need. The Association became a wholly owned subsidiary of Caledonia on 1 April 2016.

##### 4. Caledonia Ventures

A non-charitable private company limited by shares and wholly owned subsidiary of Caledonia Housing Association. Established to provide non-core services for the Group but currently dormant.

##### 5. Servite Solutions

A non-charitable private company limited by shares and wholly owned subsidiary of Caledonia Housing Association. Established to provide non-core services for the Group but currently dormant.

##### 6. Cordale Property Services

A non-charitable private company limited by shares and wholly owned subsidiary of Cordale Housing Association. Established to provide development services to the Housing Association but currently dormant.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

### Financial Review

The Caledonia Group ("Caledonia" or the "Group") achieved an operating surplus for the year of £5.8m (2019: £5.5m). The total comprehensive income for the year was £4.0m (2019: £6.4m), though prior year results incorporated a gain of £5.8m in respect of the net assets acquired through the business combination with Antonine Housing Association. This year's results incorporate an actuarial gain on the defined benefit pension scheme of £2.0m (2019: actuarial loss of £0.4m) which has arisen as a result of a change in the assumptions used to calculate the pension liability under the Scottish Housing Association Pension Scheme (SHAPS). This resulted in a reduction in the defined benefit pension liability of £2.0m (2019 - increase of £1.2m) which was recognised in the Statement of Comprehensive Income.

Income from social letting activities rose by 5.1% to £28.8m reflecting rent increases applied in April 2019 of 2.4%, rents received from new build completions during the year and a full year's income from properties acquired through the business combination of Antonine Housing Association in the previous financial year. The turnover from other activities fell to £2.6m (2019 - £8.6m) as there were no shared equity completions (2019 - £2.3m) or units developed for other housing associations (2019 - £3.1m).

Operating costs include expenditure on reactive, cyclical and planned maintenance totalling £6.3m (2019: £5.4m) of which £2.9m (2019: £2.3m) was treated as capital expenditure. Annual expenditure on planned maintenance is derived from 30 year life cycle costing consultant's reports designed to ensure that all housing properties are maintained to a specific standard, thereby continuing to extend the useful life of the properties. Despite this significant investment Caledonia is required by the Statement of Recommended Practice to depreciate its housing properties and retained surpluses are calculated after providing £7.0m (2019 £7.3m) for such depreciation.

At 31 March 2020 the Group's total reserves amounted to £55.1m, an increase of £4.0m from 31 March 2019. The increase in reserves is attributed to the surpluses achieved by the Group in the year to 31 March 2020. In addition to providing funds for re-development, these reserves are a necessary hedge against risk.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### **Going Concern**

In response to the ongoing public health crisis, the associated restrictions on the Group's activities and the economic uncertainties which the coronavirus pandemic has introduced, the Management Board and the Executive Officers have undertaken a careful analysis and review of the financial position of the Group and its longer term financial outlook. Our business plan projections now incorporate revised and more prudent assumptions on levels of rent voids and rent arrears which negatively impact the Group's projected income. The impact of these revised assumptions has been offset through a rescheduling of the Group's planned investment programme which will ensure that each Association within the Group continues to comply 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 provide the private finance required to finance the investment programme detailed in the Group's business plan whilst providing the necessary controls to mitigate risk. At 31 March 2020, Caledonia has a balance of £58.2m fixed and £18.6m variable rate loans in place which were used to fund housing development. In addition, the Association had £20m fully secured and undrawn revolving credit facilities in place at 31 March 2020 to finance our 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 importance and the steps taken in mitigation. The resultant risk map is reviewed in detail by the Audit & Risk Committee on a quarterly basis to consider actions to mitigate existing and emerging risks. The work of this Committee is reported to the Management Board and informs the annual internal audit programme.

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT BOARD**

**Caledonia Housing Association Limited**

Risk	Mitigation
<ul style="list-style-type: none"> <li>• The failure of financial controls</li> </ul>	<ul style="list-style-type: none"> <li>- Comprehensive rent setting policy and procedures</li> <li>- Treasury management policy with detailed delegated authorities</li> <li>- Detailed sensitivity analysis carried out on long term projections</li> <li>- Competitive tendering of all material expenditure</li> <li>- Regular internal audit</li> <li>- Stress testing of financial model to assess risks associated with the coronavirus pandemic</li> <li>- Active engagement with the Group's principal leaders</li> </ul>
<ul style="list-style-type: none"> <li>• Failure of the Group's Health &amp; Safety Procedures (including Fire Safety)</li> </ul>	<ul style="list-style-type: none"> <li>- Health, Safety and Wellbeing Advisor appointed to co-ordinate health and safety activities across the Group</li> <li>- Appointment of a specialist third party as competent Health &amp; Safety officer</li> <li>- Group Health and Safety Policy and procedure manuals in place</li> <li>- Comprehensive policies, procedures and working practices in place for the business activities carried out across the Group</li> <li>- Health and safety advice, training and advice provided for the Group staff team</li> <li>- Risk assessments in place for key areas of activity across the Group and reviewed on a rolling programme basis</li> <li>- Comprehensive Health &amp; Safety Action Plans in place across the Group</li> <li>- Key health and safety issues considered by the Executive Team on a monthly basis and the Health and Safety Committee on a quarterly basis</li> <li>- All new homes designed and constructed to Building Standards current at the time of construction, which includes Fire Safety</li> <li>- Fire detection equipment is installed in all homes and offices and regularly checked and maintained in accordance with Building Standards</li> <li>- Continuous monitoring of changes to legislation and regulation</li> <li>- Fire Risk Assessment programme in place and carried out on a regular basis by independent consultants to ensure all elements of fire safety are considered</li> <li>- Transition planning to support a safe return to working from our office locations which were vacated in response to the coronavirus pandemic</li> </ul>
<ul style="list-style-type: none"> <li>• The failure of business continuity systems</li> </ul>	<ul style="list-style-type: none"> <li>- Comprehensive Group Business Continuity Policy and procedures in place covering key areas of operation</li> <li>- Business continuity training provided to staff teams</li> <li>- Testing of the Group's business continuity systems carried out annually</li> <li>- Assessment of the Group's response to Covid-19 and steps taken to maintain critical services</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to apply the Asset Management Strategy</li> </ul>	<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 in June 2019, subject to tenant consultation</li> <li>- Planned investment, including any stock re-modelling and works to comply with EESSH, based on analysis of stock condition information and built into five year budget projections</li> <li>- Phased investment programme approved by board to maximise investment whilst recognising risks to income in the current environment</li> </ul>

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT BOARD**

**Caledonia Housing Association Limited**

Risk	Mitigation
<ul style="list-style-type: none"> <li>• Failure of the Group's ICT systems</li> </ul>	<ul style="list-style-type: none"> <li>- All data and processing held and carried out of an off-site tier 3 data centre</li> <li>- Full independent links established between area offices and the data centre</li> <li>- Comprehensive back-up and system monitoring procedures in place</li> <li>- Operation policies and procedures relating to ICT activities in place</li> <li>- Annual ICT action plan in place at departmental level</li> <li>- ICT team within the organization structure supported by third party ICT service providers</li> <li>- ICT Strategy implementation being supported by specialist ICT consultants</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to Progress and Conclude Transfer of Engagements with Bellsmyre HA</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation of robust Business Case</li> <li>- Comprehensive financial budgets and longer term projections.</li> <li>- Comprehensive transfer of engagements implementation plan developed</li> <li>- Regular update provided to Caledonia and Bellsmyre governing bodies on progress of the business case and implementation plan</li> <li>- Regular contact maintained with Bellsmyre tenants and staff on the transfer and regeneration proposals</li> <li>- Regular contact with SHR and key stakeholders on the implementation of the partnership proposals</li> <li>- Detailed legal advice obtained on transfer of engagement processes</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to comply with the requirements of data protection legislation and freedom of information requirements</li> </ul>	<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, CCTV and Document Retention Policies in place</li> <li>- All Group entities currently clearing out historic data that is no longer required</li> <li>- Operational policies and procedures relating to data protection activities in place</li> <li>- Operational policies and procedures relating to FOI being developed</li> <li>- Development of Group electronic document management system</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to plan effectively for the UK's expected withdrawal from the European Union</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous monitoring of the political process and emerging legislation</li> <li>- Discussions amongst management team and governing body of key implications</li> <li>- Discussions with professional advisers and our regulator on likely impacts and responses</li> <li>- Ongoing monitoring of wider environment to identify risks and mitigation</li> <li>- Brexit resilience considered as part of business planning process</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:

Indicators for Caledonia Housing Association	Target	Actual	18/19 Actual
• Void Loss	<0.5%	0.39%	0.38%
• Re-let Performance (days)	<17.5	22.7	17.7
• Arrears Performance	<4.0%	4.5%	4.7%
• Profitability – Operating surplus	>20%	20.0%	15.7%
• Financial Covenant - Interest Cover	>115%	145%	155%
• Financial Covenant – Gearing	<30%	23.1%	23.3%

Indicators in line with the Annual Return on the Charter (ARC) definitions were set for the year to 31 March 2020 based on historic and benchmark material and the results will be used to inform our control mechanisms and targets in future years. Most of these indicators have been controlled at or below target, and although the rent arrears target has not been achieved, performance here has improved on last year as we have continued to provide increased levels of tenancy support in response to the rollout of universal credit arrangements. Re-let performance has been negatively impacted by a mix of internal factors, included the implementation of an organisational restructure, and external factors which include reduced demand for properties in areas which were experiencing extensive new build developments.

Financial covenants set by our lenders relating to gearing and interest cover have been comfortably met and the Association's overall financial strength and viability as demonstrated in these results will enable us to fund future business plan priorities.

