CASTLE ROCK EDINVAR
HOUSING ASSOCIATION

# Annual Report

**Year ended 31 March 2020**

**Scottish Charity number SC006035**

**Registered Society number 1767R(S)**

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|---|---|---|
| **Board of Management** | Graham Waddell | (Chair) |
| | Ben Dale | |
| | Alison Freshwater | |
| | Janet Hamblin | |
| | Julie Jackson | |
| | Richard Jennings | |
| | John McGuigan | (Resigned 22 January 2020) |
| | Andrew Winstanley | |
| | Pamela Scott | |
| | Alan Devine | (Appointed 06 November 2019) |
| | Tavish Scott | (Appointed 06 November 2019) |
| **Executives** | Richard Jennings | Managing Director |
| | Chris Thomson | Director of Property Services |
| | Sarah Ogden | Director of Customer Experience |
| | Chris Martin | Company Secretary |

| | | | |
|---|---|---|---|
| **Registered Office** | 1 Hay Avenue<br>Craigmillar<br>Edinburgh<br>EH16 4RW | **Solicitors** | T C Young<br>Melrose House<br>69a George Street<br>Edinburgh<br>EH2 2JG |
| **Registered Auditors** | KPMG LLP<br>15 Canada Square<br>London<br>E14 5GL | **Bankers** | Barclays Bank<br>38 Fishergate<br>Preston<br>PR1 2AD |

**Registration of the Association**

Castle Rock Edinvar Housing Association is a Registered Social Landlord (HEP106) and is registered under the Cooperative and Community Benefit Societies Act 2014 (Registered Number 1767R(S)). It also has charitable status (Scottish Charity No. SC006035).

Castle Rock Edinvar is a member of the Places for People Group. The Places for People Group is registered under the Housing and Regeneration Act 2008 (number L4236) and under the Companies Act (number 3777037).

The Board is pleased to present its report and Financial Statements for the year ended 31 March 2020.

**Places for People Group**

Places for People Group ("the Group") is a placemaker like no other. We believe that places work when they work for everyone. Our Group of companies has the expertise and capability to create and manage entire places - from development and construction to multi-tenure management, right across the UK.

At the core of our broad placemaking offer is a long-term commitment to the sustainability of places. We provide homes and services at every stage of people's lives, from student accommodation and homes for first time buyers right through to retirement villages. We aim to provide options for as many people as possible including different age groups, financial circumstances and life stages.

**Vision, mission and values**

Places for People Group's vision is *"Creating places that work for everyone".* We review this vision each year . It reflects our core belief that places work when they work for everyone. We want all the places we create and manage to be places that work, now and in the future.

The Group wide mission statement is *"More homes. Sustainable places. Valued services."* This vision and mission encapsulates the Group's long-term commitments to its creating and managing places that work for everyone. The mission statement for the Affordable Housing businesses is *"To create and maintain sustainable neighbourhoods delivering services efficiently and effectively to maximise the surplus per property"*

**Principal activities of Castle Rock Edinvar**

Castle Rock Edinvar is a Scottish Registered Social Landlord (RSL) and Scottish Charity with its registered office in Edinburgh. It is a leading Scottish RSL both in scale and significance and considered by the Scottish Housing Regulator as being of systemic importance. Castle Rock Edinvar is one of six Registered Social Landlords in the Places for People Group.

The aim of Castle Rock Edinvar and its subsidiary, Places for People Scotland, is to be a successful Scottish place management business harnessing the combined strengths of the Group and the local Scottish companies.

Together Castle Rock Edinvar and Places for People Scotland at 31 March 2020 owned and managed 8,442 (2019: 8,218) rented and shared ownership homes across Scotland and had a combined turnover of £71.9 million (2019: £56.0 million). Castle Rock Edinvar owned and managed 7,349 properties at 31 March 2020 (2019: 7,023). The turnover of Castle Rock Edinvar was £39.0 million (2019: £36.0 million) during the year. Castle Rock Edinvar is also a significant employer with 199 FTE staff (2019: 193).

Castle Rock Edinvar's vision aligns with the Group and is to "create places that work for everyone". The mission is: "to be Scotland's leading Placemaking partner." Castle Rock Edinvar's priority is to grow and expand the offer in Scotland to reflect the capability and capacity of the Places for People Group. This will include building more homes, extending in to new geographies, seeking further opportunities for Placemaking and using our reputation and influence to create opportunities for the Group.

Our mission is underpinned by five strategic pillars that drive our actions and results:

- ***Placemaking*** – creating places that work for everyor
- ***Innovating*** – creatively finding the right solutions
- ***Partnering*** – working together for shared success
- ***Investing*** – sustaining places and people
- ***Wellbeing*** – enabling people to live their lives equitably

**Principal markets and associated risks**

Castle Rock Edinvar is one of the largest housing associations in Scotland and currently operates across nine local authority areas. It owns or manages over 7,349 homes and last year built 501 new homes for Social Rent, Mid Market Rent, Shared Equity and Outright Sale. It has a future pipeline of 809 homes over the next 3 years.

Castle Rock Edinvar allocates homes to people based on need with rents set to be 'affordable' to those on low incomes and new homes continue to be subsidised by capital grant. Customers are getting older and the majority are not in employment and so dependent on state benefits. Castle Rock Edinvar has a strong balance sheet and operating profits. The strength and reputation of Castle Rock Edinvar is used to lever additional opportunities for the Group in Scotland. The non charitable and commercial operations within Scotland, including developing for outright sale and shared equity and market and mid-market rent are carried out within the trading subsidiary, Places for People Scotland.

