

Caledonia Housing Association Limited

Report of the Management Board and Consolidated Financial Statements Year ended 31 March 2021

Registration Particulars:

Financial Conduct Authority

Scottish Housing Regulator

The Scottish Charity Register

Registered Number 2343 R (S)

Registered Number HEP 224

Charity Number SCO13988

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

For the year ended 31 March 2021

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CALEDONIA HOUSING ASSOCIATION LIMITED

ADVISERS

For the year ended 31 March 2021

Registered Office:	5 South St Johns Place Perth PH1 5SU
Auditors:	RSM UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers:	The Royal Bank of Scotland plc 12 Dunkeld Road Perth PH1 5RB
Solicitors:	Harper Macleod The Ca'd'oro 45 Gordon Street Glasgow G1 3PE Thorntons WS Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Internal Auditors:	MHA Henderson Loggie Unit 8, The Vision Building 20 Greenmarket Dundee DD1 4QB

CALEDONIA HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

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The Management Board and Executive Officers

The Members of the Management Board of the Association during the year to 31 March 2021 and up to the date of signing of these Financial Statements were as follows:

Helen Archibald	(Retired 21 September 2020)
Mary Clark	(Retired 9 April 2021)
Penny Coburn	(Retired 21 September 2020)
Lindsay Darroch	(Retired 21 September 2020)
Tim Goddard	(Appointed 21 September 2020)
Ian Gray	
Martin Harkness	(Retired 21 September 2020)
Graham Logan	
Veronica Lynch	(Retired 21 September 2020)
Alex McDougall	
Douglas McLaren	(Appointed 21 September 2020)
Alan Nairn (Chair)	
Andrew Richmond	
Derek Robertson	(Appointed 21 September 2020)
Lorna Williamson	(Appointed 21 September 2020)

Key Management Personnel:

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

PRINCIPAL ACTIVITY

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

THE MANAGEMENT BOARD, CHIEF EXECUTIVE AND DIRECTORS

Each member of the Management Board holds one fully paid share of £1 in the Association. The Chief Executive and other Directors of the Association hold no interest in the Association's share capital, do not have the legal status of Directors, and act within the authority delegated by the Board. The 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, and occasional working groups to progress matters of strategic importance to the Association and the Group.

RECRUITMENT AND TRAINING OF BOARD MEMBERS

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

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

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STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES

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

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

The Management Board is responsible for 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 environment in which it operates. These controls are designed to give reasonable assurance with respect to:

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

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

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

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REPORT OF THE MANAGEMENT BOARD

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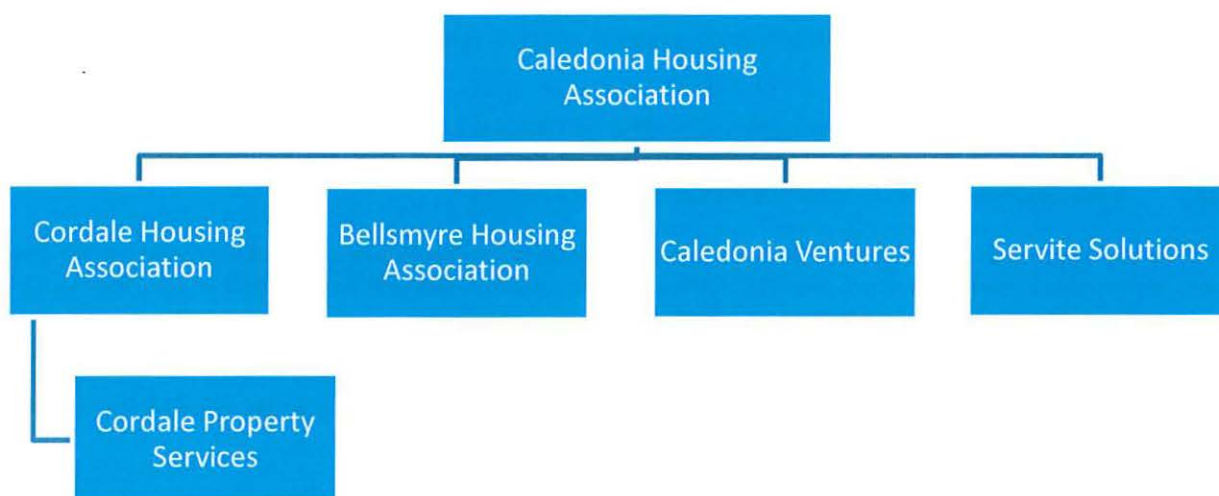
- (v) The Audit & Risk Management Committee has the responsibility of reviewing the internal financial and other controls of the Group and reviews reports from management, from the internal auditors and from the external Auditors. In addition, the Audit & Risk Management Committee reviews the Group's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

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021. 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 and a Scottish charity and one of Scotland's leading providers of high quality affordable homes for people in housing need. With around 5,000 homes owned and managed across Tayside, Fife, West Dunbartonshire and the Highlands, it is also one of Scotland's largest Housing Associations. On 1 November 2020, the Association completed a transfer of engagements from its former subsidiary, Bellsmyre Housing Association, which is now in the process of being wound up.

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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

As noted above, this entity ceased to trade on 1 November 2020 and is in the process of being wound up.

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 and in the process of being wound up.

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 and in the process of being wound up.

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 and in the process of being wound up.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial Review

The Caledonia Group ("Caledonia" or the "Group") achieved an operating surplus for the year of £7.5m (2020: £5.8m) in a year which has been disrupted by the global coronavirus pandemic.

Income from social letting activities rose by 3.5% to £29.8m (2020: £28.8m) reflecting rent increases applied in April 2020 of 2.7%, an increase in grants released from deferred income, offset by a modest reduction in service charge income for the period. Rent and service charge income, after allowing for void loss and bad debts, amounted to £24.5m for the Group (2020 : £24.3m), demonstrating that the Group's core income has not been materially impacted by the pandemic.

The turnover from other activities increased to £2.7m (2020 : £2.6m) boosted by shared equity sales in the period of £1.0m (2020 : £0.2m). Some elements of the Group's other activities could not be delivered in full as a result of social distancing restrictions, with income from our Care and Repair service falling to £0.8m (2020 : £1.3m) and our Home Help service failing to generate any income (2020 : £0.25m) before being discontinued.

Operating costs include expenditure on reactive, cyclical and planned maintenance totalling £3.8m (2020: £4.5m), with an additional spend of £1.1m (2020: £3.0m) being 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. The level of investment in the year has been held back as a result of social distancing restrictions which has restricted our contractors' ability to access individuals' homes. These delayed investments are now intended to be carried out over the coming two financial years subject to the resumption of normal operating conditions.

On 1 November 2020, the Association acquired the net assets of its subsidiary, Bellsmyre Housing Association and the results of the Association therefore reflect the impact of this transfer for the final five months of the year. This transfer of engagements has produced a gain of £10.6m in the year for the Association, while the Group results reflect

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a gain of £1.4m in relation to the fair value adjustments calculated at the date of transfer. These gains reflect the difference between the fair value of the assets and liabilities at the date of transfer and the net carrying values of those assets and liabilities at that date.

The total comprehensive income for the Group was £3.2m (2020: £4.0m). This incorporates an actuarial loss of £1.9m (2020 : gain of £2.0m), in respect of the Scottish Housing Association Pension Scheme (SHAPS). The actuarial gain or loss on the pension scheme is calculated by the pension trustee, and adopts the independent actuary's central assumptions in each reporting period.

At 31 March 2021 the Group's total reserves amounted to £58.3m (2020: £55.1m), an increase of £3.2m (2020: 4.0m) from 31 March 2020. The increase in reserves is attributed to the surpluses achieved by the Group in the year to 31 March 2021.

Going Concern

In response to the ongoing public health crisis, the associated restrictions on the Group's activities and the continuing 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 budgeted income, and the Group's expenditure budgets and investment plans have been revised accordingly to ensure the continuing financial strength of the Group and compliance with all lenders' financial covenants. The Management Board is satisfied, on the basis of the stress testing and scenario planning undertaken, that it remains appropriate to prepare the financial statements on a going concern basis.

Treasury Management

Caledonia has a comprehensive Treasury Management Strategy and Policy in place. The main aim of the strategy is to 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 2021, Caledonia had fixed rate debt of £56.6m (2020: £58.2m) and variable rate debt of £30.5m (2020: £18.6m) which were used to fund housing development. During the year the Association entered into a revised facility agreement with one of its principal lenders, which provided access to an additional £25m of revolving credit. At the year end, the Association had £35m (2020: £20.0m) undrawn revolving credit facilities in place 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 how these risks are controlled and detailing further mitigation steps. The resultant risk map is reviewed in detail by the Audit & Risk Management 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.