Indicators for Cordale Housing Association	Target	Actual	18/19 Actual
• Void Loss	<0.5%	0.13%	0.35%
• Re-let Performance (days)	<10.0	8.3	8.9
• Arrears Performance	<4%	5.4%	5.2%
• Profitability – Operating surplus	>20%	28.9%	28.2%
• Financial Covenant - Interest Cover	>150%	216.4%	220.2%
• Financial Covenant – Gearing	<30%	12.6%	13.3%

Indicators in line with the ARC definitions were set for the year to 31 March 2020 based on historic and benchmark material and the variance against target will be used to inform our control mechanisms and targets in future years. It is pleasing to note that the majority of Cordale Housing Association's performance indicators are sitting within targets set. However, arrears performance remains above target due to the rollout of universal credit in the West Dunbartonshire area. We are confident that increased tenancy support will control this situation though it is acknowledged that the current economic environment represents new risks in this area.

Indicators for Bellsmyre Housing Association	Target	Actual	18/19 Actual
• Void Loss	<8.0%	8.3%	5.4%
• Re-let Performance (days)	<50.0	76.4	68
• Arrears Performance	<6.5%	5.8%	5.8%
• Profitability – Operating surplus	>20%	12.2%	2.4%
• Financial Covenant - Interest Cover	>150%	482%	545%
• Financial Covenant – Gearing	<30%	20%	19%

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### **Performance (continued)**

After comprehensive analysis of the current void loss, re-let performance and longer term projections based on realistic assumptions the Committee of Management of Bellsmyre have approved a major re-generation of the Association's housing stock to address tenancy sustainment. This ambitious programme of demolition and re-build will be carried out over 5 phases and involve the removal of approximately 250 flats which will be replaced by 150 houses. This course of action will be carried out by Caledonia Housing Association, the Association's parent, and is aimed at reducing stock density and providing a wider range of housing options for current and future tenants within Bellsmyre.

Sensitivity analysis has been carried out on our five and thirty year plans to consider Bellsmyre HA's long term viability with particular reference to the reduction in stock numbers as detailed above. From the results of this exercise the Committee of Management determined that the best course of action is to conclude a transfer of engagements with Caledonia Housing Association. Tenants have responded positively to this proposal and the transfer of engagement process is expected to be completed, subject to necessary member approvals, during the 2020/2021 financial year.

#### **Future Plans**

The Caledonia Management Board approved a business plan in 2019/20 which now contains four strategic priorities, including new commitments toward developing our people:

##### *1. Achieving Excellence*

###### *Business Improvement*

Over the course of the Business Plan we will progress a range of improvement initiatives that will underpin the continued implementation of our business transformation programme. These will continue to focus directly on how we can best meet the needs of our tenants and other customers through the homes and services we provide for them. Key aspects of our work over the coming year will involve the further development of flexible, efficient and customer focussed services, increased and more effective use of digital technology to support service delivery and developing strong customer insight systems to improve our customer service offering and our capacity to serve.

##### *2. Building Success*

###### *Providing 1000 New Homes in 5 Years*

Our strategic priority is to build 1,000 new affordable homes, this being our commitment to assisting the Scottish Government to build 50,000 new affordable homes in the term of the current parliament. Over the past year we have secured a number of significant development sites and have worked up the designs and entered into contracts for the delivery of a substantial number of developments which will contribute to delivering our 1,000 homes target. Over 2020-21 we will continue to seek new sites for the remaining element of the programme and will re-consider our original plans to develop alternative tenure homes.

###### *The Bellsmyre Regeneration Programme*

The Caledonia and Bellsmyre governing bodies have established a comprehensive regeneration strategy which we believe will strengthen demand, improve tenancy sustainment, increase tenant satisfaction and revitalise the wider neighbourhood. It will involve the demolition of approximately 250 low demand tenement properties, to be replaced with 150 new build two storey homes with individual garden space. The Caledonia and Bellsmyre governing bodies agreed that a transfer of engagements, involving Bellsmyre staff and assets transferring to Caledonia, was necessary to deliver a regeneration programme of this scale. Work is well underway with the transfer of engagements process and we anticipate that this will be concluded during the 2020/2021 financial year.

###### *Implementing the Group Asset Management Strategy*

Through our Asset Management Strategy we will pro-actively monitor the performance of our housing stock to ensure that, as far as possible, all housing stock contributes positively to the financial sustainability of the Caledonia Group, reflects feedback from customers, and identifies and tackles areas of low demand housing.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### **Implementing the Group Asset Management Strategy (continued)**

We will provide regular updates and reports to the Group's governing bodies on the progress being made in dealing with low demand housing stock, including those properties involved in the Bellsmyre regeneration programme.

Our investment plans will also be developed to reflect the range of improvement and compliance works required to our homes over the five year period of the Business Plan, and this is set out in the 5 Year Budget appended. In addition, given the importance of climate change, we will investigate the potential impact this may have on our existing housing stock as well as identifying how best to minimise the Group's contribution to climate change.

#### *Rent Policy and Structure Review*

Rent affordability and value for money are key strategic issues for the Group given their importance to our tenants and other customers. We have recognised though that there are inconsistencies with some of our rents and that these are not always easy to understand or explain. We have undertaken a fundamental review of our rent structure and will take steps to consider the outcomes in detail and present options for our governing body members and tenants to consider.

#### *3. Creating Innovation*

##### *Review of the Group Governance Arrangements*

Within our business transformation programme, it was agreed that streamlining and simplifying the governance arrangements currently in place within the Group should be an important area of review and consideration. This will involve identifying opportunities to modernise and further strengthen governance across the Group by simplifying practice, improving decision making and removing overlapping responsibilities, whilst also ensuring accountability to our tenants and shareholders. A comprehensive review of the governance arrangements commenced in January 2020 through the establishment of the Governance Review Group. The outcomes from the review group's considerations will be carried forward into 2020-21 to enhance the efficiency and effectiveness of our governance arrangements.

#### *4. Developing People*

##### *Implementing our People Strategy*

Our People Strategy reflects the connection between what our people do and business performance. The Business Plan shapes the skills, capabilities and mind-set needed to enable our people to manage change and drive continuous business improvement. The People Strategy has been developed to support the Business Plan and engage and support our people to successfully deliver our strategic priorities. The continuous growth and development of our people is instrumental to our long-term success and the People Strategy will help fulfil their potential. Through investing in our organisation, people and culture, we will deliver the strategic priorities within the Business Plan and achieve our vision to provide homes and services that make life better.

#### **Rental Income**

Rents and services charges are set to recover current and future costs and any proposed increases are subject to tenant consultation. A review of the structure of these charges is currently being conducted.

#### **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 (2019: 30 days).

#### **Maintenance Policy**

The Association'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.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### Maintenance Policy (continued)

Planned and cyclical maintenance is carried out in accordance with our life cycle programme modified where necessary by inspection. The resultant works are normally awarded after formal tendering procedures have been applied.

We have undertaken analysis of our stock to determine the amount of work required to comply with EESSH standards. The results of this analysis have been incorporated into our planned maintenance programme to ensure that we meet the required standards within the set deadlines.

#### 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 Association 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 £39.6m following the addition of a £2.8m revenue surplus in the year to 31 March 2020.

#### Human Resources

##### Equality and Diversity re Employment

We developed a new People Strategy in 2020 that recognised equality and diversity as key to the continued development of our staff, organisation and culture. Our People Strategy reflects the changing demographics and development of a multi-generational workforce, where everyone feels able to participate and fulfil their potential as an individual. We see our commitment to equality and diversity as going beyond legal compliance and enabling the Association to recruit and retain a diverse pool of people to meet our present and future challenges and opportunities. We believe a variety of voices and experience creates the diversity of thought, which is vital to innovation and continuous improvement, while helping understand the needs of our customers and stakeholders.

##### Employee Involvement and Health & Safety

A key strategic theme in our People Strategy is to maximize the health, safety and wellbeing of our staff. This has never been as important and is key to staff retention, strengthening employee engagement and increasing productivity. We keep our people safe through the effective management of health and safety and the development of a strong safety culture. Engaging with all levels of the organisation within our health and safety plan requires strong and active leadership, supported by regular assessment and review. Our health and safety policy and action plan identifies clear roles and responsibilities, while developing our managers to identify and manage risks, and supporting wider people involvement in developing safe working practices.

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT BOARD**

**Caledonia Housing Association Limited**

**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



9 SEPTEMBER 2020

## 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 2020 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 Cashflows, Housing Association Statement of Cashflows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including 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 2020 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Board has not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

#### Other information

The 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. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# CALEDONIA HOUSING ASSOCIATION LIMITED

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

### 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 set out 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 group's and parent company'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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

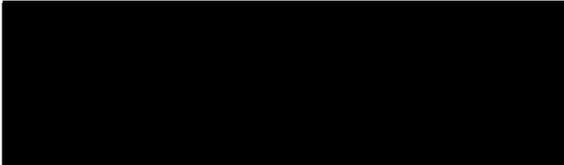
### Auditor's responsibilities for the audit of the Financial Statements

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.

A further description of our responsibilities for the audit of the Financial Statements is located 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.



Statutory Auditor  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: 1/10/20

## 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.



Statutory Auditor  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date:

1/10/20

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

**For the year ended 31 March 2020**

	<i>Note</i>	2020 £	2019 £
<b>Turnover</b>	2,3a,4a	31,463,267	36,018,826
Operating expenditure	2,3a,4a	(25,390,525)	(30,369,974)
(Loss) on disposal of fixed assets		<u>(279,597)</u>	<u>(191,715)</u>
<b>Operating surplus</b>	2	5,793,145	5,457,137
Gain on revaluation of investment property	15	<u>5,000</u>	<u>-</u>
		5,798,145	5,457,137
Business combination – Excess of fair value of assets over the fair value of liabilities acquired		-	5,812,810
Interest receivable	8	241,132	234,760
Interest payable and financing costs	9	<u>(3,994,651)</u>	<u>(3,948,858)</u>
<b>Surplus for the year</b>		<u>2,044,626</u>	<u>7,555,849</u>
<b>Other Comprehensive Income</b>			
Initial recognition of multi-employer defined benefit scheme	28	-	(910,000)
Reversal of Antonine Housing Association deficit funding liability acquired at 1 October 2018	28	-	158,000
Actuarial gains/(losses) in respect of pension schemes	28	<u>1,993,580</u>	<u>(412,000)</u>
<b>Total comprehensive income for the year</b>		<u>4,038,206</u>	<u>6,391,849</u>

All figures relate to continuing operations.