**Principal markets and associated risks (continued)**

The Board has identified the following current and future potential strategic risks:

| *Identified Risk* | *Controls and mitigation* |
|---|---|
| Data Management and Governance | Group Data Management and Governance Structure established, which consists of the Insights and Information Committee, the Data Work Stream and the Information Work streams accompanied with access to In-house expertise |
| New Business and Joint Venture Activity | Robust Business Planning processes in place accompanied by Project Boards, Project Management & Budgeting to manage the performance and success of new ventures. A business case and approval procedure is also in place. |
| Uncertainty about the future grant funding regime | Alternative models of funding to be explored, including a Social Rent version of the MMR Fund. |
| Impact of Increasing Arrears | Rent affordability assessment carried out annually. Financial Inclusion and Income Collection Teams in place and trained on how to deal with Universal Credit as well as financial risk assessments carried out with all new tenants. Arrears KPIs continually monitored. CRE is also a trusted partner of the DWP. |
| Development | Sales appraisals undertaken for Board approvals. Weekly updates on sales performance. Market monitoring within Places Developments. Initial appraisals and approvals include all scenarios. |
| Regulatory | Regular engagement with the Scottish Housing Regulator and the Systemic Regulatory Forum to manage expectations and maintain strong working relationship. |
| Significant Performance Failure | Complaints policy in place with ongoing complaints monitored in real time. Regular training provided to staff. Performance monitoring reported quarterly to the Board. |
| Organisational Resilience | A full impact assessment of the Future Target Operating Model will be undertaken to ensure that it delivers on the regulatory requirements of Castle Rock Edinvar and matches the service standards agreed with our customers with Board consultation at key stages. |
| Business Continuity | Business Continuity Plan and Emergency Procedures reviewed six monthly and annual assurance signed by the Managing Director. The Risk and Resilience Group meet quarterly with full SMT membership, chaired by Managing Director. H&S Business Assurance audit carried out as part of regulation plan as well as the Group H&S Team conducting audits of business systems and processes to offer assistance. |

Risk management is at the heart of the approach to planning and running the business. The Board and Senior Management have developed, and regularly review, a Risk Map in accordance with Group procedures. It identifies, quantifies and prioritises risks to ensure that each risk is appropriately owned and manged and ensures that effective controls and mitigation strategies are in place to reduce risks to a level that accords with the Board's appetite for risk.

**Covid-19**

The coronavirus (Covid-19) outbreak — officially declared a global pandemic by the World Health Organisation on 11 March 2020 — has prompted much of the world to impose lockdown restrictions, which have severely restricted economic activity. There is an unprecedented level of uncertainty in world markets and a lack of a consensus view of the path of Covid-19. The three key risk areas identified are:

**Liquidity**: A reduction in rents collected from residents unable to work or local authorities failing to pay housing benefits in full and/or on time.

**Health and Safety:** Protecting our workforce, in particular those classed as 'key workers', and customers, in particular our most vulnerable customers, during the outbreak is a key focus. If this is not achieved, there could be considerable social and economic costs resulting from staff becoming ill with Covid-19 or self-isolating, risking staff shortages and the inability of the business to deliver services as required.

**Business continuity:** A lack of an available and a suitably protected workforce, contractors, or essential components could lead to an inability to deliver key services across the business.

**Mitigation:** A number of risk mitigations have been put in place.

A Places for People Group Covid-19 committee which reviews the ongoing situation and its impacts on the business, our customers and our colleagues and ensures we are reacting quickly to changes as they arise and provides regular clear communications to our customers and colleagues.

A taskforce has been formed to keep in touch with all vulnerable customers to provide them with advice, information and to provide any assistance required to access essential goods and services.

The business continues to attend to all emergency repairs and provides support to our most vulnerable customers.

A procurement review has been undertaken to allow us to access alternative suppliers and contractors to ensure continuity in our service provision, including the procurement of PPE for our colleagues and customers.
Colleagues have access to information and support using our Employee Assistance Programme, covering not just Covid-19 concerns but also providing mental health and wellbeing support throughout this period of uncertainty.
Development expenditure ceased with all development sites and sales offices closing as at 25 March 2020 in order to comply with the social distancing rules issued by the Scottish Government. Following confirmation from the Government that development sites could re-open, the Group has recommenced its development activity whilst complying with the latest Government guidelines.

As part of our liquidity risk mitigation the Places for People Group undertakes challenging stress testing to provide confidence in its ability to withstand significant reductions in income. The testing has shown that if the Group were to have no sales or rental income for six months the liquidity position would still be sufficient to meet the Treasury Policy of at least 12 months' forward funding. This testing ensured the Group and all subsidiaries, including Castle Rock Edinvar, were in a strong position going into the Covid-19 pandemic and, while we continue to monitor the situation as it evolves, we are able to meet all obligations as they fall due even in severe scenarios.

The risks identified and mitigating actions in place in respect of the current Covid-19 outbreak are considered to apply in the event of subsequent waves of Covid-19 or to any similar pandemics threatening health and economic activity in the future.

To monitor and manage risks the Board and Audit and Risk Committee receives support from the in house internal audit team provided by the Places for People Group as required by the Scottish Housing Regulator.

**Delivering successful outcomes in 2019/20**

As one of Scotland's leading housing associations we recognise the importance of growth, investment and efficiency to improve both the organisation, outcomes for customers and support the wider housing and place-making sector. In 2019/20, in collaboration with others, Castle Rock Edinvar's achievements included:

**Delivering successful outcomes in 2019/20 (continued)**

- We have invested £7.4m in our existing properties to ensure that they are suitable homes for our tenants. Energy efficiency initiatives are paramount in directing the areas of expenditure. During the year we have let 635 homes. Our housing teams have engaged with 332 tenants assessed as high risk, including homeless referrals, in order to help them sustain their tenancies. Our award winning Financial Inclusion Team (FIT) has helped 717 tenants sustain their tenancies and access additional benefits and grants. We continue to support tenants through the Tenancy Sustainment Fund and have spent over £60k to help with costs associated with the start of tenancies. We have provided 239 tenants with approved adaptations to their properties to allow them to remain in their homes and improve their use of their homes.
- Development outcomes - We developed and took handover of 264 new affordable properties across 11 sites in Scotland, and, in addition, 112 midmarket properties over 6 sites. We also have an additional 74 Social Rent and 78 mid-market properties scheduled for handover in 2020/21 across 8 separate developments.
- Lower Carbon thinking - We have continued to progress our commitment to reducing our carbon footprint within our housing stock with £1.2m of investment towards meeting the Energy Efficiency in Scottish Social Housing (EESSH) standard which includes notable investment in solar PV installations, gas heating upgrades and fuel
- Throughout the year the business has continued to meet its KPI's with strong performance throughout the year. Overall customer satisfaction of new tenants was 98% (2019: 94%) which led to tenancies sustained for longer than 1 year increasing to 93% (2019: 91%). Void loss continued to remain low at 0.71% (2019: 0.70%). The repairs service also maintained strong performance with 100% of appointments made and kept (2019: 93%). Furthermore non emergency repairs complete right first time remained high at 96% (2019: 97%).