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

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Risk	Mitigation
The failure of financial controls	<ul style="list-style-type: none"> - Comprehensive rent setting policy and procedures - Treasury management policy with detailed delegated authorities - Detailed sensitivity analysis carried out on long term projections - Competitive tendering of all material expenditure - Regular internal audit - Active engagement with the Group's principal lenders
Failure of the Group's Health & Safety Procedures	<ul style="list-style-type: none"> - Group Health and Safety Policy and procedure manuals in place - Comprehensive policies, procedures and working practices in place for the business activities carried out across the Group - Health and safety advice, training and advice provided for the Group staff team - Risk assessments in place for key areas of activity across the Group and reviewed on a rolling programme basis - Comprehensive Health & Safety Action Plans in place across the Group - Key health and safety issues considered by the Executive Team on a monthly basis and the Health and Safety Committee on a quarterly basis - All new homes designed and constructed to Building Standards current at the time of construction, which includes Fire Safety - Fire detection equipment is installed in all homes and offices and regularly checked and maintained in accordance with Building Standards - Continuous monitoring of changes of legislation and regulation - 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 - Developing transition planning to support a future return to working from our office locations - Ongoing advice and guidance issued to staff and tenants throughout the coronavirus emergency
Cyber attack	<ul style="list-style-type: none"> - Detailed cyber security arrangements are in place and subject to ongoing review and enhancement - Development and ongoing review of ICT strategy - Regular reporting on this risk area to the Group's Audit and Risk Management Committee
Failure to apply the Asset Management Strategy	<ul style="list-style-type: none"> - Asset Management Report prepared for specific projects prior to significant investment and re-modelling - Asset Management Strategy approved by Management Board in June 2020 - 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 - Phased investment programme to maximise investment whilst recognising risks to income in the current environment
Failure of Group's ICT systems	<ul style="list-style-type: none"> - All data and processing held and carried out at an off-site tier 3 data centre - Fully independent links established between area offices and the data centre - Comprehensive back-up and system monitoring procedures - Operational policies and procedures relating to ICT activities - Annual ICT action plan - ICT team within the organisational structure supported by third party specialist ICT service providers - ICT Strategy implementation supported by specialist ICT consultants

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Risk	Mitigation
Failure to comply with the legal and regulatory requirements relating to information governance and to effectively manage information risks	<ul style="list-style-type: none"> Comprehensive staff training on the requirements of the legislation Data Protection Officer services provided by external consultant. Data held within a tier 3 data centre and subject to high levels of security and virus protection Data Protection policies and procedures Operational policies and procedures in place to respond to requests for information Development of Group electronic document management system
Failure to address the risk of Climate Change and Scottish Government mitigation targets	<ul style="list-style-type: none"> Working Group to develop a strategy to respond to the climate change agenda Governing Body Working Group to establish key objectives and milestones to be measured and monitored Assessment under way of the risk profile of existing housing stock in relation to the effects of climate change, after which planned investment programme will incorporate work required to mitigate impact Existing carbon footprint being assessed

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	19/20 Actual
• Void Loss	< 1.5%	0.77%	0.39%
• Re-let Performance (days)	< 30	35.3	22.7
• Arrears Performance	< 6%	5.5%	4.5%
• Profitability – Operating surplus	> 18%	22.9%	20.0%
• Financial Covenant - Interest Cover	> 120%	187%	145%
• Financial Covenant – Gearing	< 30%	23.9%	23.1%

Indicators for Cordale Housing Association	Target	Actual	19/20 Actual
• Void Loss	< 1.0%	1.69%	0.13%
• Re-let Performance (days)	< 30	58.2	8.3
• Arrears Performance	< 6%	6.3%	5.4%
• Profitability – Operating surplus	> 18%	33.5%	28.9%
• Financial Covenant - Interest Cover	> 120%	398.9%	216.4%
• Financial Covenant – Gearing	< 30%	12.1%	12.6%

Indicators in line with the Annual Return on the Charter (ARC) definitions were set for the year to 31 March 2021 based on historic and benchmark material, with targets agreed by the Governing Bodies which sought to anticipate the likely impact on performance of the coronavirus pandemic and the associated restrictions on the Associations' activities.

The performance tables above demonstrate that the Governing Bodies of both Caledonia and Cordale anticipated a deterioration in performance against the 2019/20 year, particularly with respect to losses from properties becoming and remaining void for longer periods and through increasing levels of arrears. This has been borne out by the actual performance for 2020/21 where there has been a marked deterioration in performance against these metrics compared

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with 2019/20, and a mixed performance against the revised targets set in what has been a very uncertain operating period. Re-let performance in Cordale Housing Association showed a significant decline compared to the prior year due to difficulty in letting Sheltered Housing accommodation as a direct result of the coronavirus pandemic.

Whilst the performance of the Group has been negatively impacted by the various lockdown restrictions, and the economic impact of those, there are also encouraging signs in the performance data, with operating surplus exceeding target for both Associations, and our lenders' covenants being comfortably attained despite the challenging environment.

The performance experience of the 2020/21 financial year has influenced the establishment of revised targets in these areas for 2021/22. The operating and economic environment continues to present an uncertain backdrop for business planning and budgeting, and we have retained a high degree of prudence in establishing our key financial targets which will be subject to regular monitoring by senior management and the Management Board.

Future Plans

The Caledonia Management Board approved a business plan in February 2021 which contains four strategic priorities as detailed below.

1. Achieving Excellence

Business Improvement

Over the course of the Business Plan we will progress a range of improvement initiatives linked to the continued implementation of our business transformation programme. These will focus on how we can best meet the needs of our customers through the homes and services we provide for them; and will also reflect our aim to 'build back better' from our coronavirus pandemic experiences and the outcomes of our tenant satisfaction survey. Key aspects of our work 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 further refinement of our customer insight data to improve our customer service offering.

2. Building Success

Providing 750 New Social Rented & Shared Equity Homes in 5 Years

Our strategic priority set in early 2017 was to build 1,000 new affordable homes (750 social rented / 250 alternative tenure) by March 2022, this being our commitment to assisting the Scottish Government to build 50,000 new affordable homes in the term of the current parliament. The decision was taken last year to put a hold on the alternative tenure element of the programme following detailed consideration of the issues involved. Over the past year therefore we have concentrated on progressing our social rented and shared equity homes new build programme, although a number of external factors have resulted in some delays.

As at 31st March 2021 of the 750 proposed rented and shared equity units, we had completed 267, had 385 units on site, and committed a further 99 units that were due to start in 2021/22. Over 2021-22 we will continue to actively progress this programme, whilst simultaneously reviewing the Group's future development approach and growth aspirations.

Implementing the Group 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. Linked to this, 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 and progressing 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.

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Climate Change / Net Zero

The Group has identified a need to strengthen our focus on climate change issues and to develop this as a key driver of change and improvement within our organisation. A working group has been established to consider the climate change agenda and what this will mean for our approach to new and existing homes and our wider business operations in working to achieve a net zero carbon position for the Group.

Rent Policy and Structure Review

Rent affordability and value for money are key strategic issues for the Group given their importance to our 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. Last year we carried out a fundamental review of our rent structure and took initial steps to consider the outcomes. This work will be progressed further over the coming year as we detail and present options for our governing body members and tenants on the development of a new rent structure that is fair, transparent, easy to understand and reflects our rent affordability and value for money aims.

Treasury Management

Effective treasury management is vital to the achievement of our business aims whilst also maintaining long term financial viability. Reflecting this, a review of the Group's Treasury Management Strategy will be carried out over 2021-22 to ensure funding is appropriately maintained to underpin the delivery of our key strategic objectives over the period of the Business Plan.

3. Creating Innovation

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. A governance working group had been established to progress this activity, however work on this was subsequently placed on hold due to the coronavirus emergency. The planned comprehensive review of the Group's governance arrangements will now be progressed over the course of 2021-22. The review again will focus on options for change that could modernise and strengthen governance, support the achievement of our business improvement aims and ensure ongoing compliance with the SHR's Regulatory Framework.

ICT Strategy Roadmap

Over the past year work was carried out to implement an ICT roadmap that was designed to strengthen our ICT systems and operational arrangements. Significant progress has been made, providing a stronger platform for our ICT related activities. Over the coming year there will be a shift in focus to be centred more on ICT as an enabler of improvement across the Group, including key elements of our business transformation programme and specific service and business system improvements within these. A new ICT roadmap incorporating these actions will be developed and implemented over the course of 2021-22.

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 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 Strategy will help fulfil their potential. Through investing in our organisation, people and culture, we will deliver on our strategic priorities and achieve our vision to provide homes and services that make life better. Over 2021-22 a range of activities relating to these People Strategy themes and our aim to 'build back better' from the Covid situation will be progressed.