The accompanying notes on pages 23 to 55 form part of these Financial Statements.

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 March 2020**

	<i>Note</i>	2020 £	2019 £
<b>Turnover</b>	<i>2,3b,4b</i>	<b>25,372,973</b>	<i>30,102,126</i>
Operating costs	<i>2,3b,4b</i>	<b>(20,290,784)</b>	<i>(25,105,317)</i>
(Loss) on disposal of fixed assets	<i>2</i>	<b>(133,933)</b>	<i>(75,810)</i>
		<hr/>	<hr/>
<b>Operating surplus</b>	<i>2</i>	<b>4,948,256</b>	<i>4,920,999</i>
Business combination – Excess of fair value of assets over the fair value of liabilities acquired		-	<i>5,812,810</i>
Interest receivable	<i>8</i>	<b>228,612</b>	<i>226,770</i>
Interest payable	<i>9</i>	<b>(3,620,128)</b>	<i>(3,561,638)</i>
		<hr/>	<hr/>
<b>Surplus for the year</b>		<b>1,556,740</b>	<i>7,398,941</i>
<b>Other Comprehensive Income</b>			
Initial recognition of multi-employer defined benefit scheme	<i>28</i>	-	<i>(594,000)</i>
Reversal of Antonine Housing Association deficit funding liability acquired at 1 October 2018	<i>28</i>	-	<i>158,000</i>
Actuarial gains / (losses) in respect of pension schemes	<i>28</i>	<b>1,252,580</b>	<i>(267,000)</i>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>2,809,320</b>	<i>6,695,941</i>

All figures relate to continuing operations.

The accompanying notes on pages 23 to 55 form part of these Financial Statements

CALEDONIA HOUSING ASSOCIATION LIMITED

CONSOLIDATED AND HOUSING ASSOCIATION  
STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020		2019	
		GROUP £	ASSOCIATION £	GROUP £	ASSOCIATION £
<b>Fixed assets</b>					
Housing properties	11,12	318,267,552	266,370,055	307,435,903	254,848,126
Other fixed assets	13,14	2,750,165	844,506	2,700,571	789,988
Investment property	15	1,309,305	354,305	1,304,305	354,305
Investments in subsidiaries	16	4	4	104	4
		<u>322,327,026</u>	<u>267,568,870</u>	<u>311,440,883</u>	<u>255,992,423</u>
<b>Current assets</b>					
Stock and work in progress	17	4,675,029	4,643,730	704,851	679,458
Trade and other debtors	18	2,602,093	2,506,219	1,622,265	1,455,377
Cash and cash equivalents		7,298,741	2,853,004	8,378,713	5,478,312
		<u>14,575,863</u>	<u>10,002,953</u>	<u>10,705,829</u>	<u>7,613,147</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(12,126,919)	(9,320,551)	(12,916,487)	(10,223,030)
<b>Net current assets/(liabilities)</b>		<u>2,448,944</u>	<u>682,402</u>	<u>(2,210,658)</u>	<u>(2,609,883)</u>
<b>Total assets less current liabilities</b>					
Creditors: amounts falling due after more than one year	20	(269,624,810)	(228,611,107)	(255,792,795)	(215,095,298)
<b>Provisions for liabilities</b>					
Pension – defined benefit liability	28	(55,401)	(7,615)	(2,379,735)	(1,464,000)
<b>Net assets</b>		<u>55,095,759</u>	<u>39,632,550</u>	<u>51,057,695</u>	<u>36,823,242</u>
<b>Capital and reserves</b>					
Share capital	23	311	221	453	233
Revenue reserve	24	55,095,448	39,632,329	51,057,242	36,823,009
		<u>55,095,759</u>	<u>39,632,550</u>	<u>51,057,695</u>	<u>36,823,242</u>

These Financial Statements were approved and authorised for issue by the Management Board on 9 September 2020 and were signed on their behalf:

Chairman of the Management Board

[Redacted Signature]

[Redacted Signature]

[Redacted Signature]

[Redacted Signature]

**CALEDONIA HOUSING ASSOCIATION LIMITED**

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

**For the year ended 31 March 2020**

<b>Group</b>	<b>Share Capital</b>	<b>Income and expenditure reserve</b>	<b>Total</b>
	£	£	£
<b>Balance at 1 April 2018</b>	472	44,665,393	44,665,865
Issued in the year	93	-	93
Cancelled in the year	(112)	-	(112)
Total Comprehensive income for the year	<u>          </u>	<u>6,391,849</u>	<u>6,391,849</u>
<b>Balance as at 31 March 2019</b>	453	51,057,242	51,057,695
Issued in the year	5	-	5
Cancelled in the year	(147)	-	(147)
Total Comprehensive income for the year	<u>          </u>	<u>4,038,206</u>	<u>4,038,206</u>
<b>Balance at 31 March 2020</b>	<u>311</u>	<u>55,095,448</u>	<u>55,095,759</u>
<b>Association</b>			
	<b>Share Capital</b>	<b>Income and expenditure reserve</b>	<b>Total</b>
	£	£	£
<b>Balance at 1 April 2018</b>	175	30,127,068	30,127,243
Issued in the year	85	-	85
Cancelled in the year	(27)	-	(27)
Total Comprehensive income for the year	<u>          </u>	<u>6,695,941</u>	<u>6,695,941</u>
<b>Balance as at 31 March 2019</b>	223	36,823,009	36,823,242
Issued in the year	4	-	4
Cancelled in the year	(16)	-	(16)
Total Comprehensive income for the year	<u>          </u>	<u>2,809,320</u>	<u>2,809,320</u>
<b>Balance at 31 March 2020</b>	<u>221</u>	<u>39,632,329</u>	<u>39,632,550</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 31 March 2020

	<i>Notes</i>	2020 £	2019 £
Net cash generated from operating activities	26	<u>4,138,690</u>	<u>13,638,370</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(18,798,063)	(11,077,058)
Purchase of investment property		-	-
Proceeds from sale of tangible fixed assets		221,348	255,294
Grants received		14,516,429	5,889,939
Grants repaid		(64,743)	(3,599,056)
Interest received		241,132	234,760
Cash acquired on business combination		-	1,123,671
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(3,883,897)</u>	<u>(7,172,450)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,994,651)	(3,948,858)
New secured loans		4,844,000	-
Repayments of borrowings		(2,184,114)	(1,753,040)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<u>(1,334,765)</u>	<u>(5,701,898)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(1,079,972)</u>	<u>764,022</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>8,378,713</u>	<u>7,614,691</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	26	<u>7,298,741</u>	<u>8,378,713</u>

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

**For the year ended 31 March 2020**

	<i>Notes</i>	<b>2020</b> £	<i>2019</i> £
Net cash generated from operating activities	26	<u>2,319,166</u>	<u>11,613,868</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(17,183,910)	(8,704,619)
Proceeds from sale of tangible fixed assets		217,348	250,894
Grants received		12,501,148	5,889,939
Grants repaid		(64,743)	(3,599,056)
Interest received		228,612	226,770
Cash acquired on business combination		<u>-</u>	<u>1,123,671</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u><b>(4,301,545)</b></u>	<u><b>(4,812,401)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,620,128)	(3,561,638)
New secured loans		4,844,000	-
Repayments of borrowings		<u>(1,866,801)</u>	<u>(1,441,845)</u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<u><b>(642,929)</b></u>	<u><b>(5,003,483)</b></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u><b>(2,625,308)</b></u>	<u><b>1,797,984</b></u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u><b>5,478,312</b></u>	<u><b>3,680,328</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	26	<u><b>2,853,004</b></u>	<u><b>5,478,312</b></u>

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

### 1. Accounting policies – Disclosures

#### 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
- Defined benefit pension obligation – defined benefit pension scheme
- Gain or loss on sale of housing properties is deemed to be part of operating activities

#### Shared ownership – Allocation of costs

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

#### 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. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Management Committee consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view. If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified. This departure however is only due to the trading subsidiary as all other entities are registered under the Co-operative and Community Benefit Societies Act 2014.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

### 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.

### Basis of consolidation

The Group Financial Statements consolidate the results of Caledonia Housing Association Limited, Bellsmyre Housing Association and Cordale Housing Association Limited using the acquisition method, all of which are Associations registered under the Co-operative and Benefit Societies Act 2014 and are registered with the Scottish Housing Regulator. The results and balances of Cordale Property Services Limited, a limited company and a subsidiary of Cordale Housing Association, are also consolidated within these Group Financial Statements.

### 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 health crisis and resulting economic uncertainties.

Both the Association and the Group are reporting net current assets and Caledonia Housing Association and Cordale Housing Association have £20m and £4m in fully secured undrawn lending facilities respectively. Any additional borrowing will be provided by utilising unencumbered assets currently amounting to over 500 housing units.

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 is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Management Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these Financial Statements.

### 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 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.

### 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.

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

## CALEDONIA HOUSING ASSOCIATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

#### **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. The accounting policy is compliant with the SORP 2014.

#### **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.

#### **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.

## CALEDONIA HOUSING ASSOCIATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

#### Depreciation of housing properties

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 75 years
Roof	Over 65 years
Windows	Over 35 years
Kitchen	Over 20 years
Bathroom	Over 30 years
Central Heating- Individual Boilers	Over 20 years
Central Heating- Common Plant	Over 30 years
Lifts	Over 20 years
Warden Call/ Fire Alarm	Over 20 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) 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.