Castle Rock Edinvar continues to develop and implement our strategy to be positioned as a leading housing association in Scotland.

**Income and expenditure for the year**

Castle Rock Edinvar's turnover for the year ended 31 March 2020 was £39.0m (2019: £36.0m) (Note 2).

The total revenue and capitalised expenditure, including property services overheads, on repairs and improvements during the year amounted to £15.1m (2019: £13.1m). This represents expenditure on maintaining and improving our assets as part of the planned asset management programme.

The interest payable for the year ended 31 March 2020 was £1.37m in the current year. This represented an average interest rate of 3.75% (2019: 1.7%) per annum.

During the year to 31 March 2020 Castle Rock Edinvar sold 1 property generating a surplus of £52k (2019: nil properties).

The surplus for the year was £18.1m (2019: £16.7m). The reserves carried forward at 31 March 2020 were £148.3m, including a £0.3m other comprehensive income due to an actuarial gain on the Scottish Housing Association Pension Scheme, which is explained in note 21 of the Financial Statements (2019: £0.2m). These are predominantly invested in housing properties. More details of other income and expenditure are included in notes 2 to 10 to these accounts.

**Balance sheet at 31 March 2020**

The depreciated cost of Castle Rock Edinvar's housing assets at 31 March 2020 was £503.1m (2019: £445.0m). These have been funded from Housing Association Grant (HAG) and other capital grants of £258.8m (51%), loans of £95.8m (19%) and the Association's own resources of £148.5m (30%).

**Donations**

A gift aid payment totalling £1.5m was received from Places for People Scotland Limited during the year ended 31 March 2020 (2019: £nil). During the year Castle Rock Edinvar made £15,472 (2019: £13,322) of donations to community groups within neighbourhoods where the organisation is a key stakeholder.

**Operational performance for the year**

Operational performance is monitored robustly by senior staff and the Board throughout the year against a number of key performance indicators which measure business efficiency and customer satisfaction.

**Operational performance for the year (continued)**

The Scottish Housing Regulator only requires a satisfaction survey at least every three years and with the change in the organisation we have delayed our follow up to the 2018 one. The results in 2018 showed a high level of satisfaction for the service overall (93%) and 95% were satisfied with the quality of their home. 89% of tenants felt their rent represented good value for money. The next survey is to be completed in 2021.

Despite a challenging operating environment, results at the financial year-end show an improving performance in most areas. Over the year 577 lets have taken place (2019: 591) with the average time to prepare properties to re-let decreasing from 24 days at the end of March 2019 to 22 days by March 2020. Tenancy turnover has remained static during the year at 6% in 2020 (2019: 6%) and void loss has decreased from 0.75% to 0.71%.

The volume of repairs increased from the prior year to 20,198 (2019: 19,082). The emergency repairs average timescale was maintained at 4 hours (2019: 4 hours). Non-emergency repairs decreased to 11 days (2019: 12 days). Gas servicing achieved the 99.9% compliance to have current landlord gas safety certificates at 31 March 2020.

Increasing rent arrears were forecast for 2019/20 due to challenges around Universal Credit but these have exceeded the year end value. There has been an increase in arrears from 3.7% to 5.0% which is behind the target of 4.0%. During the year the number of evictions for rental arrears was 5 (2019: 17).

The formal deadline for completion of the Scottish Housing Quality Standard (SHQS) requirements has passed but we continue to monitor our properties to ensure that they meet this standard. As at 31 March 2020, of our 6116 (2019: 6,401) self-contained properties within the scope of SHQS, we have achieved the Scottish Housing Quality Standard (SHQS) with 446 exemptions (2019: 412) and 69 abeyances (2019: 124) and 46 failures (2019:35). We are continuously assessing our SHQS requirements to ensure we meet regulatory standards. We continue to implement the new Energy Efficiency in Scottish Social Housing (EESSH) requirements during the year with 88% (2019: 88%) of our stock meeting this standard. From the 1st of January 2021, EESSH will formally supersede the energy efficiency elements set within the SHQS requirements.

**Future developments and initiatives**

Castle Rock Edinvar completed 264 affordable rented properties during the year to 31 March 2020 (2019: 69). Castle Rock Edinvar will complete a further 74 affordable rented properties by the end of March 2021. Furthermore Castle Rock Edinvar completed 112 mid-market rent units which are subsequently leased to Places for People Scotland with a further 78 units expected to be completed by the end of March 2021. Capital expenditure contracted but not provided in the accounts amounted to £33.9m (2019: £34.5m) (Note 20).

Development performance is monitored using a number of indicators covering profitability of schemes, cost control, development pipeline and the management of working capital. Castle Rock Edinvar has ownership of or is in control of land to ensure continued growth through the development of new stock, subject to the availability of grant funding and new borrowings which will form part of the Places for People Group's overall capital investment strategy.