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Faifley Housing Association Partnership

In June 2021, Faifley Housing Association ('Faifley') selected Caledonia Housing Association as its preferred transfer partner. Faifley operates in the West Dunbartonshire area, and owns and manages around 330 properties. The two associations have begun to develop a joint project plan, including appropriate due diligence processes as well as the completion of tenant and regulatory consultation and approval. It is currently intended that a transfer of engagements will be completed during 2022, subject to obtaining all of the relevant approvals.

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 as a key strategic initiative.

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 (2020: 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. Planned and cyclical maintenance is carried out in accordance with our life cycle programme modified where necessary by inspection and supplemented by the inclusion of enhancements required by relevant regulatory authorities. The resultant works are normally awarded after formal tendering procedures have been applied in accordance with the Group's Procurement policies and practices which ensure compliance with all relevant legislation.

Reserves Policies

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

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

Revenue Reserves

The 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 £46.1m following the addition of a £6.5m revenue surplus in the year to 31 March 2021.

Human Resources

Equality and Diversity re Employment

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

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Employee Involvement and Health & Safety

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

AUDITORS

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

By order of the Management Board

Alan Nairn (Chair).....

[REDACTED]

...

[REDACTED]

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 2021 which comprise the Consolidated Statement of Comprehensive Income, Housing Association Statement of Comprehensive Income, Consolidated and Housing Association Statement of Financial Position, Consolidated and Housing Association Statement of Changes in Reserves, Consolidated Statement of Cashflow, Housing Association Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2021 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

CALEDONIA HOUSING ASSOCIATION LIMITED

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement page 3, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

CALEDONIA HOUSING ASSOCIATION LIMITED

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

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

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

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

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

Use of our report

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

[REDACTED]
[REDACTED]
RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date [REDACTED]

CALEDONIA HOUSING ASSOCIATION LIMITED

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

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

Basis of Opinion

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

Opinion

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



RSM UK AUDIT LLP

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

Date: 

CALEDONIA HOUSING ASSOCIATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 £	2020 £
Turnover	<i>2,3a,4a</i>	32,572,428	<i>31,463,267</i>
Operating expenditure	<i>2,3a,4a</i>	(24,775,007)	<i>(25,390,525)</i>
Loss on disposal of fixed assets		(312,440)	<i>(279,597)</i>
Operating surplus	<i>2</i>	7,484,981	<i>5,793,145</i>
Business combination – excess of Fair Value over Book Value		1,367,159	-
Gain on revaluation of other fixed asset		-	<i>5,000</i>
		8,852,140	<i>5,798,145</i>
Interest receivable	<i>8</i>	226,056	241,132
Interest payable and financing costs	<i>9</i>	(4,012,263)	(3,994,651)
Surplus for the year		5,065,933	2,044,626
Other Comprehensive Income			
Actuarial (losses) / gains in respect of pension schemes	<i>29</i>	(1,879,000)	<i>1,993,580</i>
Total comprehensive income for the year		3,186,933	<i>4,038,206</i>

All figures relate to continuing operations.

The accompanying notes on pages 23 to 54 form part of these Financial Statements.

CALEDONIA HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 £	2020 £
Turnover	<i>2,3b,4b</i>	27,640,025	25,372,973
Operating costs	<i>2,3b,4b</i>	(21,052,609)	(20,290,784)
(Loss) on disposal of fixed assets		<u>(261,833)</u>	<u>(133,933)</u>
Operating surplus	<i>2</i>	6,325,583	4,948,256
Business combination – Excess of fair value of assets over the fair value of liabilities acquired	<i>26</i>	10,634,408	-
Interest receivable	<i>8</i>	223,667	228,612
Interest payable	<i>9</i>	<u>(3,697,309)</u>	<u>(3,620,128)</u>
Surplus for the year		<u>13,486,349</u>	<u>1,556,740</u>
Other Comprehensive Income			
Actuarial (losses)/gains in respect of pension schemes	<i>29</i>	<u>(1,546,000)</u>	<u>1,252,580</u>
Total comprehensive income for the year		<u>11,940,349</u>	<u>2,809,320</u>

All figures relate to continuing operations.

The accompanying notes on pages 23 to 54 form part of these Financial Statements.

CALEDONIA HOUSING ASSOCIATION LIMITED

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

As at 31 March 2021

	<i>Notes</i>	2021		2020	
		GROUP	ASSOCIATION	GROUP	ASSOCIATION
		£	£	£	£
Fixed assets					
Housing properties	11,12	329,331,111	293,933,725	318,267,552	266,370,055
Other fixed assets	13,14	2,807,974	1,102,103	2,750,165	844,506
Investment property	15	1,309,305	354,305	1,309,305	354,305
Investments in subsidiaries	16	4	4	4	4
		<u>333,448,394</u>	<u>295,390,137</u>	<u>322,327,026</u>	<u>267,568,870</u>
Current assets					
Stock and work in progress	17	6,080,384	6,080,384	4,675,029	4,643,730
Trade and other debtors	18	1,321,794	1,327,067	2,602,093	2,506,219
Cash and cash equivalents		8,921,498	5,572,443	7,298,741	2,853,004
		<u>16,323,676</u>	<u>12,979,894</u>	<u>14,575,863</u>	<u>10,002,953</u>
Current liabilities					
Creditors: amounts falling due within one year	19	(13,408,760)	(11,480,171)	(12,126,919)	(9,320,551)
Net current assets		<u>2,914,916</u>	<u>1,499,723</u>	<u>2,448,944</u>	<u>682,402</u>
Total assets less current liabilities		<u>336,363,310</u>	<u>296,889,860</u>	<u>324,775,970</u>	<u>268,251,272</u>
Creditors: amounts falling due after more than one year	20	(276,556,747)	(243,792,980)	(269,624,811)	(228,611,107)
Provisions for liabilities					
Pension – defined benefit liability	29	(1,523,939)	(1,523,939)	(55,401)	(7,615)
Net assets		<u>58,282,624</u>	<u>51,572,941</u>	<u>55,095,759</u>	<u>39,632,550</u>
Capital and reserves					
Share capital	23	243	263	311	221
Revenue reserve	24	58,282,381	51,572,678	55,095,448	39,632,329
		<u>58,282,624</u>	<u>51,572,941</u>	<u>55,095,759</u>	<u>39,632,550</u>

These Financial Statements were approved and authorised for issue by the Management Board on 31 August 2021 and were signed on their behalf:

Chairman of the Management Board

Board Member

Secretary

CALEDONIA HOUSING ASSOCIATION LIMITED

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

For the year ended 31 March 2021

Group	Share Capital £	Income and expenditure reserve £	Total £
Balance at 1 April 2019	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	-	4,038,206	4,038,206
Balance as at 31 March 2020	311	55,095,448	55,095,759
Issued in the year	4	-	4
Cancelled in the year	(72)	-	(72)
Total Comprehensive income for the year	-	3,186,933	3,186,933
Balance at 31 March 2021	243	58,282,381	58,282,624

Association	Share Capital £	Income and expenditure reserve £	Total £
Balance at 1 April 2019	233	36,823,009	36,823,242
Issued in the year	4	-	4
Cancelled in the year	(16)	-	(16)
Total Comprehensive income for the year	-	2,809,320	2,809,320
Balance as at 31 March 2020	221	39,632,329	39,632,550
Issued in the year	58	-	58
Cancelled in the year	(16)	-	(16)
Total Comprehensive income for the year	-	11,940,349	11,940,349
Balance at 31 March 2021	263	51,572,678	51,572,941

CALEDONIA HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 31 March 2021

	<i>Notes</i>	2021 £	2020 £
Net cash generated from operating activities	27	<u>10,295,956</u>	<u>4,073,947</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(22,246,856)	(18,798,063)
Proceeds from sale of tangible fixed assets		84,736	221,348
Grants received		9,594,619	14,516,429
Interest received		226,056	241,132
		<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(12,341,445)</u>	<u>(3,819,154)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(4,012,263)	(3,994,651)
New secured loans		10,005,268	4,844,000
Repayments of borrowings		(2,324,759)	(2,184,114)
		<u> </u>	<u> </u>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		<u>3,668,246</u>	<u>(1,334,765)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,622,757</u>	<u>(1,079,972)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>7,298,741</u>	<u>8,378,713</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	<u><u>8,921,498</u></u>	<u><u>7,298,741</u></u>

CALEDONIA HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION STATEMENT OF CASHFLOW
For the year ended 31 March 2021

	<i>Notes</i>	2021 £	<i>2020</i> £
Net cash generated from operating activities	27	<u>8,337,876</u>	<u>2,254,423</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(22,001,200)	(17,183,910)
Proceeds from sale of tangible fixed assets		84,736	217,348
Grants received		9,594,619	12,501,148
Interest received		223,667	228,612
Cash acquired on business combination		<u>2,167,892</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(9,930,286)</u>	<u>(4,236,802)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(3,697,309)	(3,620,128)
New secured loans		10,000,000	4,844,000
Repayments of borrowings		<u>(1,990,842)</u>	<u>(1,866,801)</u>
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		<u>4,311,849</u>	<u>(642,929)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>2,719,439</u>	<u>(2,625,308)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,853,004</u>	<u>5,478,312</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	<u><u>5,572,443</u></u>	<u><u>2,853,004</u></u>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 – see 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 whilst a reliable measure of fair value is available without undue cost or effort. 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 2021

Pension

Obligations under a defined benefit pension scheme

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS). The Association is able to identify its share of the scheme assets and scheme liabilities and has applied the defined benefit accounting treatment since 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

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

Defined contribution plans

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

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 up to 31st October 2021, 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 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 £35m and £4m in undrawn lending facilities respectively. Any additional borrowing will be provided by utilising unencumbered assets.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

The Management Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future which is defined as 12 months after the date of these financial statements. For this reason, the going concern basis has been adopted in these Financial Statements.