#### 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 is shown in the Balance Sheet as a Current Asset until sold, 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.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

### **Shared ownership**

Proceeds from first tranche disposals of shared ownership properties are accounted for in the Income and Expenditure account of the period in which the disposal occurs, with any surpluses on disposal recognised in the Income & Expenditure account as turnover. The cost of disposal of first tranche disposals is included within cost of sales. The first tranche element of any unsold properties is shown as a current asset. The remainder of costs 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. Component replacement programmes not completed in the year are held within WIP and transferred to fixed assets on completion. Developments in Progress for other Associations are included in WIP at cost, net of any related HAG. Shared Ownership Development costs for estimated first tranche sales are included in WIP.

### **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.

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.

## CALEDONIA HOUSING ASSOCIATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

#### *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.

#### **Pensions**

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

The Association is a member of the Scottish Housing Association Pension Scheme, a defined benefit pension scheme. The Association recognises its share of assets and liabilities in these financial statements. 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. The current service cost and costs from settlements and curtailments are charged against operating surplus.

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 and actuarial gains or losses are reported in other comprehensive income.

##### **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.

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

**For the year ended 31 March 2020**

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

<b>Group:</b>	<b>Turnover</b> £	<b>Operating costs</b> £	<b>Loss on sale of Fixed Assets</b> £	<b>Operating surplus 2020</b> £	<b>Operating surplus 2019</b> £
Social lettings (note 3a)	28,845,882	(22,872,338)	-	5,973,544	5,620,411
Other activities (note 4a)	2,617,385	(2,518,187)	-	99,198	28,441
Loss on sale of fixed assets	-	-	(279,597)	(279,597)	(191,715)
<b>Total – 2020</b>	<b>31,463,267</b>	<b>(25,390,525)</b>	<b>(279,597)</b>	<b>5,793,145</b>	<b>5,457,137</b>
<i>Total – 2019</i>	<i>36,018,826</i>	<i>(30,369,974)</i>	<i>(191,715)</i>	<i>5,457,137</i>	

<b>Housing Association</b>	<b>Turnover</b> £	<b>Operating costs</b> £	<b>Loss on sale of Fixed Assets</b> £	<b>Operating surplus 2020</b> £	<b>Operating surplus 2019</b> £
Social lettings (note 3b)	22,944,402	(17,931,536)	-	5,012,866	4,968,750
Other activities (note 4b)	2,428,571	(2,359,248)	-	69,323	28,059
Loss on sale of fixed assets	-	-	(133,933)	(133,933)	(75,810)
<b>Total – 2020</b>	<b>25,372,973</b>	<b>(20,290,784)</b>	<b>(133,933)</b>	<b>4,948,256</b>	<b>4,920,999</b>
<i>Total – 2019</i>	<i>30,102,126</i>	<i>(25,105,317)</i>	<i>(75,810)</i>	<i>4,920,999</i>	

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

**For the year ended 31 March 2020**

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

Group	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total 2020 £	Total 2019 £
Rent receivable net of service charges	17,770,477	2,914,008	856,644	21,541,129	20,218,522
Service charges	1,074,448	2,219,832	224,899	3,519,179	3,317,641
<b>Gross income from rents and service charges</b>	<b>18,844,925</b>	<b>5,133,840</b>	<b>1,081,543</b>	<b>25,060,308</b>	<b>23,536,163</b>
Less Voids	(344,490)	(139,558)	-	(484,048)	(340,836)
Net income from rents and service charges	18,500,435	4,994,282	1,081,543	24,576,260	23,195,327
Grants released from deferred income	3,568,356	467,149	184,431	4,219,936	4,142,708
Other revenue grants	49,686	-	-	49,686	41,185
<b>Total turnover from social letting activities</b>	<b>22,118,477</b>	<b>5,461,431</b>	<b>1,265,974</b>	<b>28,845,882</b>	<b>27,379,220</b>
Management and maintenance administration costs	5,388,063	1,497,861	328,281	7,214,205	6,511,498
Service costs	1,022,560	2,391,076	195,233	3,608,869	3,541,330
Planned and cyclical maintenance including major repairs costs	1,869,250	250,081	32,786	2,152,117	2,023,303
Reactive maintenance costs	2,060,097	334,335	321	2,394,753	2,113,297
Bad debts – rent and service charges	251,147	49,750	-	300,897	257,598
Depreciation of affordable let properties	5,902,611	919,865	228,277	7,050,753	7,311,783
Impairment of affordable letting properties	-	150,744	-	150,744	-
<b>Operating costs for affordable letting activities</b>	<b>16,493,728</b>	<b>5,593,712</b>	<b>784,898</b>	<b>22,872,338</b>	<b>21,758,809</b>
<b>Operating surplus for affordable letting activities</b>	<b>5,624,749</b>	<b>(132,281)</b>	<b>481,076</b>	<b>5,973,544</b>	<b>5,620,411</b>
Operating surplus for affordable letting activities for previous accounting period	4,892,921	245,654	481,836	5,620,411	

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

**For the year ended 31 March 2020**

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

<b>Association</b>	<b>General Needs Housing £</b>	<b>Supported Social Housing £</b>	<b>Shared Ownership Housing £</b>	<b>Total 2020 £</b>	<i>Total 2019 £</i>
Rent receivable net of service charges	13,471,826	2,723,829	832,813	<b>17,028,468</b>	<i>15,788,703</i>
Service charges	<u>980,374</u>	<u>2,053,764</u>	<u>224,899</u>	<b><u>3,259,037</u></b>	<i><u>3,067,773</u></i>
<b>Gross income from rents and service charges</b>	14,452,200	4,777,593	1,057,712	<b>20,287,505</b>	<i>18,856,476</i>
Less Voids	<u>(127,403)</u>	<u>(138,830)</u>	<u>-</u>	<b><u>(266,233)</u></b>	<i><u>(199,050)</u></i>
Net income from rents and service charges	14,324,797	4,638,763	1,057,712	<b>20,021,272</b>	<i>18,657,426</i>
Grants released from deferred income	2,347,218	350,658	175,568	<b>2,873,444</b>	<i>2,819,244</i>
Other revenue grants	49,686	-	-	<b>49,686</b>	<i>41,185</i>
<b>Total turnover from social letting activities</b>	<u>16,721,701</u>	<u>4,989,421</u>	<u>1,233,280</u>	<b><u>22,944,402</u></b>	<i><u>21,517,855</u></i>
Management and maintenance administration costs	4,096,602	1,433,812	321,876	<b>5,852,290</b>	<i>5,277,036</i>
Service costs	932,394	2,237,649	195,233	<b>3,365,276</b>	<i>3,301,499</i>
Planned and cyclical maintenance including major repairs costs	1,371,922	245,500	32,786	<b>1,650,208</b>	<i>1,498,719</i>
Reactive maintenance costs	1,387,324	314,124	-	<b>1,701,448</b>	<i>1,582,632</i>
Bad debts – rent and service charges	207,783	49,024	-	<b>256,807</b>	<i>180,484</i>
Depreciation of affordable letting properties	3,955,045	780,466	219,252	<b>4,954,763</b>	<i>4,708,735</i>
Impairment of affordable letting properties	-	150,744	-	<b>150,744</b>	<i>-</i>
<b>Operating costs for affordable letting activities</b>	<u>11,951,070</u>	<u>5,211,319</u>	<u>769,147</u>	<b><u>17,931,536</u></b>	<i><u>16,549,105</u></i>
<b>Operating surplus for affordable letting activities</b>	<u>4,770,631</u>	<u>(211,898)</u>	<u>464,133</u>	<b><u>5,012,866</u></b>	<i><u>4,968,750</u></i>
Operating surplus for affordable letting activities for previous accounting period	<u>4,359,261</u>	<u>147,586</u>	<u>461,903</u>	<b><u>4,968,750</u></b>	

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

**For the year ended 31 March 2020**

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

<b>Group:</b>	Grants from Scottish Ministers £	Other revenue grants £	Supporting Income £	Other Income £	Total turnover £	Operating costs – bad debts £	Other operating costs £	Operating (deficit) / surplus 2020 £	Operating (deficit) / surplus 2019 £
Factoring	-	-	-	62,356	62,536	-	(88,813)	(26,457)	(21,496)
Care and repair property	1,288,991	-	-	-	1,288,991	-	(1,238,494)	50,497	124,785
Stage 3 Adaptations	336,111	-	-	-	336,111	-	(345,112)	(9,001)	(25,853)
Support activities	-	-	115,564	-	115,564	-	(109,694)	5,870	(42,284)
Commercial rents	-	-	-	59,375	59,375	-	-	59,375	59,375
Tenant participation	-	-	-	-	-	-	(5,097)	(5,097)	(4,241)
Care activities (Home Help)	-	-	-	247,470	247,470	-	(239,178)	8,292	14,859
Housing with Care	-	-	-	-	-	-	-	-	14,611
Dundee Voluntary Action	-	-	-	68,853	68,853	-	(70,165)	(1,312)	8,689
Income from Office Lease	-	-	-	41,716	101,091	-	-	41,716	46,080
Agency management services	-	-	-	115,120	115,120	-	(144,801)	(29,681)	31,997
Shared equity sales	-	-	-	178,650	178,650	-	(170,000)	8,650	-
Other Activities	-	40,950	-	62,229	103,179	-	(106,833)	(3,654)	(43,081)
Impairment of office property	-	-	-	-	-	-	-	-	(135,000)
<b>Total from other activities</b>	<b>1,625,102</b>	<b>40,950</b>	<b>115,564</b>	<b>835,769</b>	<b>2,617,385</b>	<b>-</b>	<b>(2,518,187)</b>	<b>99,198</b>	<b>28,441</b>
Total from other activities – 2019	2,111,871	10,130	243,514	6,274,091	8,639,606	-	(8,611,165)	28,441	