**Investments**

During the year Castle Rock Edinvar invested £9.9m into a Scottish Mid-Market Rent Fund through PFP Capital. The objective of the fund, in conjunction with The Scottish Government is to stimulate delivery of new mid-market rent homes across Scotland. It is envisaged that local authority pension funds will invest alongside Castle Rock Edinvar and the Scottish Government to create a fund with an initial target of £150m of investment which when deployed, will be scaled up to become the largest single investor of affordable homes across Scotland. The investment objective of the Fund is to invest in mid-market rent developments generating an internal rate of return of 7% per annum on commitments drawn down, net of all fees, charges, expenses and taxes in the Fund.

**Treasury management**

Castle Rock Edinvar's internal borrowings increased during the year from £26.6m at March 2019 to £90.3m at March 2020 due to an increase in the activity within the development programme. The ratio of net loans to housing assets increased to 19.9% (2019: 15.7%) which is within the strategy target maximum of 50%.

The Board regularly reviews treasury management. The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum of one year's cash flow. Cash projections cover a 3 year period to continuously monitor future borrowing requirements.

During the year the percentage of loans arranged at fixed interest rate was 6% (2019: 12%). The ratio of fixed and variable rates are reviewed regularly to ensure that Castle Rock Edinvar borrows at the best rates.

**Employment**

During the year ended 31 March 2020 the average number of people employed, expressed as full time equivalents, was 199 (2019: 193). At 31 March 2020 the actual number of people employed was 218 (2019: 214). Employee information is stated in Note 6 to these financial statements.

**Employment (continued)**

The Board considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. The Group's Talent Management & Succession Planning process was introduced for all roles in 2019/20. The Our Place Rewards benefits portal continues to provide a wide range of benefits to all staff. Staff also have access to a comprehensive range of learning and development materials including the Places Academy which was launched during the year. The Places for People Group holds the Investors in People Gold accreditation. For the twelve months to 31 March 2020, absenteeism decreased to 3.9% (2019: 4.5%). Staff turnover decreased to 8.0% (2019: 12.6%). The Staff Forum continues to play an active role and has organised a number of social and fundraising events for charity during the year.

Following a wellbeing focussed staff conference we invested resources in enhancing working environment, introduced various health initiatives and introduced a wellbeing strategy.

**Equality and diversity**

The Board is committed to achieving equality through diversity and its policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Board recognises that it has the power to reduce the disadvantages that people experience by making services more responsive to all communities and individual needs. The Board also recognises its responsibility to meet these diverse needs by having a diverse workforce, which generally reflects local populations and has the skills and understanding to achieve the service objectives.

**Pension funds**

The Association contributed to one Defined Benefit and two Defined Contribution schemes during the year. The Scottish Housing Associations' Pension Scheme - defined benefit section ("the Scheme") is closed to new accrual. All new employees joining the Association now have the option of joining the Scottish Housing Associations' Pension Scheme - defined contribution section ("the DC Scheme"), to which the Association contributes. Auto enrolment staff will also join this DC Scheme. The Places for People Group Stakeholder defined contribution scheme ("the Group Scheme") from 1 April 2014 is only available to new entrants with sessional contracts. The Board will continue to review the Pension Strategy in 2020/21. More details of the Association's Pension Obligations are included in Note 21.

**Health and safety**

The Board takes very seriously its responsibilities on all matters relating to health and safety. There is a standing working group chaired by the Managing Director that meets to ensure all aspects of Health, Wellbeing and Safety are covered. Health, Wellbeing and Safety performance is audited by both Group Health and Safety staff and Internal Business Assurance. There is also a local health and safety operational working group to improve organisational culture and attitudes to working practices. We introduced a wellbeing strategy to complement our Health any Safety Plan.

The Grenfell tragedy has focused attention on the design and maintenance of our taller properties. We do not have any buildings similar to Grenfell Tower nor the material used, however we have conducted fire risk assessments on all 6 storey plus buildings and reviewed further fire safety proposals to ensure that our properties exceed fire safety regulations. We have started a number of new initiatives aimed at improving and promoting fire safety which will continue to be rolled out across our stock in future years.
During the H&S Assurance process all governing H&S Group Standards have been reviewed. Throughout 2020/21 we will be ensuring CRE remains compliant with these standards and addressing identified gaps. To further embed our H&S culture and to promote continual improvement, all staff with key H&S responsibilities will have H&S objectives set as part of the appraisal process. During 2019/20 there was 1 (2019: 5) reportable RIDDOR accidents.

**The Environment and Corporate Social Responsibility**

The Board recognises the need to develop its business in a sustainable manner. The business is developed to meet the needs of the present without compromising the ability of future generations to meet their own needs. We recognise that there are physical limits to the resources of the Earth (both in terms of generating materials and absorbing waste), and that any business activity that exceeds these limits is, by definition, unsustainable in the long term. In addition to making effective use of natural resources and enhancing the environment, we also believe that to achieve short and long term sustainability we need to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which we work. Places for People has been accredited with ISO 14001.

**The Board**

Responsibility for Castle Rock Edinvar's activities rest with the Board as detailed in the Governance Handbook. The Places for People Group, including Castle Rock Edinvar, adopted a code of conduct based on the UK Corporate Governance Code.

Details of the Board members can be found listed on page 3 of these financial statements. The normal term of office is an initial three years. Extensions may be granted to Board members terms if approved by the Places for People Group Nominations and Governance Committee. The Board has a range of skills and experience which meet the UK Corporate Governance code requirements. The Board's approach to diversity, including gender, is consistent with that of the Group. Further information on this and the required disclosures are included in the consolidated financial statements which are available from the registered office address. In addition all directors have access to the Company Secretary for advice.

During the current year two appointments were made and one resignation was received. The Board has adopted guidelines for the appointment of directors which are in place and which have been observed throughout the year. Where new directors are required an external search consultancy will be used to ensure that new Board appointments made meet the needs of the business. All potential conflicts of interest including those of executive directors are recorded and minuted at each meeting and held in a register.

The Board is well equipped to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct that are vital to the success of the Association. Induction is provided for new members joining the Board and regular updates are provided to refresh their skills and knowledge. Board members have a duty to exercise reasonable care, skill and diligence; a duty to promote the success of the Association; a duty to act within their powers; a duty to exercise independent judgment; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement. The Chair conducts an annual review of the performance of the Board, its committees and its individual directors.