Business combination

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

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.

Fixed Assets – housing land and buildings

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

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

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

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

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

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

Capitalised development overheads and borrowing costs

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

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

Impairment of fixed assets

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

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

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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.

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
Central Heating Systems	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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

Operating lease commitments

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

VAT

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

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

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

Shared ownership

Proceeds from 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. Shared Equity units in progress and Developments in Progress for other Associations are included in WIP at cost, net of any related HAG.

Employee benefits

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

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

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

Financial instruments

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

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

Financial assets

Debtors

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

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.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

Financial liabilities

Trade creditors

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

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

Borrowings

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

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

Provisions

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

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

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Group:	Turnover £	Operating costs £	Loss on sale of Fixed Assets £	Operating surplus 2021 £	Operating surplus 2020 £
Social lettings (note 3a)	29,824,121	(22,125,174)	-	7,698,947	5,973,544
Other activities (note 4a)	2,748,307	(2,649,833)	-	98,474	99,198
Loss on sale of fixed assets	-	-	(312,440)	(312,440)	(279,597)
Total – 2021	32,572,428	(24,775,007)	(312,440)	7,484,981	5,793,145
<i>Total – 2020</i>	<i>31,463,267</i>	<i>(25,390,525)</i>	<i>(279,597)</i>	<i>5,793,145</i>	

Housing Association:	Turnover £	Operating costs £	Loss on sale of Fixed Assets £	Operating surplus 2021 £	Operating surplus 2020 £
Social lettings (note 3b)	25,025,094	(18,475,342)	-	6,549,752	5,012,866
Other activities (note 4b)	2,614,931	(2,577,267)	-	37,664	69,323
Loss on sale of fixed assets	-	-	(261,833)	(261,833)	(133,933)
Total – 2021	27,640,025	(21,052,609)	(261,833)	6,325,583	4,948,256
<i>Total – 2020</i>	<i>25,372,973</i>	<i>(20,290,784)</i>	<i>(133,933)</i>	<i>4,948,256</i>	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Group	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total 2021 £	Total 2020 £
Rent receivable net of service charges	17,891,110	2,951,855	876,610	21,719,575	21,541,129
Service charges	1,156,722	1,951,174	208,418	3,316,314	3,519,179
Gross income from rents and service charges	19,047,832	4,903,029	1,085,028	25,035,889	25,060,308
Less Voids	(119,463)	(87,771)	-	(207,234)	(484,048)
Net income from rents and service charges	18,928,369	4,815,258	1,085,028	24,828,655	24,576,260
Grants released from deferred income	4,298,603	459,573	186,811	4,944,987	4,219,936
Other revenue grants	50,479	-	-	50,479	49,686
Total turnover from social letting activities	23,277,451	5,274,831	1,271,839	29,824,121	28,845,882
Management and maintenance administration costs	5,584,611	1,689,497	370,764	7,644,872	7,214,205
Service costs	1,097,282	2,032,538	194,115	3,323,935	3,608,869
Planned and cyclical maintenance including major repairs costs	1,329,167	267,220	24,874	1,621,261	2,152,117
Reactive maintenance costs	1,742,827	398,793	-	2,141,620	2,394,753
Bad debts – rent and service charges	245,179	44,640	-	289,819	300,897
Depreciation of affordable let properties	5,668,793	916,450	228,259	6,813,502	7,050,753
Impairment of affordable let properties	-	290,165	-	290,165	150,744
Operating costs for affordable letting activities	15,667,859	5,639,303	818,012	22,125,174	22,872,338
Operating surplus for affordable letting activities	7,609,592	(364,472)	453,827	7,698,947	5,973,544
Operating surplus for affordable letting activities for previous accounting period	5,624,749	(132,281)	481,076	5,973,544	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Association	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total 2021 £	Total 2020 £
Rent receivable net of service charges	14,699,698	2,756,656	852,135	18,308,489	17,028,468
Service charges	1,096,508	1,780,720	208,418	3,085,646	3,259,037
Gross income from rents and service charges	15,796,206	4,537,376	1,060,553	21,394,135	20,287,505
Less Voids	(96,947)	(60,097)	-	(157,044)	(266,233)
Net income from rents and service charges	15,699,259	4,477,279	1,060,553	21,237,091	20,021,272
Grants released from deferred income	3,212,784	348,987	175,753	3,737,524	2,873,444
Other revenue grants	50,479	-	-	50,479	49,686
Total turnover from social letting activities	18,962,522	4,826,266	1,236,306	25,025,094	22,944,402
Management and maintenance administration costs	4,631,796	1,621,129	363,927	6,616,852	5,852,290
Service costs	1,009,060	1,893,721	194,115	3,096,896	3,365,276
Planned and cyclical maintenance including major repairs costs	1,182,224	267,220	24,874	1,474,318	1,650,208
Reactive maintenance costs	1,445,632	381,901	-	1,827,533	1,701,448
Bad debts – rent and service charges	166,804	44,640	-	211,444	256,807
Depreciation of affordable letting properties	3,958,107	780,566	219,461	4,958,134	4,954,763
Impairment of affordable letting properties	-	290,165	-	290,165	150,744
Operating costs for affordable letting activities	12,393,623	5,279,342	802,377	18,475,342	17,931,536
Operating surplus for affordable letting activities	6,568,899	(453,076)	433,929	6,549,752	5,012,866
Operating surplus for affordable letting activities for previous accounting period	4,770,631	(211,898)	464,133	5,012,866	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Group:	Grants from Scottish Ministers £	Other revenue grants £	Supporting Income £	Other Income £	Total turnover £	Operating costs – bad debts £	Other operating costs £	Operating (deficit) / surplus 2021 £	Operating (deficit) / surplus 2020 £
Factoring	-	-	-	81,447	81,447	-	(91,372)	(9,925)	(26,457)
Other services – owner occupiers	-	-	-	28,201	28,201	-	(27,142)	1,059	-
Care and repair property	826,011	-	-	-	826,011	-	(765,437)	60,574	50,497
Stage 3 Adaptations	329,082	-	-	-	329,082	-	(212,222)	116,860	(9,001)
Support activities	-	-	120,816	-	120,816	-	(127,965)	(7,149)	5,870
Commercial rents	-	-	-	59,375	59,375	-	-	59,375	59,375
Tenant participation	-	-	-	-	-	-	(409)	(409)	(5,097)
Care activities (Home Help)	-	-	-	-	-	(12,978)	(85,771)	(98,749)	8,292
Dundee Voluntary Action	-	-	-	70,045	70,045	-	(71,377)	(1,332)	(1,312)
Income from Office Lease	-	-	-	52,689	52,689	-	-	52,689	41,716
Agency management services	-	-	-	92,784	92,784	-	(83,506)	9,278	(29,681)
Shared equity sales	-	-	-	1,007,750	1,007,750	-	(1,007,750)	-	8,650
Other Activities	-	-	-	38,966	38,966	-	(35,069)	3,897	(3,654)
HMRC Furlough Grant	-	41,141	-	-	41,141	-	-	41,141	-
Impairment of office property	-	-	-	-	-	-	(128,835)	(128,835)	-
Total from other activities	<u>1,155,093</u>	<u>41,141</u>	<u>120,816</u>	<u>1,431,257</u>	<u>2,748,307</u>	<u>(12,978)</u>	<u>(2,636,855)</u>	<u>98,474</u>	<u>99,198</u>
Total from other activities – 2020	<u>1,625,102</u>	<u>40,950</u>	<u>115,564</u>	<u>835,769</u>	<u>2,617,385</u>	<u>-</u>	<u>(2,518,187)</u>	<u>99,198</u>	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Association:	<i>Grants from Scottish Ministers</i>	<i>Supporting Income</i>	<i>Other Income</i>	<i>Total turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating (deficit) / surplus 2021</i>	<i>Operating (deficit) / surplus 2020</i>
	£	£	£	£	£	£	£	£
Factoring	-	-	49,333	49,333	-	(59,352)	(10,019)	(27,697)
Other services – owner occupiers	-	-	11,777	11,777	-	(10,008)	1,769	-
Care and repair property	826,011	-	-	826,011	-	(765,437)	60,574	50,497
Stage 3 Adaptations	303,619	-	-	303,619	-	(189,219)	114,400	(35,443)
Support activities	-	120,816	-	120,816	-	(127,965)	(7,149)	5,870
Care activities	-	-	-	-	(12,978)	(85,771)	(98,749)	8,292
Dundee Voluntary Action	-	-	70,045	70,045	-	(71,377)	(1,332)	(1,312)
Income from Office Lease	-	-	52,689	52,689	-	-	52,689	41,716
Agency management services	-	-	92,784	92,784	-	(83,506)	9,278	15,319
Other Activities	-	-	38,966	38,966	-	(35,069)	3,897	3,431
Shared equity sales	-	-	1,007,750	1,007,750	-	(1,007,750)	-	8,650
HMRC Furlough grant	-	-	41,141	41,141	-	-	41,141	-
Impairment of office property	-	-	-	-	-	(128,835)	(128,835)	-
Total from other activities	1,129,630	120,816	1,364,485	2,614,931	(12,978)	(2,564,289)	37,664	69,323
Total from other activities – 2020	1,568,991	115,564	744,016	2,428,571	-	(2,359,248)	69,323	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