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2020**

**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 – bad debts £	Other operating costs £	Operating (deficit) / surplus 2020 £	Operating (deficit) / surplus 2019 £
Factoring			19,832	19,832	-	(47,529)	(27,697)	(24,383)
Care and repair property	1,288,991	-	-	1,288,991	-	(1,238,494)	50,497	124,785
Stage 3 Adaptations	280,000	-	-	280,000	-	(315,443)	(35,443)	(14,095)
Support activities	-	115,564	-	115,564	-	(109,694)	5,870	(42,284)
Care activities	-	-	247,470	247,470	-	(239,178)	8,292	14,859
Housing with Care	-	-	-	-	-	-	-	14,611
Dundee Voluntary Action	-	-	68,853	68,853	-	(70,165)	(1,312)	8,689
Income from Office Lease	-	-	41,716	41,716	-	-	41,716	46,080
Agency management services	-	-	153,188	153,188	-	(137,869)	15,319	31,997
Other Activities	-	-	34,307	34,307	-	(30,876)	3,431	2,800
Shared equity sales	-	-	178,650	178,650	-	(170,000)	8,650	-
Impairment of office property	-	-	-	-	-	-	-	(135,000)
<b>Total from other activities</b>	<b>1,568,991</b>	<b>115,564</b>	<b>744,016</b>	<b>2,428,571</b>	<b>-</b>	<b>(2,359,248)</b>	<b>69,323</b>	<b>28,059</b>
Total from other activities – 2019	2,071,871	243,514	6,268,886	8,584,271	-	(8,556,212)	28,059	

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

**For the year ended 31 March 2020**

<b>5. Housing stock (Group)</b>	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
New build	4,514	4,531
Rehabilitation	628	627
Shared Ownership	391	392
Supported housing	40	40
	<u>5,573</u>	<u>5,590</u>

<b>5. Housing stock (Association)</b>	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
New build	4,087	4,104
Shared Ownership	380	381
	<u>4,467</u>	<u>4,485</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 or the Management Committee.

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:

	<b>No.</b>	<b>No.</b>
£60,000 - £70,000	-	-
£70,001 - £80,000	1	-
£80,001 - £90,000	4	5
£90,001 - £100,000	-	-
£100,000 - £120,000	1	1
	<u>1</u>	<u>1</u>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>

Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>517,799</u>	<u>520,228</u>
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Compensation for loss of office	<u>-</u>	<u>77,433</u>
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Aggregate pension contributions in relation to the above key management personnel	<u>54,389</u>	<u>53,992</u>
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The emoluments of the Chief Executive (excluding pension contributions)	<u>110,580</u>	<u>108,234</u>
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Aggregate pension contributions made on behalf of the Chief Executive	<u>12,754</u>	<u>12,443</u>
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No payment or fees or other remuneration was made to the Board members during the year.

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

**For the year ended 31 March 2020**

**7. Employees**

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	Number of employees	
	2020	2019
Office, administrative and management	105	100
Development	7	8
Housing Support and Care	57	80
	169	188

The aggregate payroll costs of these persons were as follows:	2020	2019
	£	£
Wages and salaries	5,436,804	5,549,955
Social security costs	503,473	466,936
Other pension costs and current service costs (note 29)	709,384	664,598
Temp agency seconded staff	415,802	506,732
	7,065,463	7,188,221

Severance Costs totalling £70,818 (2019: £272,263) are included in wages and salaries. This was due to staff members opting for voluntary severance as part of a staffing restructure.

**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:

	Number of employees	
	2020	2019
Office, administrative and management	94	82
Development	7	8
Housing Support and Care	57	80
	158	170

The aggregate payroll costs of these persons were as follows:	2020	2019
	£	£
Wages and salaries	5,093,021	5,112,362
Social security costs	474,319	430,636
Other pension costs and current service costs (note 29)	678,517	625,532
Temp agency seconded staff	354,691	369,650
	6,600,548	6,538,180

Severance Costs totalling £70,818 (2019: £272,263) were recognised in the Financial Statements to 31 March 2020. This was due to staff members opting for voluntary severance as part of a staffing restructure.

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

**For the year ended 31 March 2020**

8. Interest receivable	2020 Group £	2020 Association £	2019 Group £	2019 Association £
Bank and Building Society interest	<u>241,132</u>	<u>228,612</u>	<u>234,760</u>	<u>226,770</u>
9. Interest payable and financing costs	2020 Group £	2020 Association £	2019 Group £	2019 Association £
Interest arising on:				
Housing Accommodation bank loans	3,763,497	3,402,244	3,326,604	3,326,604
Shared Ownership bank loans	272,611	272,611	272,611	272,611
Other bank loans and overdrafts	-	-	368,663	-
Defined benefit pension charge	<u>58,000</u>	<u>38,000</u>	<u>55,000</u>	<u>33,000</u>
	<u>4,094,108</u>	<u>3,712,855</u>	<u>4,022,878</u>	<u>3,632,215</u>
Less: interest capitalised on housing properties under construction	<u>(99,457)</u>	<u>(92,727)</u>	<u>(74,020)</u>	<u>(70,577)</u>
	<u>3,994,651</u>	<u>3,620,128</u>	<u>3,948,858</u>	<u>3,561,638</u>

**10. Taxation**

**Group**

The 3 Associations all have charitable status for taxation purposes and all income falls within the charitable exemptions.

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

**For the year ended 31 March 2020**

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

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2019	372,245,399	8,366,780	17,279,699	397,891,878
Additions	3,750,871	14,724,362	-	18,475,233
Disposals	(1,357,419)	-	(50,090)	(1,407,509)
Transfers	2,407,422	(2,407,422)	-	-
At 31 March 2020	<u>377,046,273</u>	<u>20,683,720</u>	<u>17,229,609</u>	<u>414,959,602</u>
<i>Depreciation</i>				
At 1 April 2019	86,041,039	-	4,414,936	90,455,975
Provided during year	6,822,476	-	228,277	7,050,753
Eliminated on disposals	(952,466)	-	(12,956)	(965,422)
Impairment	150,744	-	-	150,744
At 31 March 2020	<u>92,061,793</u>	<u>-</u>	<u>4,630,257</u>	<u>96,692,050</u>
<i>Net book value</i>				
At 31 March 2020	<u>284,984,480</u>	<u>20,683,720</u>	<u>12,599,352</u>	<u>318,267,552</u>
At 31 March 2019	<u>286,204,360</u>	<u>8,366,780</u>	<u>12,864,763</u>	<u>307,435,903</u>

Additions to housing properties included capitalised development administration costs of £737,201 (2019: £652,924) of which development allowances of £nil (2019: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £99,457 (2019: £74,020). Interest is capitalised at a rate of 2.46%.

Major repairs in the year amounted to £4,709,838 (2019: £3,690,595). Of the total £3,013,670 (2019: £2,341,646) was capitalised and related to replacement of components. The remaining £958,967 (2019: £746,077) was charged to the statement of comprehensive income.

The total cost of land included above is £45,439,277 (2019: £45,080,678).

The low-demand social housing development at Kirriemuir, consisting of 16 self-contained flats, was valued as at 22 June 2020 to be £175,000 based on its Market Value with Vacant Possession prepared in accordance with RICS - Global Standard 2020 by J & E Shepherd. The opening net carrying value of the property, net of capital grant of £468,780 was £325,744. The Board deem the valuation to be a reasonable estimate of the value of the property as at 31 March 2020 and have therefore recognised an impairment loss in the year of £150,744. This loss has been recognised within Operating Expenditure.

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

**For the year ended 31 March 2020**

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

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2019	291,669,702	8,211,560	16,653,804	316,535,066
Additions	2,742,258	14,177,992	-	16,920,250
Disposals	(769,591)	-	(50,090)	(819,681)
Transfers	2,407,422	(2,407,422)	-	-
At 31 March 2020	<u>296,049,791</u>	<u>19,982,130</u>	<u>16,603,714</u>	<u>332,635,635</u>
<i>Depreciation</i>				
At 1 April 2019	57,522,378	-	4,164,562	61,686,940
Provided during year	4,735,511	-	219,252	4,954,763
Eliminated on disposals	(513,911)	-	(12,956)	(526,867)
Impairment	150,744	-	-	150,744
At 31 March 2020	<u>61,894,722</u>	<u>-</u>	<u>4,370,858</u>	<u>66,265,580</u>
<i>Net book value</i>				
At 31 March 2020	<u>234,155,069</u>	<u>19,982,130</u>	<u>12,232,856</u>	<u>266,370,055</u>
At 31 March 2019	<u>234,147,324</u>	<u>8,211,560</u>	<u>12,489,252</u>	<u>254,848,126</u>

Additions to housing properties included capitalised development administration costs of £658,962 (2019: £602,972) of which development allowances of nil (2019: £nil) were received in respect of these costs and capitalised.

The amount of capitalised interest included in housing properties is £92,727 (2019 £70,577). Interest is capitalised at a rate of 2.52%.

Major repairs in the year amounted to £3,472,628 (2019: £2,908,878). Of the total £2,083,296 (2019: £1,640,193) was capitalised and related to replacement of components. The remaining £730,370 (2019: £665,713) was charged to the statement of comprehensive income.

The total cost of land included above is £39,481,282 (2019: £39,122,683).

The low-demand social housing development at Kirriemuir, consisting of 16 self-contained flats, was valued as at 22 June 2020 to be £175,000 based on its Market Value with Vacant Possession prepared in accordance with RICS - Global Standard 2020 by J & E Shepherd. The opening net carrying value of the property, net of capital grant of £468,780 was £325,744. The Board deem the valuation to be a reasonable estimate of the value of the property as at 31 March 2020 and have therefore recognised an impairment loss in the year of £150,744. This loss has been recognised within Operating Expenditure.