Appropriate levels of training are provided throughout the year. Changes to the strategic policies and regulatory requirements are presented to the Board and they are invited to attend the staff conference.

The Managing Director provided a Governance Effectiveness review and assessment of adherence to the Board's adopted code of conduct for 2019/20 for the Places for People Group Nominations and Governance Committee.

The Nominations & Governance Committee assesses the skills and experience needed on the Castle Rock Edinvar Board and if so requested by them, on the Boards of its subsidiary. It takes an overview on Board member selection and succession planning and makes recommendations to the Castle Rock Edinvar Board in relation to suitable candidates for appointment. The Committee reviews the governance structure and advises the Castle Rock Edinvar Board on key governance issues.

The Board has agreed that there should be a reporting framework which would include six formal Board meetings and at least one development meeting each year. The Board Members' attendance at Board and Committee meetings, in relation to the number of meetings held, during the year ended 31 March 2020 is set out below

| Board Members | | Board Meetings | Audit & Risk Committee | Nominations & Governance | AGM |
|---|---|---|---|---|---|
| Graham Waddell | Chair - CRE | 6/6 | 3/3 | 3/3 | 1/1 |
| Ben Dale | | 4/6 | 4/5 | - | 1/1 |
| Alan Devine | (Appointed 06/11/2019) | 2/2 | 1/1 | - | 0/1 |
| Alison Freshwater | | 4/6 | - | 2/2 | 1/1 |
| Janet Hamblin | Chair - Audit & Risk Committee | 5/6 | 5/5 | - | 1/1 |
| Julie Jackson | | 4/6 | 4/5 | - | 0/1 |
| Richard Jennings | | 6/6 | - | - | 1/1 |
| John McGuigan | (Resigned 22/01/2020) | 1/5 | 1/4 | - | 0/1 |
| Stephen Oswald | | 6/6 | 2/3 | 3/3 | 0/1 |
| Pamela Scott | Senior Independent Director | 5/6 | - | 3/3 | 0/1 |
| Tavish Scott | (Appointed 06/11/2019) | 1/2 | - | - | 0/1 |
| Andrew Winstanley | | 2/2 | 1/1 | - | 0/1 |

**Internal Control and Risk Management**

The Board has delegated responsibility for reviewing internal control and assurance systems to the Audit & Risk Committee. The Committee conducts a review of the effectiveness of the Association's risk management and internal control systems through regular reports and by an annual review prior to consideration of the financial statements. The Committee reports to the Board on its level of satisfaction with the system of controls annually. The Board secures assurance as to the effectiveness of the system of internal control and risk management by those means.

The Group Business Assurance function supports the Board and Management through the provision of an objective and business-focused review service. An operational plan developed in conjunction with Management and the Audit & Risk Committee focuses upon key business risks. A plan is developed using the 'three lines of defence' model, to take account of existing quality assurance and compliance functions that provide a 'second line of defence' against control failures across the business.

The Audit & Risk Committee has reviewed the effectiveness of the system of internal control for the year ended 31 March 2020 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

The Board and Senior Management have developed a Risk Map in accordance with Group procedures to evaluate each of these risks and to outline mitigation strategies.

**Group Accounts**

Castle Rock Edinvar Housing Association is exempt from the requirement to prepare and deliver group accounts as it is itself a wholly owned subsidiary of Places for People Group Limited. As such these financial statements present information about Castle Rock Edinvar Housing Association as an individual undertaking and not about it as a group.

**Corporate Governance**

Castle Rock Edinvar has complied with the UK Corporate Governance Code (the Code) (2018 version) except for Code provisions 3, 4, 5 and 18.

Provisions 3, 4, and 18 contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments, director remuneration and the use of the AGM to communicate with investors.

Castle Rock Edinvar does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the board or an appropriate standing committee of the board and the Group engages with investors through a series of roadshow meetings and through an annual investors forum. Where Castle Rock Edinvar does not operate a particular standing committee of its own board it relies on Group Board level committees, described below, to perform these relevant functions.

The Group has an Audit & Risk Committee, a Remuneration Committee, a Nominations & Governance Committee, a Development, Investment & Regeneration Committee and a Treasury Committee. With the exception of the Group's Audit & Risk Committee and the Nominations & Governance Committee, the remit of those committees extends to Castle Rock Edinvar. The committees draw members from and report to the Group Board and there are members (non-executive and executive) of the Group Board who are also members of the board of Castle Rock Edinvar, ensuring that information from the committees reaches Castle Rock Edinvar's board. In this way, the provisions of the Code are met in respect of Castle Rock Edinvar.

Provision 5 states that the board should understand the views of other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 (duty to promote the success of the company) of the Companies Act 2006 (the 2006 Act) have been considered in board discussions and decision-making. Castle Rock Edinvar is a registered society rather than a company and so the specific reporting requirements under section 172 of the 2006 Act do not apply to it. However, Castle Rock Edinvar's parent company, Places for People Group Limited, publishes consolidated group accounts which do contain a section 172 statement within its Strategic report. That statement addresses the issue of identification of key stakeholders and engagement with their views across the whole Group including Castle Rock Edinvar.

Provision 5 also prescribes the options for workforce engagement. The board has concluded that its methods for engagement described in the People section of Group's Annual report are effective and more suited to the Group's overall needs than any of the Code's prescribed mechanisms.

The Group Annual report contains a Governance report that details the governance arrangements of the Group, and how the Code is applied at Group Board level.

Board members consider the report and accounts, taken as a whole, to be fair, balanced and understandable.

**Going concern and viability statement**

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. Consideration of the Association's going concern and viability, as a wholly owned subsidiary of the Group is within the remit of the Group Board.

At 31 March 2020 the Places for People Group (Group) had cash and undrawn facilities of £918.3m. The Group continues to actively manage its cash flows in order to mitigate any reductions in income.