5. Number of units in Management at the year end

	2021 No.	2020 No.
a) Housing stock (group)		
General needs	5,028	5,142
Shared ownership	400	391
Supported housing	40	40
	<u>5,468</u>	<u>5,573</u>
b) Investment properties (Group)		
Office	1	1
Other	3	3
Total	<u>4</u>	<u>4</u>
c) Housing stock (Association)		
New build	4,562	4,087
Shared ownership	389	380
Total	<u>4,951</u>	<u>4,467</u>
d) Investment properties (Association)		
Office	1	1
Total	<u>1</u>	<u>1</u>

6. Key Management Personnel (Group and Association)

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

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

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

	2021 £	2020 £
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Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>533,495</u>	<u>517,799</u>
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Compensation for loss of office	<u>-</u>	<u>-</u>
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Aggregate pension contributions in relation to the above key management personnel	<u>60,398</u>	<u>54,389</u>
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The emoluments of the Chief Executive (excluding pension contributions)	<u>112,706</u>	<u>110,580</u>
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Aggregate pension contributions made on behalf of the Chief Executive	<u>13,009</u>	<u>12,754</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 2021

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	
	2021	2020
Office, administrative and management	103	105
Development	6	7
Housing Support and Care	50	57
	<u>159</u>	<u>169</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	5,118,081	5,436,804
Social security costs	488,426	503,473
Other pension costs and current service costs (note 29)	815,882	709,384
Temporary staffing	212,094	415,802
	<u>6,634,483</u>	<u>7,065,463</u>

Severance Costs totalling £69,618 (2020: £70,818) 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	
	2021	2020
Office, administrative and management	103	94
Development	6	7
Housing Support and Care	50	57
	<u>159</u>	<u>158</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	5,033,320	5,093,021
Social security costs	480,209	474,319
Other pension costs and current service costs (note 29)	806,874	678,517
Temp agency seconded staff	212,094	354,691
	<u>6,532,497</u>	<u>6,600,548</u>

Severance Costs totalling £69,618 (2020: £70,818) were recognised in the Financial Statements to 31 March 2021. 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 2021

8. Interest receivable	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Bank and Building Society interest	222,056	219,667	241,132	228,612
Defined benefit pension interest	4,000	4,000	-	-
	<u>226,056</u>	<u>223,667</u>	<u>241,132</u>	<u>228,612</u>
9. Interest payable and financing costs	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Interest arising on:				
Housing Accommodation bank loans	3,887,542	3,572,588	3,763,497	3,402,244
Shared Ownership bank loans	272,611	272,611	272,611	272,611
Defined benefit pension charge	-	-	58,000	38,000
	<u>4,160,153</u>	<u>3,845,199</u>	<u>4,094,108</u>	<u>3,712,855</u>
Less: interest capitalised on housing properties under construction	<u>(147,890)</u>	<u>(147,890)</u>	<u>(99,457)</u>	<u>(92,727)</u>
	<u>4,012,263</u>	<u>3,697,309</u>	<u>3,994,651</u>	<u>3,620,128</u>

10. Taxation

Group

The Associations both 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 2021

11. Tangible fixed assets - housing properties (Group)

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
Cost				
At 1 April 2020	377,046,273	20,683,720	17,229,609	414,959,602
Revaluation	(784,436)	-	-	(784,436)
Additions	1,657,617	20,128,694	-	21,786,311
Disposals	(721,163)	-	-	(721,163)
Elimination of previous business combination	(2,979,598)	-	-	(2,979,598)
Transfers	4,305,566	(4,305,566)	-	-
At 31 March 2021	<u>378,524,259</u>	<u>36,506,848</u>	<u>17,229,609</u>	<u>432,260,716</u>
Depreciation				
At 1 April 2020	92,061,793	-	4,630,257	96,692,050
Provided during year	6,585,016	-	228,486	6,813,502
Elimination of previous business combination	(484,388)	-	-	(484,388)
Eliminated on disposals	(381,724)	-	-	(381,724)
Impairment	290,165	-	-	290,165
At 31 March 2021	<u>98,070,862</u>	<u>-</u>	<u>4,858,743</u>	<u>102,929,605</u>
Net book value				
At 31 March 2021	<u>280,453,397</u>	<u>36,506,848</u>	<u>12,370,866</u>	<u>329,331,111</u>
At 31 March 2020	<u>284,984,480</u>	<u>20,683,720</u>	<u>12,599,352</u>	<u>318,267,552</u>

Additions to housing properties included capitalised development administration costs of £601,177 (2020: £737,201) of which development allowances of £nil (2020: £nil) were received in respect of these costs and capitalised. Additions in the year also include an amount of capitalised interest of £147,890 (2020: £99,457). Interest is capitalised at a rate of 3.5%.

Major repairs in the year amounted to £2,290,735 (2020: £4,709,838). Of the total £1,056,440 (2020: £3,013,670) was capitalised and related to replacement of components. The remaining £633,118 (2020: £958,967) was charged to the statement of comprehensive income.

The total cost of land included above is £44,865,278 (2020: £45,439,277).

The low-demand social housing development at Kirriemuir, consisting of 16 self-contained flats, was valued as at 22 June 2020 at £175,000 by J & E Shepherd. The opening net carrying value of the property, net of capital grant of £468,780 was £175,000, reflecting this valuation. During the year an options appraisal of the properties was conducted which identified limited potential for the viable redevelopment of the units for social housing purposes and a disposal of the properties is now being considered. The Board consider it prudent to write down the net carrying value of the properties to £nil as at 31 March 2021 and have therefore recognised an impairment loss in the year of £175,000 (2020: £150,744). This loss has been recognised within Operating Expenditure.

Consideration has also been given during the financial year to the Association's former care home in Leuchars which ceased operations in March 2020. The opening carrying value of this property at 1 April 2020 was £129,772 net of capital grant of £317,654. During the year to 31 March 2021, the property was subject to a depreciation charge of £14,607, reducing the net carrying value before impairment review to £115,165. Whilst opportunities for this property continue to be explored, the Board consider it prudent to write down the net carrying value of the properties to £nil as at 31 March 2021 and have therefore recognised an impairment loss in the year of £115,165 (2020: £nil) in addition to the depreciation charge. This loss has been recognised within Operating Expenditure.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2020	296,049,791	19,982,130	16,603,714	332,635,635
Acquired through business combination (note 26)	11,039,110	521,037	-	11,560,147
Additions	1,579,572	19,961,082	-	21,540,654
Disposals	(610,689)	-	-	(610,689)
Transfers	4,305,566	(4,305,566)	-	-
At 31 March 2021	<u>312,363,350</u>	<u>36,158,683</u>	<u>16,603,714</u>	<u>365,125,747</u>
<i>Depreciation</i>				
At 1 April 2020	61,894,722	-	4,370,858	66,265,580
Provided during year	4,738,673	-	219,461	4,958,134
Eliminated on disposals	(321,857)	-	-	(321,857)
Impairment	290,165	-	-	290,165
At 31 March 2021	<u>66,601,703</u>	<u>-</u>	<u>4,590,319</u>	<u>71,192,022</u>
<i>Net book value</i>				
At 31 March 2021	<u>245,761,647</u>	<u>36,158,683</u>	<u>12,013,395</u>	<u>293,933,725</u>
At 31 March 2020	<u>234,155,069</u>	<u>19,982,130</u>	<u>12,232,856</u>	<u>266,370,055</u>

Additions to housing properties included capitalised development administration costs of £601,177 (2020: £658,962) of which development allowances of nil (2020: £nil) were received in respect of these costs and capitalised. Additions in the year also include an amount of capitalised interest of £147,890 (2020: £92,727). Interest is capitalised at a rate of 3.5%.