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

**For the year ended 31 March 2020**

**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 2019	1,143,400	895,664	2,426,127	305,418	228,495	4,999,104
Additions	79,326	144,355	57,006	-	52,143	332,830
Disposals	(15,641)	(9,924)	-	-	(127,635)	(153,200)
Transfers	50,080	-	(50,080)	-	-	-
At 31 March 2020	<u>1,275,165</u>	<u>1,030,095</u>	<u>2,433,053</u>	<u>305,418</u>	<u>153,003</u>	<u>5,178,734</u>
<i>Depreciation</i>						
At 1 April 2019	960,373	569,083	325,895	255,086	188,096	2,298,533
Provided during year	145,630	68,229	40,821	1,739	26,426	282,845
Eliminated on disposals	(15,250)	(9,924)	-	-	(127,635)	(152,809)
At 31 March 2020	<u>1,090,753</u>	<u>627,388</u>	<u>(366,716)</u>	<u>256,825</u>	<u>86,887</u>	<u>2,428,569</u>
<i>Net book value</i>						
At 31 March 2020	<u>166,412</u>	<u>402,707</u>	<u>2,066,337</u>	<u>48,593</u>	<u>66,116</u>	<u>2,750,165</u>
At 31 March 2019	<u>183,027</u>	<u>326,581</u>	<u>2,100,232</u>	<u>50,332</u>	<u>40,399</u>	<u>2,700,571</u>

During the prior year, the market value with vacant possession of the office premises in Cordale Housing Association was stated to be £70,000 by RICS registered valuers DVS Property Specialists for the Public Sector. The office premises subsequently formed part of an excambion agreement in exchange for a development site with an equal market value. This site was developed into new office premises.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. Tangible fixed assets – other (Association)

	Office Furniture and Equipment £	Scheme Plant and Equipment £	Office Accommodation £	Leasehold Property £	Motor Vehicles £	Total £
<i>Cost</i>						
At 1 April 2019	805,623	885,740	475,000	235,861	204,340	2,606,564
Additions	67,162	144,355	-	-	52,143	263,660
Disposals	-	-	-	-	(137,080)	(137,080)
At 31 March 2020	<u>872,785</u>	<u>1,030,095</u>	<u>475,000</u>	<u>235,861</u>	<u>119,403</u>	<u>2,733,144</u>
<i>Depreciation</i>						
At 1 April 2019	652,952	559,159	204,663	235,861	163,941	1,816,576
Provided during year	108,154	68,229	6,333	-	26,426	209,142
Eliminated on disposals	-	-	-	-	(137,080)	(137,080)
At 31 March 2020	<u>761,106</u>	<u>627,388</u>	<u>210,996</u>	<u>235,861</u>	<u>53,287</u>	<u>1,888,638</u>
<i>Net book value</i>						
At 31 March 2020	<u>111,679</u>	<u>402,707</u>	<u>264,004</u>	<u>-</u>	<u>66,116</u>	<u>844,506</u>
At 31 March 2019	<u>152,671</u>	<u>326,581</u>	<u>270,337</u>	<u>-</u>	<u>40,399</u>	<u>789,988</u>

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**For the year ended 31 March 2020**

<b>15. Investment properties (Group)</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
At 1 April 2019	1,304,305	1,304,305
Revaluation gain	5,000	-
At 31 March 2020	<u>1,309,305</u>	<u>1,304,305</u>

Investment property at Scott Street, which is freehold, was valued at £354,305 on an open market existing use basis at 24 July 2014 by Shepherd Commercial. The Management Board do not believe there has been any material change in the value of this property in the period to 31 March 2020. No depreciation is provided in respect of investment properties.

The initial Investment property of an Integrated Healthy Living Centre, which is freehold, was valued on an open market existing use basis at December 2012 by DTZ. In July 2016 and July 2019 investment property with an initial value of £690,000 was revalued at £750,000 by Jones Lang La Salle Limited. In 2016/17 Cordale Housing Association purchased a pharmacy from its subsidiary Cordale Property Services Limited. The pharmacy was valued in July 2016 at £170,000 and revalued in July 2019 to £175,000 by Jones LaSalle Limited and has been revalued to this amount. The Management Board do not believe there has been any material change in the value of these properties in the period to 31 March 2020. No depreciation is provided in respect of investment properties.

<b>Investment properties (Association)</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
At 1 April 2019	354,305	354,305
At 31 March 2020	<u>354,305</u>	<u>354,305</u>

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

**16. Investment in subsidiaries**

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	2
Cost – Servite Solutions	2	2
Cost – Cordale Property Services	-	100
	<u>4</u>	<u>104</u>

The investment in subsidiary companies relates to Servite Solutions Limited and Caledonia Ventures Limited, which are wholly owned subsidiaries of the Association and are limited by share capital. Each have issued share capital of 2 £1 shares. Both Caledonia Ventures and Servite Solutions were dormant during the financial year and exemption has been granted by the Financial Conduct Authority (FCA) from the inclusion of these in the group accounts.

Cordale Property Services is a wholly owned subsidiary of Cordale Housing Association Limited and is included in these Group Consolidated Accounts. As such, the investment of 100 £1 shares has been removed on consolidation.

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

**For the year ended 31 March 2020**

**16. Investment in subsidiaries (continued)**

The aggregate amount of capital and reserves and the results of Cordale Property Services Limited for the year ended 31 March 2020 were as follows:

	2020 £	2019 £
Capital and reserves	<u>(2,400)</u>	<u>(2,400)</u>
Result for the year	<u>-</u>	<u>-</u>

The company is now dormant.

Cordale Property Services Limited (SC246323) has claimed exemption from audit of their individual accounts under section 479 of the Companies Act 2006.

The results and balances of Cordale Property Services Limited are included in these consolidated Financial Statements.

<b>Association</b>	2020 £	2019 £
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	2
Cost – Servite Solutions	2	2
	<u>4</u>	<u>4</u>

The investment in subsidiary companies relates to Servite Solutions Limited and Caledonia Ventures Limited, which are wholly owned subsidiaries of the Association which are limited by share capital. Caledonia Ventures and Servite Solutions have issued share capital of 2 £1 shares in each. Both companies were dormant during the financial year and exemption has been granted by the Financial Conduct Authority (FCA) from the completion of group accounts.

<b>17. Stock and work in progress</b>	2020 Group £	2020 Association £	2019 Group £	2019 Association £
	Open Market Shared Equity properties	4,643,730	4,643,730	646,019
Replacement components	31,299	-	58,832	33,439
	<u>4,675,029</u>	<u>4,643,730</u>	<u>704,851</u>	<u>679,458</u>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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For the year ended 31 March 2020

18. Debtors	2020 Group £	2020 Association £	2019 Group £	2019 Association £
<b>Due &lt; 1 Year</b>				
Rent and service charges receivable	1,327,868	1,087,801	1,285,673	982,367
Less: bad debt provision	(767,382)	(612,264)	(677,205)	(520,651)
	<u>560,486</u>	<u>475,537</u>	<u>608,468</u>	<u>461,716</u>
Prepayments and accrued income	672,557	623,271	498,370	461,824
Other debtors	202,055	21,784	77,109	7,059
Amount due from subsidiary undertakings	-	218,632	-	86,460
Grants Receivable	1,166,995	1,166,995	438,318	438,318
	<u>2,602,093</u>	<u>2,506,219</u>	<u>1,622,265</u>	<u>1,455,377</u>
19. Creditors: amounts falling due within one year	2020 Group £	2020 Association £	2019 Group £	2019 Association £
Debt (note 22)	2,214,862	1,880,335	2,380,580	2,058,297
Trade creditors	128,945	128,945	86,052	74,520
Other Taxes and Social Security	154,914	139,608	121,174	112,892
Rent in Advance	1,161,336	880,188	1,042,346	832,571
Accruals and Deferred Income	3,840,826	3,297,404	4,775,003	4,224,842
Pensions	75,686	75,686	73,394	73,394
Other Creditors	388,883	103,409	295,230	27,270
Deferred capital grants (note 21)	4,161,467	2,814,976	4,142,708	2,819,244
	<u>12,126,919</u>	<u>9,320,551</u>	<u>12,916,487</u>	<u>10,223,030</u>
20. Creditors: amounts falling due after more than one year	2020 Group £	2020 Association £	2019 Group £	2019 Association £
Debt (note 22)	84,162,774	74,970,181	81,337,169	71,815,021
Deferred capital grants (note 21)	185,462,037	153,640,926	174,455,626	143,280,277
	<u>269,624,811</u>	<u>228,611,107</u>	<u>255,792,795</u>	<u>215,095,298</u>

**CALEDONIA HOUSING ASSOCIATION LIMITED**

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**For the year ended 31 March 2020**

21. Deferred capital grant	2020 Group £	2020 Association £	2019 Group £	2019 Association £
As at 1 April 2019	178,598,334	146,099,521	179,625,611	145,803,334
Acquired through business combination	-	-	824,548	824,548
Additions	15,302,380	13,287,100	5,889,939	5,889,939
Disposals	(115,743)	(115,743)	(3,599,056)	(3,599,056)
Capital grant released in year	<u>(4,161,467)</u>	<u>(2,814,976)</u>	<u>(4,142,708)</u>	<u>(2,819,244)</u>
At 31 March 2020	<u>189,623,504</u>	<u>156,455,902</u>	<u>178,598,334</u>	<u>146,099,521</u>
Amounts to be released within one year	4,161,467	2,814,976	4,142,708	2,819,244
Amounts to be released in more than one year	<u>185,462,037</u>	<u>153,640,926</u>	<u>174,455,626</u>	<u>143,280,277</u>
	<u>189,623,504</u>	<u>156,455,902</u>	<u>178,598,334</u>	<u>146,099,521</u>
22. Debt analysis – Borrowings	2020 Group £	2020 Association £	2019 Group £	2019 Association £
Creditors: amounts falling due within one year:				
Bank loans	<u>2,214,862</u>	<u>1,880,335</u>	<u>2,380,580</u>	<u>2,058,297</u>
	<u>2,214,862</u>	<u>1,880,335</u>	<u>2,380,580</u>	<u>2,058,297</u>
Creditors: amounts falling due after one year:				
Bank loans	<u>84,162,773</u>	<u>74,970,181</u>	<u>81,337,169</u>	<u>71,815,021</u>
	<u>86,377,635</u>	<u>76,850,516</u>	<u>83,717,749</u>	<u>73,873,318</u>

*Caledonia HA*

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR 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 2020 and 31 March 2038. Fixed rate loans £58.2 (2019: £59.4m) bear average fixed-rate coupons of 5.15% per annum (2019: 5.1% per annum) and £18.6 (2019: £14.4m) variable rate loans bear average variable-rate coupons of 1.44% above LIBOR (2019: 1.38% above LIBOR). The Association makes quarterly and semi-annual interest payments on all bank borrowings.