The Group has reviewed all of its business forecasts and projections and has produced a revised business plan for the year ending 31 March 2021. Although the full impact of Covid-19 is still unknown, the Group has produced its forecasts on the latest information and experience in the markets in which it operates. In addition to the reviewed forecasts, the directors have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the implications from the pandemic.

The directors have reviewed the projected cash flows and the compliance with debt covenants of the Group and have overlaid a number of scenarios reflecting the potential impact of the Covid-19 pandemic. These scenarios include a 10% reduction in rent received for 12 months and a 5% reduction in rent for the following 12 months, no property sales for the remainder of the year with a 20% price reduction for the following 12 months and leisure centres to remain closed until 31 March 2021 with a phased re-opening over the following 12 months. As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2021 would be £566m and £346m at 31 March 2022 if the Group did not raise any additional finance to that which is currently available.

Castlerock Edinvar receives funding from Places for People Homes through an on-lending facility, Places for People Homes is part of the Guarantor Group and can access funding from this Group pool, therefore the liquidity position of the Group supports the going concern assumption for the Castlerock Edinvar.

On the basis described above, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The UK Corporate Governance Code requires the Directors to make a statement with regard to the viability of the Group. This requires consideration of solvency and liquidity over a longer period than the going concern assessment. The Group's strategic plan covers a 10-year period, over which the Directors have made assumptions regarding the Group's revenues, operating costs and cash requirements.

The projections for the first three years of the plan are based on current opportunities and include an expectation of the rental incomes for the Group. There is inherently less certainty in the projections from year four to ten. Consistent with prior years, the Directors have therefore determined that three years is an appropriate period for this viability statement.

In assessing the Group's prospects and resilience, the management produced projections which considered the Group's current business position and risk appetite. The Group has continued to undertake rigorous single and multi-variant stress testing exercises on its projections which has included considering the impact of challenging economic conditions included a downturn in the housing market. The results confirmed that the Group would continue to be able to settle projected liabilities as they fall due over a three-year period.

This year, the Directors have also considered specifically the impact of the UK voting to leave the European Union. The Directors have considered several different severe, yet plausible, scenarios including potentially challenging outcomes such as increased difficulty in accessing finance and increased interest rates. The Directors also considered additional impacts, such as restrictions in supply chains and were satisfied that measures were in place to mitigate significant risks to the Group's operations. The stress testing again demonstrated the ability of the Group to continue to operate effectively.

Having assessed the prospects of the Group, including the Group's current funding, forecast requirements, existing committed borrowing facilities and the principal risks as outlined on the Directors' Report, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2023.

In making this statement the directors understand that there is inherent uncertainty in all business planning and therefore as a result it is not possible to take into account every risk and eventuality that the Group may face. The Board is satisfied that the stress testing that is performed on the business plan includes all of the major risks that the Group and association may face and therefore provides strong assurance of the Group's financial viability.

**Compliance with the Scottish Housing Regulator's Financial Regulatory Standards and Financial Viability Standard**

The Association has assessed the position and confirms that it has complied with Scottish Housing Financial Regulatory Standards 2019.

**Statement of Board to the Auditors**

At the time of approval of this report:

- So far as the Board is aware, there is no relevant audit information of which the Associations' Auditor is unaware,
- The Board has taken all steps that they ought to have taken as a Board in order to make themselves aware of any relevant audit information and to establish that the Association's Auditor is aware of that information.

**Statement of Internal Financial Control**

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards and performance;
- forecasts and budgets are prepared which allow the management team and the Board to monitor key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly financial management reports are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, though the Board;
- the Board received reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the internal financial controls in existence in the Association for the year ended 31 March 2020. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Statement of Board's responsibilities in respect of the Board's report and the financial statements**

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its 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 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

**By order of the Board**

**Chris Martin** **Company Secretary**

## Independent auditor's report to the members of Castle Rock Edinvar Housing Association only

### Opinion

We have audited the financial statements of Castle Rock Edinvar Housing Association ("the association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

• give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2020 and of its income and expenditure for the year then ended;

• comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and

• have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

### Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

• based solely on that work, we have identified material misstatements in the other information; or

• in our opinion, the Statement on Internal Financial Control on page 12 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or

• in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

**Matters on which we are required to report by exception**
Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

**Board's responsibilities**
As more fully explained in their statement set out on page 13 the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities**
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**
This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

**Harry Mears (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

19th August 2020

**Castle Rock Edinvar Housing Association**
**Statement of Comprehensive Income**
**For the year ending 31 March 2020**

| | Notes | **2020** **£'000** | 2019 £'000 |
|---|---|---|---|
| Turnover | 2 | **38,974** | 35,961 |
| Operating costs | 2 | **(19,518)** | (18,559) |
| Surplus on sale of fixed assets | 5 | **52** | 190 |
| (Loss)/gain on revaluation of investment properties | 13 | **(91)** | 23 |
| **Operating surplus** | 2 | **19,417** | 17,615 |
| Interest receivable and similar income | 7 | **5** | 5 |
| Interest payable and similar charges | 8 | **(1,369)** | (945) |
| **Surplus on ordinary activities** | | **18,053** | 16,675 |
| Initial recognition of multi-employer defined benefit scheme | 21 | **-** | (375) |
| Actuarial gain recognised in the pension scheme | 21 | **300** | 613 |
| **Total comprehensive income for the year** | | **18,353** | 16,913 |

All activities are continuing.

The notes on pages 19 to 35 form an integral part of these financial statements.