Major repairs in the year amounted to £2,159,066 (2020: £3,472,628). Of the total £978,395 (2020: £2,083,296) was capitalised and related to replacement of components. The remaining £579,494 (2020: £730,370) was charged to the statement of comprehensive income.

The total cost of land included above is £40,486,320 (2020: £39,481,282).

The low-demand social housing development at Kirriemuir, consisting of 16 self-contained flats, was valued as at 22 June 2020 at £175,000 by J & E Shepherd. The opening net carrying value of the property, net of capital grant of £468,780 was £175,000, reflecting this valuation. During the year an options appraisal of the properties was conducted which identified limited potential for the viable redevelopment of the units for social housing purposes and a disposal of the properties is now being considered. The Board consider it prudent to write down the net carrying value of the properties to £nil as at 31 March 2021 and have therefore recognised an impairment loss in the year of £175,000 (2020: £150,744). This loss has been recognised within Operating Expenditure.

Consideration has also been given during the financial year to the Association's former car home in Leuchars which ceased operations in March 2020. The opening carrying value of this property at 1 April 2020 was £129,772 net of capital grant of £317,654. During the year to 31 March 2021, the property was subject to a depreciation charge of £14,607, reducing the net carrying value before impairment review to £115,165. Whilst opportunities for this property continue to be explored, the Board consider it prudent to write down the net carrying value of the properties to £nil as at 31 March 2021 and have therefore recognised an impairment loss in the year of £115,165 (2020: £nil) in addition to the depreciation charge. This loss has been recognised within Operating Expenditure.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 2020	1,257,165	1,030,095	2,433,053	305,418	119,403	5,145,134
Additions	18,058	442,488	-	-	-	460,546
Disposals	-	-	-	-	-	-
At 31 March 2021	<u>1,275,223</u>	<u>1,472,583</u>	<u>2,433,053</u>	<u>305,418</u>	<u>119,403</u>	<u>5,605,680</u>
<i>Depreciation</i>						
At 1 April 2020	1,090,753	627,388	366,716	256,825	53,287	2,394,969
Provided during year	93,283	113,553	39,545	1,014	26,506	273,901
Impairment	-	-	128,836	-	-	128,836
At 31 March 2021	<u>1,184,036</u>	<u>740,941</u>	<u>535,097</u>	<u>257,839</u>	<u>79,793</u>	<u>2,797,706</u>
<i>Net book value</i>						
At 31 March 2021	<u>91,187</u>	<u>731,642</u>	<u>1,897,956</u>	<u>47,579</u>	<u>39,610</u>	<u>2,807,974</u>
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>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

13. Tangible fixed assets – other (Association)

	Office Furniture and Equipment £	Scheme Plant and Equipment £	Office Accommodation £	Leasehold Property £	Commercial Property £	Motor Vehicles £	Total £
<i>Cost</i>							
At 1 April 2020	872,785	1,030,095	475,000	235,861	-	119,403	2,733,144
Acquired through Business Combination (note 26)	9,548	-	92,471	-	47,579	-	149,598
Additions	18,058	442,488	-	-	-	-	460,546
At 31 March 2021	<u>900,391</u>	<u>1,472,583</u>	<u>567,471</u>	<u>235,861</u>	<u>47,579</u>	<u>119,403</u>	<u>3,343,288</u>
<i>Depreciation</i>							
At 1 April 2020	761,106	627,388	210,996	235,861	-	53,287	1,888,638
Provided during year	76,251	113,553	7,078	-	323	26,506	223,711
Eliminated on disposals	-	-	-	-	-	-	-
Impairment	-	-	128,836	-	-	-	128,836
At 31 March 2021	<u>837,357</u>	<u>740,941</u>	<u>346,910</u>	<u>235,861</u>	<u>323</u>	<u>79,793</u>	<u>2,241,185</u>
<i>Net book value</i>							
At 31 March 2021	<u>63,034</u>	<u>731,642</u>	<u>220,561</u>	<u>-</u>	<u>47,256</u>	<u>39,610</u>	<u>1,102,103</u>
At 31 March 2020	<u>111,679</u>	<u>402,707</u>	<u>264,004</u>	<u>-</u>	<u>-</u>	<u>66,116</u>	<u>844,506</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. Investment properties (Group)	2021	2020
	£	£
At 1 April 2020	1,309,305	1,304,305
Revaluation gain	-	5,000
At 31 March 2021	<u>1,309,305</u>	<u>1,309,305</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 2021. 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 at £720,000. Subsequently, in July 2016 investment property with an initial value of £690,000 was revalued at £750,000 by Jones Lang LasSalle Limited. The remaining £30,000 is held at the 2012 valuation.

In 2016/17, Cordale Housing Association purchased a pharmacy from its subsidiary Cordale Property Services Limited, which was valued in July 2016 at £170,000 by Jones LaSalle Limited and revalued by them in 2019 to £175,000 and is held at that value. The Management Board do not believe there has been any material change in the value of these properties in the period to 31 March 2021. No depreciation is provided in respect of investment properties.

Investment properties (Association)	2021	2020
	£	£
At 1 April 2020	354,305	354,305
At 31 March 2021	<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

Group	2021	2020
	£	£
Cost – Caledonia Ventures	2	2
Cost – Servite Solutions	2	2
Cost – Cordale Property Services	-	-
	<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. 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 Limited 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.

Work has been undertaken post year end in order to wind up these companies.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 2021 were as follows:

	2021 £	2020 £
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.

Association	2021 £	2020 £
Cost – Caledonia 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.

17. Stock and work in progress	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Open Market Shared Equity properties	6,049,085	6,049,085	4,643,730	4,643,730
Replacement components	31,299	31,299	31,299	-
	<u>6,080,384</u>	<u>6,080,384</u>	<u>4,675,029</u>	<u>4,643,730</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. Debtors	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Due < 1 Year				
Rent and service charges receivable	1,477,141	1,318,217	1,327,868	1,087,801
Less: bad debt provision	<u>(918,718)</u>	<u>(811,274)</u>	<u>(767,382)</u>	<u>(612,264)</u>
	558,423	506,943	560,486	475,537
Prepayments and accrued income	619,350	619,350	672,557	623,271
Other debtors	144,021	82,400	202,055	21,784
Amount due from subsidiary undertakings	-	118,374	-	218,632
Grants Receivable	-	-	1,166,995	1,166,995
	<u>1,321,794</u>	<u>1,327,067</u>	<u>2,602,093</u>	<u>2,506,219</u>
19. Creditors: amounts falling due within one year	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Debt (note 22)	2,524,784	2,170,672	2,214,862	1,880,335
Trade creditors	232,520	232,520	128,945	128,945
Other Taxes and Social Security	134,118	134,118	154,914	139,608
Rent in Advance	1,109,289	951,315	1,161,336	880,188
Accruals and Deferred Income	4,972,465	4,876,801	3,840,826	3,297,404
Pensions	60,396	60,396	75,686	75,686
Other Creditors	409,493	194,507	388,883	103,409
Deferred capital grants (note 21)	3,965,695	2,859,842	4,161,467	2,814,976
	<u>13,408,760</u>	<u>11,480,171</u>	<u>12,126,919</u>	<u>9,320,551</u>
20. Creditors: amounts falling due after more than one year	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Debt (note 22)	91,533,361	84,977,075	84,162,773	74,970,181
Deferred capital grants (note 21)	<u>185,023,386</u>	<u>158,815,905</u>	<u>185,462,037</u>	<u>153,640,926</u>
	<u>276,556,747</u>	<u>243,792,980</u>	<u>269,624,810</u>	<u>228,611,107</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

21. Deferred capital grant	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Social Housing Grants				
As at 1 April 2020	189,623,504	156,455,902	178,598,334	146,099,521
Fair value adjustment on business combination (note 26)	(4,646,805)	-	-	-
Additions	9,594,619	9,594,619	15,302,380	13,287,100
Disposals	(690,807)	(690,807)	(115,743)	(115,743)
Capital grant released in year	(4,891,430)	(3,683,967)	(4,161,467)	(2,814,976)
At 31 March 2021	188,989,081	161,675,747	189,623,504	156,455,902
Amounts to be released within one year	3,965,695	2,859,842	4,161,467	2,814,976
Amounts to be released in more than one year	185,023,386	158,815,905	185,462,037	153,640,926
	188,989,081	161,675,747	189,623,504	156,455,902
22. Debt analysis – Borrowings	2021 Group £	2021 Association £	2020 Group £	2020 Association £
Creditors: amounts falling due within one year:	2,524,784	2,170,672	2,214,862	1,880,335
Bank loans	2,524,784	2,170,672	2,214,862	1,880,335
Creditors: amounts falling due after one year:	91,533,361	84,977,075	84,162,773	74,970,181
Bank loans	94,058,145	87,147,747	86,377,635	76,850,516

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 1 July 2022 and 31 March 2038. Fixed rate loans £56.6m (2020: £58.2m) bear average fixed-rate coupons of 5.16% per annum (2020: 5.15% per annum) and £30.5m (2020: £18.6m) variable rate loans bear average variable-rate coupons of 1.35% above LIBOR (2020: 1.44% above LIBOR). The Association makes quarterly and semi-annual interest payments on all bank borrowings.