Bank borrowings of £76.9m (2019: £73.9m) 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 LIBOR 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 £3.0m (2019: £3.1m) bear average fixed-rate coupons of 5.45% per annum (2019: 5.5% per annum) and £4.2m (2019: £4.5m) variable rate loans bear average variable-rate coupons of 1.82% above LIBOR (2019: 1.86% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £7.2m (2019: £7.6m) are secured by specific charges against the Association's housing properties.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**22. Debt analysis – Borrowings (cont'd)**

*Bellsmyre HA*

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR 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 on 31 July 2026. Fixed rate loans £nil (2019: £nil) bear average fixed-rate coupons of 0% per annum (2019: 0% per annum) and £2.3m (2019: £2.3m) variable rate loans bear average variable-rate coupons of 1.6% above LIBOR (2019: 1.6% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £2.3m (2019: £2.3m) are secured by specific charges against the Association's housing properties.

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

	2020 Group £	2020 Association £	2019 Group £	2019 Association £
In one year or less	2,214,862	1,880,335	2,380,580	2,058,297
Between one and two years	2,497,456	1,969,021	2,281,798	1,952,439
Between two and five years	19,284,184	17,465,124	7,451,462	5,730,075
In five years and more	62,381,133	55,536,036	71,603,908	64,132,507
	<u>86,377,635</u>	<u>76,850,516</u>	<u>83,717,748</u>	<u>73,873,318</u>

**23. Share capital**

Group	2020 No.	2019 No.	2020 £	2019 £
<b>Shares of £1 each fully paid</b>				
At 1 April 2019	453	472	453	472
Issued in year	5	93	5	93
Withdrawn in year	(147)	(112)	(47)	(112)
At 31 March 2020	<u>311</u>	<u>453</u>	<u>411</u>	<u>453</u>

Association	2020 No.	2019 No.	2020 £	2019 £
<b>Shares of £1 each fully paid</b>				
At 1 April 2018	233	175	233	175
Issued in year	4	85	4	85
Cancelled in year	(16)	(27)	(16)	(27)
At 31 March 2019	<u>221</u>	<u>223</u>	<u>221</u>	<u>223</u>

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

**For the year ended 31 March 2020**

**24. Reserves**

Reserves of the Company 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 for fixed assets (note 14) are as follows:

	<b>2020</b>	<i>2019</i>
	<b>Land and Buildings</b>	<i>Land and buildings</i>
	<b>£</b>	<i>£</i>
<b>Amounts due:</b>		
Within one year	70,000	<i>70,000</i>
Between one and five years	87,500	<i>157,500</i>
After five years	-	<i>-</i>
	<u>157,500</u>	<u><i>227,500</i></u>

During the year £70,000 (2019: £70,000) of payments made under an operating lease were recognised as an expense.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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26	<b>Notes to the cash flow statement – Group</b>	2020 £	2019 £
	<b>Reconciliation of surplus to net cash inflow from activities</b>		
	Surplus for the year	4,038,206	7,555,849
	Adjustments for non-cash items:		
	Business combination – excess of fair value of assets over the fair value of liabilities acquired	-	(5,812,810)
	Movement in Investments	100	-
	Depreciation of tangible fixed assets	7,333,598	7,537,136
	Amortisation of capital grant	(4,219,936)	(4,142,708)
	Impairment of office property	-	135,000
	Impairment of property held for letting	150,744	-
	Fair value gains on investment property	(5,000)	-
	Loss on disposal of tangible fixed assets	279,597	191,715
	Interest received	(241,132)	(234,760)
	Interest payable	3,994,651	3,948,858
	Shares issued	5	93
	Cancelled shares	(147)	(112)
	<b>Operating cash flows before movement in working capital</b>	<b>11,330,686</b>	<b>9,178,261</b>
	Increase/(decrease) in stock	(3,970,178)	3,189,125
	Decrease in trade and other debtors	(251,150)	1,100,174
	Increase/(decrease) in trade and other creditors	(646,334)	1,206,545
	(Decrease) in provisions	(2,324,334)	(1,035,735)
	<b>Cash generated from operations</b>	<b>4,138,690</b>	<b>13,638,370</b>
	Cash and cash equivalents	7,204,416	8,378,713
	Short Term Deposits	79,417	-
	Loan Servicing Account	14,908	-
	<b>Cash</b>	<b>7,298,741</b>	<b>8,378,713</b>

**Net debt reconciliation**

	1 April 2019	Cashflow	Other Non-cash movements	31 March 2020
<b>Cash at bank and in hand</b>	8,378,713	(1,079,972)	-	7,298,741
Bank Loan	(2,380,580)	2,380,580	(2,214,862)	(2,214,862)
<i>Debt due within 1 year</i>	(2,380,580)	2,380,580	(2,214,862)	(2,214,862)
Bank Loan	(81,337,167)	(5,000,000)	2,174,394	(84,162,773)
<i>Debt due after 1 year</i>	(81,337,167)	(5,000,000)	2,174,394	(84,162,773)
<b>Total net debt</b>	(75,339,034)	(3,699,392)	(40,468)	(79,078,894)

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

**For the year ended 31 March 2020**

26	<b>Notes to the cash flow statement (continued) – Association</b>	2020 £	2019 £
	<b>Reconciliation of surplus to net cash inflow from activities</b>		
	Surplus for the year	2,809,320	7,398,941
	Adjustments for non-cash items:		
	Business combination – excess of fair value of assets over the fair value of liabilities acquired	-	(5,812,810)
	Depreciation of tangible fixed assets	5,163,905	4,908,299
	Amortisation of capital grant	(2,873,444)	(2,819,244)
	Impairment of office property	-	135,000
	Impairment of property held for letting	150,744	-
	Loss on disposal of tangible fixed assets	133,933	75,810
	Interest received	(228,612)	(226,770)
	Interest payable	3,620,128	3,561,638
	Shares issued	(16)	(27)
	Cancelled shares	4	85
	<b>Operating cash flows before movement in working capital</b>	<b>8,775,962</b>	<b>7,220,922</b>
	Increase/(decrease) in stock	(3,964,272)	3,214,518
	Decrease in trade and other debtors	(315,890)	1,062,227
	Increase/(decrease) in trade and other creditors	(720,249)	807,201
	Increase/(decrease) in provisions	(1,456,385)	(691,000)
	<b>Cash generated from operations</b>	<b>2,319,166</b>	<b>11,613,868</b>
	<b>Cash and cash equivalents</b>	<b>2,853,004</b>	<b>5,478,312</b>
	Cash	<b>2,853,004</b>	<b>5,478,312</b>

**Net debt reconciliation**

	1 April 2019	Cashflow	Other Non-cash movements	31 March 2020
<b>Cash at bank and in hand</b>	5,478,312	(2,625,308)	-	2,853,004
Bank Loan	(2,058,297)	2,058,297	(1,880,335)	(1,880,335)
<i>Debt due within 1 year</i>	(2,058,297)	2,058,297	(1,880,335)	(1,880,335)
Bank Loan	(71,815,021)	(5,000,000)	1,844,840	(74,970,181)
<i>Debt due after 1 year</i>	(71,815,021)	(5,000,000)	1,844,840	(74,970,181)
<b>Total net debt</b>	<b>(68,395,006)</b>	<b>(5,567,011)</b>	<b>(35,495)</b>	<b>(73,997,512)</b>

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<b>27. Capital commitments</b>			
<b>Group</b>	<b>2020</b>	<b>2019</b>	
	<b>£</b>	<b>£</b>	
Capital expenditure contracted for but not provided in the Financial Statements	<u>24,678,868</u>	<u>55,077,705</u>	
Capital expenditure authorised by the Board but not contracted	<u>44,469,459</u>	<u>17,901,780</u>	
 <b>Association</b>	 <b>2020</b>	 <b>2019</b>	
	 <b>£</b>	 <b>£</b>	
Capital expenditure contracted for but not provided in the Financial Statements	<u>24,678,868</u>	<u>55,077,705</u>	
Capital expenditure authorised by the Board but not contracted	<u>31,900,000</u>	<u>5,200,000</u>	

The above expenditure will be funded through Scottish housing association grant and private finance.

**28. 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 £430,759 (2019: £404,623). Contributions totalling £55,752 (2019: £53,885) 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 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements. 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.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2019 is £1,464k for the Association and £2,380k for the Group. At 31 March 2020 the SHAPS net deficit is £8k for the Association and £55k for the Group.