## Castle Rock Edinvar Housing Association
## Statement of Financial Position
## As at 31 March 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Housing properties - depreciated cost | 11 | **503,085** | 445,049 |
| Other fixed assets | 12 | **2,712** | 2,806 |
| **Fixed asset investments** | | | |
| Fixed asset investment | 13 | **12,163** | 2,351 |
| Homebuy fixed asset investment | 14 | **116** | 115 |
| | | **12,279** | 2,466 |
| **Total fixed assets** | | **518,076** | 450,321 |
| **Current assets** | | | |
| Stock | 15 | **223** | 4,517 |
| Debtors: amounts due within one year | 16 | **3,796** | 4,305 |
| Cash at bank and in hand | | **332** | 480 |
| | | **4,351** | 9,302 |
| Creditors: amounts due within one year | 17 | **(98,685)** | (17,983) |
| **Net current liabilities** | | **(94,334)** | (8,681) |
| **Non-current liabilities** | | | |
| Creditors: amounts falling due after more than one year | 18 | **(274,285)** | (309,460) |
| Pension provision | 21 | **(1,151)** | (2,227) |
| | | **(275,436)** | (311,687) |
| **Net Assets** | | **148,306** | 129,953 |
| **Capital and Reserves** | | | |
| Non equity share capital | 19 | **-** | - |
| Revenue reserve | | **148,306** | 129,953 |
| **Total capital and reserves** | | **148,306** | 129,953 |

The notes on page 19 to 35 form an integral part of these financial statements.

The financial statements on pages 16 to 35 were approved by the directors on 5 August 2020 and were signed on its

[redacted]

| | | |
|---|---|---|
| **Graham Waddell** | **Richard Jennings** | **Chris Martin** |
| **Chair** | **Managing Director** | **Secretary** |

**Castle Rock Edinvar Housing Association**
**Statement of Changes in Equity**
**For the year ending 31 March 2020**

| | Retained Earnings £'000 |
|---|---|
| Balance at 1 April 2019 | **129,953** |
| *Total comprehensive income for the year* | |
| Net surplus for the year | **18,053** |
| Actuarial gain recognised in the pension scheme | **300** |
| **Balance at 31 March 2020** | **148,306** |

The notes on page 19 to 35 form an integral part of these financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 (FRS 102) ,with the Companies Act 2006, and the requirements of the Co-operative and Community Benefit Societies Act 2014 Determination of Accounting Requirements 2012 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Association is a public benefit entity.

The financial statements are presented in Sterling (£'000).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2014.

The Association's ultimate parent undertaking includes the Association in its consolidated Financial Statements. Those consolidated Financial Statements are prepared in accordance with FRS 102 and are available to the public and maybe obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE.

As the consolidated financial statements of the ultimate parent undertaking, Places for People Group Limited, include the equivalent disclosures, the Association has also taken the exemptions under FRS 102 available in respect of financial instruments and has not provided disclosures otherwise required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Places for People Group (Group) has reviewed all of its business forecasts and projections and has produced a revised 10-year business plan for the year ending 31 March 2021 this was approved by the Board in August 2020. Although the full impact of Covid-19 is still unknown, the Group has produced its forecasts on the latest information and experience in the markets in which it operates. In addition to the reviewed forecasts, the directors have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the implications from the pandemic.

The directors have reviewed the projected cash flows and the compliance with debt covenants of the Group and have overlaid a number of scenarios reflecting the potential impact of the Covid-19 pandemic. These scenarios include a 10% reduction in rent received for 12 months and a 5% reduction in rent for the following 12 months, no property sales for the remainder of the year with a 20% price reduction for the following 12 months and leisure centres to remain closed until 31 March 2021 with a phased re-opening over the following 12 months. As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2021 would be £566m and £346m at 31 March 2022 if the Group did not raise any additional finance to that which is currently available.

Castlerock Edinvar receives funding from Places for People Homes through an on-lending facility, Places for People Homes is part of the Guarantor Group and can access funding from this Group pool, therefore the liquidity position of the Group supports the going concern assumption for the Castlerock Edinvar.

The board, after reviewing the group budgets for 2020/21 and the group's medium term financial position as detailed in the business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the association has adequate resources to continue in business for the foreseeable future.

Consequently, the Directors are confident that the association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Significant Judgements**

The following are the significant judgements, apart from those involving estimations (which are set out separately below), that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

*Going Concern*

In order to assess whether it is appropriate for the Association to be reported as a going concern, the management apply judgement, having undertaken appropriate enquiries and having considered the business activities and the principal risks and uncertainties. The Association's ultimate parent undertaking, Places for People Group Limited, includes a full review of going concern and is set out in the Going Concern and Viability Statement of the consolidated financial statements. In arriving at this judgement there are a large number of assumptions and estimates involved in calculating future cash flow projections. This includes management's expectations of both property sales and rental turnover, operating costs, timing and quantum of future capital expenditure and estimates and cost of future funding. Sensitivity testing, involving challenging scenarios including reasonable worst case scenarios in respect of Covid-19, has been undertaken in respect of the assumptions used within the going concern assessment. As a result of these considerations the financial statements have been prepared on a going concern basis.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

*Investment properties*

The Association owns a range of different property types. This requires the Association to assess which properties should be classified as investment properties as these properties are held at a market valuation, not at depreciated cost.

The Association considered the FRS 102 definition of investment property which refers to property held to earn rentals for capital appreciation, rather than for administrative purposes or for sale in the ordinary course of business. The Association has also reviewed Section 16 of FRS 102 that precludes the classification of property held primarily for the provision of social benefits being classified as investment property. The Association has applied this by judging that rental properties without public subsidy attached to them are investment properties.

**Accounting estimates**

The nature of estimation means that actual outcomes may differ from the estimates made.

*Residual value of social housing properties*

It is considered that the estimate of residual value of social housing properties has a significant impact on the carrying amount of social housing assets. The Association considers the residual value of social housing property structure to be cost. The net book value of completed social housing properties is £456.3m. The residual value of social housing property structure is £43.0m above the carrying value as at 31 March 2020. A 10% reduction in residual value would result in no impact to the depreciation charge.

*Defined benefit pension schemes*

The Association has defined benefit obligations relating to one pension scheme. Note 21 sets out the details for these schemes and the assumptions made to assess the net scheme benefit as at the reporting date. The Association engages qualified actuaries to advise on an appropriate discount rate. A decrease in the discount rate used of 0.1% is estimated to reduce scheme total deficits by £20k.