Bank borrowings of £87.1m (2020: £76.9m) are secured by specific charges against the Association's housing properties. Of the £87.1m, £2.3m relates to loans acquired as part of the Transfer of Engagements of Bellsmyre Housing Association on 1 November 2020 as detailed in note 26.

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 (2020: £3.0m) bear average fixed-rate coupons of 5.45% per annum (2020: 5.45% per annum) and £3.9m (2020: £4.2m) variable rate loans bear average variable-rate coupons of 1.78% above LIBOR (2020: 1.82% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £6.9m (2020: £7.2m) are secured by specific charges against the Association's housing properties.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

22. Debt analysis – Borrowings (cont'd)

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

	2021 Group £	2021 Association £	2020 Group £	2020 Association £
In one year or less	2,524,784	2,170,672	2,214,862	1,880,335
Between one and two years	15,877,151	15,516,734	2,497,456	1,969,021
Between two and five years	21,092,031	19,978,964	19,284,184	17,465,124
In five years and more	54,564,179	49,481,377	62,381,133	55,536,036
	<u>94,058,145</u>	<u>87,147,747</u>	<u>86,377,635</u>	<u>76,850,516</u>

23. Share capital

Group	2021 No	2020 No.	2021 £	2020 £
Shares of £1 each fully paid				
At 1 April 2020	311	453	411	453
Issued in year	4	5	4	5
Withdrawn in year	(72)	(147)	(72)	(47)
At 31 March 2021	<u>243</u>	<u>311</u>	<u>343</u>	<u>411</u>
Association	2021 No	2020 No.	2021 £	2020 £
Shares of £1 each fully paid				
At 1 April 2020	221	233	221	233
Issued in year	58	4	58	4
Cancelled in year	(16)	(16)	(16)	(16)
At 31 March 2021	<u>263</u>	<u>221</u>	<u>263</u>	<u>221</u>

24. Reserves

Reserves of the Association represent the following:

Revenue Reserve

The cumulative surplus / deficit.

CALEDONIA HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2021

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:

	2021 Land and Buildings £	2020 Land and buildings £
Amounts due:		
Within one year	70,000	70,000
Between one and five years	17,500	87,500
After five years		
	<u>87,500</u>	<u>157,500</u>

During the year £70,000 (2020: £70,000) of payments made under an operating lease were recognised as an expense.

26. Business Combination

On 1 November 2020, Caledonia Housing Association acquired the assets and liabilities of its subsidiary, Bellsmyle Housing Association for £nil consideration.

At 1 November 2020 (the 'acquisition date'), the assets and liabilities of Bellsmyle Housing Association were consolidated at their fair values, as set out below. The properties were valued on the basis of Existing Use Value for Social Housing (EUVS-H) by Jones Lang LaSalle on 7th January 2021. The excess of the fair value of the assets acquired over the fair value of the liabilities acquired of £10,634,408 has been recognised in the Statement of Comprehensive Income.

Included within our acquisition plans is a regeneration project which will result in the demolition of some existing housing units. Those units earmarked for demolition were written down in value as part of our fair value assessment to recognise the limited value of future cash flows from those units. These write downs were partially offset by the general appreciation in value of the remaining housing stock relative to initial book value, resulting in the net fair value adjustment of £784,436 shown in the table below. As part of the fair value assessment of housing assets and liabilities, the deferred grant income balance of £4,646,805 is extinguished, resulting in an overall increase in the net carrying value of the housing assets of £3,862,369.

	Initial book value £	Fair value adjustment £	Fair value at date of acquisition £
Housing Properties	12,344,583	(784,436)	11,560,147
Other Fixed Assets	149,598	-	149,598
Stock & WIP	31,299	-	31,299
Arrears of rent and service charges	27,257	-	27,257
Other debtors	130,078	-	130,078
Cash	2,167,892	-	2,167,892
Total assets	<u>14,850,707</u>	<u>(784,436)</u>	<u>14,066,271</u>
Housing loans	2,288,073	-	2,288,073
Deferred grant income	4,646,805	(4,646,805)	-
Rent received in advance	155,660	-	155,660
Other taxation and social security	13,181	-	13,181
Amounts due to group undertakings	362,271	-	362,271
Other creditors	37,788	-	37,788
Accruals and deferred income	248,610	-	248,610
Pension provision	326,280	-	326,280
Total liabilities	<u>8,078,668</u>	<u>(4,646,805)</u>	<u>3,431,863</u>
Net assets	<u>6,772,039</u>	<u>3,862,369</u>	<u>10,634,408</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2021

27. Notes to the cash flow statement – Group	2021 £	2020 £
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	3,186,933	4,038,206
Adjustments for non-cash items:		
Business combination – excess of Fair Value over book value	(1,367,159)	-
Movement in Investments	100	100
Depreciation of tangible fixed assets	7,087,403	7,333,598
Amortisation of capital grant	(4,944,987)	(4,219,936)
Grants released	(690,807)	(64,743)
Impairment of office property	128,835	-
Impairment of property held for letting	290,165	150,744
Fair value gains on other fixed assets	-	(5,000)
Loss on disposal of tangible fixed assets	312,440	279,597
Interest received	(226,056)	(241,132)
Interest payable	4,012,263	3,994,651
Shares issued	4	5
Cancelled shares	(172)	(147)
Operating cash flows before movement in working capital	7,788,962	11,265,943
Decrease in stock	(1,405,355)	(3,970,178)
Decrease / (increase) in trade and other debtors	1,258,010	(251,150)
Increase / (decrease) in trade and other creditors	1,185,801	(646,334)
Increase / (decrease) in provisions	1,468,538	(2,324,334)
Cash generated from operations	10,295,956	4,073,947
Cash and cash equivalents	8,813,852	7,204,416
Short Term Deposits	97,812	79,417
Loan Servicing Account	9,834	14,908
Cash	8,921,498	7,298,741

Net debt reconciliation

	1 April 2020	Cashflow	Other Non-cash movements	31 March 2021
Cash at bank and in hand	7,298,741	1,622,757	-	8,921,498
Bank Loan	(2,214,862)	2,214,862	(2,524,784)	(2,524,784)
<i>Debt due within 1 year</i>	(2,214,862)	2,214,862	(2,524,784)	(2,524,784)
Bank Loan	(84,162,773)	(10,000,000)	2,629,412	(91,533,361)
<i>Debt due after 1 year</i>	(84,162,773)	(10,000,000)	2,629,412	(91,533,361)
Total net debt	(79,078,894)	(6,162,381)	104,628	(85,136,647)

CALEDONIA HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2021

27. Notes to the cash flow statement (continued) – association	2021	2020
	£	£
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	11,940,349	2,809,320
Adjustments for non-cash items:		
Business combination – excess of fair value of assets over the fair value of liabilities acquired	(10,634,408)	-
Depreciation of tangible fixed assets	5,181,845	5,163,905
Amortisation of capital grant	(3,737,524)	(2,873,444)
Grants released	(690,807)	(64,743)
Impairment of office property	128,835	-
Impairment of property held for letting	290,165	150,744
Loss on disposal of tangible fixed assets	261,833	133,933
Interest received	(223,667)	(228,612)
Interest payable	3,697,309	3,620,128
Cancelled shares	(16)	(16)
Shares issued	58	4
Operating cash flows before movement in working capital	6,213,972	8,711,219
Increase in stock	(1,405,355)	(3,964,272)
Decrease / (increase) in trade and other debtors	1,332,307	(315,890)
Increase / (decrease) in trade and other creditors	1,006,908	(720,249)
Increase / (decrease) in provisions	1,190,044	(1,456,385)
Cash generated from operations	8,337,876	2,254,423
Cash and cash equivalents	5,572,443	2,853,004
Cash	5,572,443	2,853,004