On 1 October 2018, the assets and liabilities of Antonine Housing Association were acquired by Caledonia Housing Association resulting in an additional reversal of £158k relating to the acquired deficit funding liability.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
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**28. Pensions (continued)**

**Fair value of plan assets, present value of defined benefit obligation, and defined benefit asset (liability)**

	<b>2020</b>	<i>2019</i>	<b>2020</b>	<i>2019</i>
	<b>Group</b>	<i>Group</i>	<b>Association</b>	<i>Association</i>
	<b>(£000s)</b>	<i>(£000s)</i>	<b>(£000s)</b>	<i>(£000s)</i>
Fair value of plan assets	13,567	10,983	8,471	6,294
Present value of defined benefit obligation	13,548	13,363	8,479	7,758
Surplus (deficit) in plan	19	(2,380)	(8)	(1,464)
Unrecognised surplus	(74)	-	-	-
Defined benefit asset (liability)	(55)	(2,380)	(8)	(1,464)

<b>Reconciliation of the impact of the asset ceiling</b>	<b>2020</b>	<i>2019</i>	<b>2020</b>	<i>2019</i>
	<b>Group</b>	<i>Group</i>	<b>Association</b>	<i>Association</i>
	<b>(£000s)</b>	<i>(£000s)</i>	<b>(£000s)</b>	<i>(£000s)</i>
Impact of asset ceiling at start of period	-	-	-	-
Effect of asset ceiling included in net interest cost	-	-	-	-
Actuarial losses (gains) on asset ceiling	74	-	-	-
Impact of asset ceiling at end of period	74	-	-	-

<b>Reconciliation of opening and closing balances of the defined benefit obligation</b>	<b>2020</b>	<i>2019</i>	<b>2020</b>	<i>2019</i>
	<b>Group</b>	<i>Group</i>	<b>Association</b>	<i>Association</i>
	<b>(£000s)</b>	<i>(£000s)</i>	<b>(£000s)</b>	<i>(£000s)</i>
Defined benefit obligation at start of period	13,363	12,545	7,758	7,243
Current service cost	-	-	-	-
Expenses	12	12	7	7
Interest expense	347	323	217	187
Contributions by plan participants	-	-	-	-
Actuarial losses (gains) due to scheme experience	220	(230)	114	(129)
Actuarial losses (gains) due to changes in demographic assumptions	(85)	35	(53)	20
Actuarial losses (gains) due to changes in financial assumptions	(1,695)	930	(1,048)	545
Benefits paid and expenses	(210)	(252)	(112)	(115)
Liabilities acquired in a business combination	1,596	-	1,596	-
Liabilities extinguished on settlements	-	-	-	-
Losses (gains) due to benefit changes	-	-	-	-
Exchanges rate changes	-	-	-	-
Defined benefit obligation at end of period	13,548	13,363	8,479	7,758

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**28. Pensions (continued)**

Reconciliation of opening and closing balances of the fair value of plan assets.	2020 Group (£000s)	2019 Group (£000s)	2020 Association (£000s)	2019 Association (£000s)
Fair value of plan assets start of period	10,983	10,291	6,294	5,876
Interest Income	289	268	179	154
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	787	323	545	169
Contributions by the employer	400	353	248	210
Contributions by plan participants	-	-	-	-
Benefits paid and expenses	(210)	(252)	(112)	(115)
Exchange rate changes	-	-	-	-
Assets acquired in a business combination	<u>1,317</u>	<u>-</u>	<u>1,317</u>	<u>-</u>
Fair Value of plan assets at end of period	<u>13,566</u>	<u>10,983</u>	<u>8,471</u>	<u>6,294</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 for the Group was £1,076,000 and for the Association was £724,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)	2020 Group (£000s)	2019 Group (£000s)	2020 Association (£000s)	2019 Association (£000s)
Current service cost	-	-	-	-
Expenses	12	12	7	7
Net interest expense	<u>58</u>	<u>55</u>	<u>38</u>	<u>33</u>
Defined benefit costs recognised in statement of comprehensive income (SoCl)	<u>70</u>	<u>67</u>	<u>45</u>	<u>40</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. Pensions (continued)

Defined benefit costs recognised in Other Comprehensive Income	2020 Group (£000s)	2019 Group (£000s)	2020 Association (£000s)	2019 Association (£000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	787	323	545	169
Experience gains and losses arising on the plan liabilities – gain (loss)	(220)	230	(114)	129
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	85	(35)	53	(20)
Effects of changes in the financial assumptions underlying the present value of the defined obligation – gain (loss)	1,695	(930)	1,048	(545)
Losses on business combinations	(279)	-	(279)	-
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(74)	-	-	-
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	1,994	(412)	1,253	(267)
Total amount recognised in other comprehensive income – gain (loss)	1,994	(412)	1,253	(267)
<b>Assets</b>	<b>2020 Group (£000s)</b>	<b>2019 Group (£000s)</b>	<b>2020 Association (£000s)</b>	<b>2019 Association (£000s)</b>
Global Equity	1,866	1,767	1,165	1,013
Absolute Return	833	931	520	533
Distressed Opportunities	248	187	155	107
Credit Relative Value	327	191	204	109
Alternative Risk Premia	1,087	614	679	352
Fund of Hedge Funds	-	30	-	17
Emerging Markets Debt	483	352	301	202
Risk Sharing	430	318	268	182
Insurance-Linked Securities	363	285	227	163
Property	253	218	158	125
Infrastructure	799	461	499	264
Private Debt	269	141	168	81
Opportunistic Illiquid Credit	330	-	206	-
Corporate Bond Fund	991	769	619	441
Liquid Credit	355	-	222	-
Long Lease Property	332	132	207	76
Secured Income	753	384	470	220
Over 15 Year Gilts	172	282	108	162
Index Linked All Stock Gilts	-	-	-	-
Liability Driven Investment	3,572	3,908	2,231	2,240
Net Current Assets	103	12	64	7
Total assets	13,566	10,982	8,471	6,294

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**For the year ended 31 March 2020**

**28. Pensions (Continued)**

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**

	<b>31 March 2020</b>	<i>31 March 2019</i>
	<b>% per annum</b>	<i>% per annum</i>
Discount Rate	2.36%	2.34%
Inflation (RPI)	2.58%	3.26%
Inflation (CPI)	1.58%	2.26%
Salary Growth	2.58%	3.26%
Allowance for commutation of pension cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

<b>Reconciliation of opening and closing pension provision</b>	<b>2020</b>	<i>2019</i>	<b>2020</b>	<i>2019</i>
	<b>Group</b>	<i>Group</i>	<b>Association</b>	<i>Association</i>
	<b>(£000s)</b>	<i>(£000s)</i>	<b>(£000s)</b>	<i>(£000s)</i>
As at 1 April 2019	2,380	1,344	1,464	773
Losses on business combinations	279	158	279	158
Derecognition of deficit funding provision	-	(1,502)	-	(931)
Recognition of defined benefit liability as at 1 April 2018	-	2,254	-	1,367
Expenses	12	12	7	7
Actuarial losses on defined benefit obligation	106	735	-	436
Net interest expense	58	55	38	33
Experience on plan assets	(788)	(323)	(545)	(169)
Experience gains or losses arising on the plan liabilities	114	-	114	-
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	(85)	-	(53)	-
Effects of changes in the financial assumptions underlying the present value of the defined obligation	(1,695)	-	(1,048)	-
Benefits paid and expenses	-	-	-	-
Contributions by employer	(400)	(353)	(248)	(210)
Unrecognised surplus	74	-	-	-
As at 31 March 2020	<u>55</u>	<u>2,380</u>	<u>8</u>	<u>1,464</u>

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

**For the year ended 31 March 2020**

**29. Auditors remuneration**

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

	2020	2019
	£	£
Audit services – statutory audit – Group	67,532	58,500
Other services – Group:		
Other services	5,784	11,382
	73,316	69,882

**30. Related party disclosures**

*Group*

One Management Committee member is also a tenant of the Bellsmyre Housing Association. Their tenancy is on normal commercial terms. During the year £3,426 (2019: £8,011) of rent was receivable from this tenant member. At the year-end there were £nil (2019: £707) of rent arrears due from this tenant member and £468 (2019: £135) of rents in advance due to this tenant member.

One Management Committee member also receives factoring services provided by the Bellsmyre Housing Association. During the year £95 (2019: £209) of factoring charges were receivable from owners on the Committee. At the year end total factoring arrears owed by the factored owners of the Committee were £nil (2019: £24) and total factoring in advance due to factored owners of the committee were £51 (2019: £149).

During the year, three 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 2020 was £9,402 (2019: £22,937). During the year, one tenant ceased to be a member of the Management Committee and at the year-end there were £685 (2019: £413) of rent arrears due from two tenant members and £nil (2019: £nil) of rent in advance due to these tenant members.

Any transaction between the Group 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 £304,779 (2019: £77,862) were charged in the year. The Association provides management services to Bellsmyre Housing Association. Management Charges and recharged salary costs of £340,339 were charged in the year (2019: £45,000). At the year end Cordale Housing Association owed the Association £95,192 (2019: £56,427) in respect of management services provided and expenditure incurred on behalf of Cordale Housing Association by the Association. At the year end Bellsmyre Housing Association owed the Association £123,499 (2019: £30,034) in respect of expenses incurred during the year including staff costs for management personnel and expenditure incurred on behalf of Bellsmyre Housing Association by the Association.

There were no transactions in the year with Caledonia Ventures Ltd as the Company is dormant.

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 period there were no material transactions between the Association and Upper Dens Landscaping Limited.

Two Management Board members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £8,372 (2019: £7,836) of rent was receivable from these tenant members. At the year-end there were £103 (2019: £10) of rent arrears due from these tenant members and £126 (2019: £50) in advance due to these tenant members.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2020**

**30. Related party disclosures (continued)**

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.

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

	2020	2019
	No.	No.
<b>a) Housing stock (group)</b>		
General needs - New build	4,514	4,531
- Rehabilitation	628	627
Shared ownership	391	392
Supported housing	40	40
	5,573	5,590
<b>b) Investment properties (Group)</b>		
Office	1	1
Other	3	3
Total	4	4
<b>c) Housing stock (Association)</b>		
New build	4,087	4,104
Shared ownership	380	381
Total	4,467	4,485
<b>d) Investment properties (Association)</b>		
Office	1	1
Total	1	1