Net debt reconciliation

	1 April 2020	Cashflow	Other Non-cash movements	31 March 2021
Cash at bank and in hand	2,853,004	2,719,439	-	5,572,443
Bank Loan	(1,880,335)	1,880,335	(2,170,672)	(2,170,672)
<i>Debt due within 1 year</i>	(1,880,335)	1,880,335	(2,170,672)	(2,170,672)
Bank Loan	(74,970,181)	(10,000,000)	(6,894)	(84,977,075)
<i>Debt due after 1 year</i>	(74,970,181)	(10,000,000)	(6,894)	(84,977,075)
Total net debt	(73,997,512)	(5,400,226)	(2,177,566)	(81,575,304)

CALEDONIA HOUSING ASSOCIATION LIMITED
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28. Capital commitments	2021	2020
Group	£	£
Capital expenditure contracted for but not provided in the Financial Statements	28,570,596	24,678,868
Capital expenditure authorised by the Board but not contracted	34,719,168	44,469,459
Association	2021	2020
	£	£
Capital expenditure contracted for but not provided in the Financial Statements	28,570,596	24,678,868
Capital expenditure authorised by the Board but not contracted	22,171,546	31,900,000

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

29. Pensions

(a) Defined Contribution

The Association operates a Defined Contribution Pension Scheme. The assets are held separately from the Association in an independently administered fund. The pension cost charge represents the contributions payable by the Association to the fund and amounted to £454,806 (2020: £430,759). Contributions totalling £60,396 (2020: £55,752) 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 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) 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.

For accounting purposes, actuarial valuations of the scheme were carried out as at 30 September 2020 to inform the liabilities as at 31 March 2021. The liabilities are compared with the Association's fair share of the Scheme's total assets as at 31 March 2021 to calculate the company's net deficit or surplus. Under the defined benefit pension accounting approach, the SHAPS net deficit as at 31 March 2021 is £1,524k (2020: £8k) for the Association and £1,524k (2020: £55k) for the Group.

On 1 April 2020, the employees of Cordale HA transferred their employment status to Caledonia HA. As part of this transfer of staff, Caledonia HA accepted responsibility for Cordale HA's share of the scheme's assets and liabilities which resulted in a gain to the Association of £74k due to the surplus of assets over liabilities acquired which had not been recognised in the accounts of Cordale HA.

On 1 November 2020, the assets and liabilities of Bellsmyre Housing Association were acquired by Caledonia Housing Association resulting in the recognition of a deficit of £326k for Caledonia HA, being the shortfall in the value of assets acquired relative to liabilities.

CALEDONIA HOUSING ASSOCIATION LIMITED

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29. Pensions (continued)

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

	2021	2020	2021	2020
	Group	Group	Association	Association
	(£000s)	(£000s)	(£000s)	(£000s)
Fair value of plan assets	14,716	13,567	14,716	8,471
Present value of defined benefit obligation	16,240	13,548	16,240	8,479
Surplus (deficit) in plan	(1,524)	19	(1,524)	(8)
Unrecognised surplus	-	(74)	-	-
Defined benefit asset (liability)	(1,524)	(55)	(1,524)	(8)

Reconciliation of the impact of the asset ceiling	2021	2020	2021	2020
	Group	Group	Association	Association
	(£000s)	(£000s)	(£000s)	(£000s)
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	-	-

Reconciliation of opening and closing balances of the defined benefit obligation	2021	2020	2021	2020
	Group	Group	Association	Association
	(£000s)	(£000s)	(£000s)	(£000s)
Defined benefit obligation at start of period	13,548	13,363	8,479	7,758
Current service cost	-	-	-	-
Expenses	14	12	12	7
Interest expense	309	347	267	217
Contributions by plan participants	-	-	-	-
Actuarial losses (gains) due to scheme experience	(88)	220	(67)	114
Actuarial losses (gains) due to changes in demographic assumptions	-	(85)	-	(53)
Actuarial losses (gains) due to changes in financial assumptions	2,951	(1,695)	2,293	(1,048)
Benefits paid and expenses	(494)	(210)	(434)	(112)
Liabilities acquired in a business combination	-	1,596	5,690	1,596
Liabilities extinguished on settlements	-	-	-	-
Losses (gains) due to benefit changes	-	-	-	-
Exchanges rate changes	-	-	-	-
Defined benefit obligation at end of period	16,240	13,548	16,240	8,479

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For the year ended 31 March 2021

29. Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets	2021 Group (£000s)	2020 Group (£000s)	2021 Association (£000s)	2020 Association (£000s)
Fair value of plan assets start of period	13,566	10,983	8,471	6,294
Interest Income	313	289	271	179
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	910	787	606	545
Contributions by the employer	421	400	364	248
Contributions by plan participants	-	-	-	-
Benefits paid and expenses	(494)	(210)	(434)	(112)
Exchange rate changes	-	-	-	-
Assets acquired in a business combination	-	1,317	5,438	1,317
Fair value of plan of assets at end of period	<u>14,716</u>	<u>13,566</u>	<u>14,716</u>	<u>8,471</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 for the Group was £1,223,000 and for the Association was £877,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)	2021 Group (£000s)	2020 Group (£000s)	2021 Association (£000s)	2020 Association (£000s)
Current service cost	-	-	-	-
Expenses	14	12	12	7
Net interest expense	(4)	58	(4)	38
Losses on business combination	-	-	326	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	<u>10</u>	<u>70</u>	<u>334</u>	<u>45</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2021

29. Pensions (continued)

Defined benefit costs recognised in Other Comprehensive Income

	2021 Group (£000s)	2020 Group (£000s)	2021 Association (£000s)	2020 Association (£000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	910	787	606	545
Experience gains and losses arising on the plan liabilities – gain (loss)	88	(220)	67	(114)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	-	85	-	53
Effects of changes in the financial assumptions underlying the present value of the defined obligation – gain (loss)	(2,951)	1,695	(2,293)	1,048
Gain (loss) on business combinations	-	(279)	74	(279)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	74	(74)	-	(74)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(1,879)	1,994	(1,546)	1,253
Total amount recognised in other comprehensive income – gain (loss)	(1,879)	1,994	(1,546)	1,253

Assets	Group 2021 (£000s)	2020 (£000s)	Association 2021 (£000s)	2020 (£000s)
Global Equity	2,277	1,866	2,277	1,165
Absolute Return	725	833	725	520
Distressed Opportunities	503	248	503	155
Credit Relative Value	424	327	424	204
Alternative Risk Premia	590	1,087	590	679
Emerging Markets Debt	593	483	593	301
Risk Sharing	526	430	526	268
Insurance-Linked Securities	307	363	307	227
Property	264	253	264	158
Infrastructure	822	799	822	499
Private Debt	347	269	347	168
Opportunistic Illiquid Credit	377	330	377	206
High Yield	386	-	386	-
Opportunistic Credit	402	-	402	-
Cash	5	-	5	-
Corporate Bond Fund	1,110	991	1,110	619
Liquid Credit	254	355	254	222
Long Lease Property	341	332	341	207
Secured Income	809	753	809	470
Over 15 Year Gilts	7	172	7	108
Liability Driven Investment	3,538	3,572	3,538	2,231
Net Current Assets	109	103	109	64
Total assets	14,716	13,566	14,716	8,471

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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.

29. Pensions (continued)

Key assumptions – Association

	31 March 2021	<i>31 March 2020</i>
	% per annum	% per annum
Discount Rate	2.19%	2.36%
Inflation (RPI)	3.26%	2.58%
Inflation (CPI)	2.87%	1.58%
Salary Growth	3.87%	2.58%
Allowance for commutation of pension cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

30. Auditors remuneration

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

	2021	<i>2020</i>
	£	£
Audit services – statutory audit – Group	82,688	67,532
Other services – Group:		
Other services	19,164	5,784
	<u>101,852</u>	<u>73,316</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
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31. Related party disclosures

Group

During the year, two Management Committee members were also tenants of Cordale Housing Association Limited. Their tenancies are on normal commercial terms. The amount of rent receivable from tenant members for the year ended 31 March 2021 was £7,725 (2020: £9,402). At the year-end there were £470 (2020: £685) of rent arrears due from these tenant members and £nil (2020: £nil) of rent in advance due.

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

Association

The Association provides management services to Cordale Housing Association. Management Charges and recharged salary costs of £438,268 (2020: £304,779) were charged in the year. At the year end Cordale Housing Association owed the Association £118,374 (2020: £95,192) in respect of management services provided and expenditure incurred on behalf of Cordale 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 £8,090 (2020: £8,372) of rent was receivable from these tenant members. At the year-end there were £196 (2020: £103) of rent arrears due from these tenant members.

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