*Investment properties*

In addition to judging whether or not properties are categorised as investment properties, the Association is also required to estimate the fair value of investment properties on an annual basis. To facilitate this estimation, the Association engaged Savills, a leading professional adviser, to use RICS guidance and the requirements of the Red Book to complete a full valuation of the Association's investment properties. The results of the valuation exercise have been subjected to management scrutiny and challenge.

*Recoverability of Stock*

The Association has £223k of stock at 31 March 2020 (2019: £4,517k), comprising trade stock of £180k and completed properties of £43k. FRS 102 section 13 requires stock to be measured at the lower of cost and estimated selling price less costs to complete and sell. The Association also undertakes sensitivity analysis and has assessed that that a short-term drop in expected selling prices of our completed properties of 10% would not result in a material impairment charge.

The Association monitors development projects and properties held for sale on an ongoing basis and uses rigorous appraisal techniques to estimate the recoverable amount of stock. Realistic financial projections are used on an individual site basis to allow management to estimate that land and property are held at the appropriate amount. The Association makes judgements to assess the achievable selling price for properties including assessing the views of specialist advisers on the UK housing market and future house price inflation. Management also consider detailed information relating to geographical area and property type. As such the Association judges that stock is held at the lower of cost and estimated selling price less costs to complete and sell.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**Turnover**

The turnover represents mainly rents, service charges and revenue grants receivable from the Scottish Government or Local Authorities and some fees from managing agency services.

**Tenant Arrears, Trade and other debtors**

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

**Trade and other creditors**

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

**Pensions**

The Association participates in the Scottish Housing Association's Pension Scheme (SHAPS), a multi-employer defined benefit scheme. During the year to 31 March 2019, the Association recognised its individual share of the SHAPS scheme deficit following an exercise carried out by independent actuaries to identify each member's share of the deficit. The change in the liability as a result of the change in estimate has been recognised in other comprehensive income as indicated in the amendments made to FRS 102 Section 28 'Employee Benefits'. The in-year movement in the scheme deficit is split between operating charges, finance costs and, in other comprehensive income, actuarial gains and losses. The Association has complied with relevant disclosures which are included in Note 21.

The Association also contributes to two defined contribution schemes. These schemes' assets are held separately from those of the Association in an independently administered fund. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

**VAT**

The majority of the Association’s turnover from letting activities is exempt from VAT. Where appropriate, costs are stated including irrecoverable VAT.

**Housing Association Grant (HAG) and other capital grants**

When HAG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where HAG or other grant is retained following the disposal of property, it is shown under the disposal proceeds and recycled capital grant funds in creditors. These funds will be used for the provision and improvement of new social housing for rent and sale.

HAG is initially recognised at fair value as a long term liability as deferred grant income and released through the profit and loss as turnover income over the life of the component elements of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost, except for grant received in respect of Homebuy investments, included in Note 18 with Deferred Government Grant.

**Concessionary loans**

The Association has a Shared Ownership arrangement which is considered to be a concessionary loan.

Under the Shared Ownership scheme, the Association receives Shared Ownership grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Association meet the definition of concessionary loans and are shown as fixed assets investments on the balance sheet. All are non-current loans, as they are not redeemable on demand.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**Capitalisation of fixed assets**

The Association capitalises expenditure to existing properties which it is considered will materially enhance the economic life of the asset, its income generating capacity or will result in a material reduction in annual operating costs. Components such as kitchens, windows, doors and bathroom replacement programme are capitalised and depreciated over their expected useful lives.

**Scottish Government shared equity scheme**

The Association has sold properties under the Scottish Government shared equity schemes. Under these schemes buyers purchase a majority share of the property with the balance funded by Scottish Government grants. The fixed asset investment represents the total of the loans receivable from purchasers of the property when the equity is released. There is an equal and opposite liability to the Scottish Government amounting to any shared equity release.

**Cost of raising finance**

The cost of raising finance is amortised over the period of the instrument. The deferred cost is offset against the liability and is included within "Creditors: amounts falling due after one year" (Note 18).

**Depreciation**

Fixed assets other than freehold land are depreciated in accordance with FRS102 at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis, over the expected remaining useful life of the component. Freehold land is not depreciated. The estimated life of assets and components is as shown in the table below.

| Housing assets | Depreciation period in years |
|---|---|
| Kitchens | 20 |
| Bathrooms | 20 |
| Boilers | 15 |
| External Windows & Doors | 30 |
| Roofs | 45 |
| Fire Safety Systems | 20 |
| Fencing | 30 |
| Digital TV Aerials | 10 |
| Lifts | 10 |
| Aids and adaptations | 10 |
| Initial and replacement scheme assets | 10 |
| Other Elements (new build) | 100 |
| Other Elements (rehab) | 80 |
| Other Elements (leasehold) | Lesser of Term of Lease or 100 years |
| | |
| Other Fixed Assets | |
| Offices (new build) | 100 |
| Offices (rehab) | 10 |
| Office refurbishment | 10 |
| Offices (long leasehold) | Lesser of Term of Lease or 100 years |
| Offices (short leasehold) | 10 |
| Equipment | 5 |
| Computer hardware, software and infrastructure | 5 |

## 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**Impairment**

For fixed assets with a remaining useful life greater than 100 years an impairment review is carried out on an annual basis in accordance with FRS 102. For all other assets an impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in Note 3 - Analysis of the income and expenditure.

**Deferred government grant**

HAG received from The Scottish Government is initially stated at fair value as a long term liability and is amortised as income over the life of the component elements of properties.

**Capitalisation of interest and development overheads**

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Association's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

**Investment Property**

Private sector rented properties are shown in investment properties and were valued externally at the date of transition to FRS 102 (1 April 2014) by a qualified RICS chartered surveyor. Valuations are re-assessed on an annual basis.

Commercial properties are shown in investment properties and valuations are completed by a qualified RICS chartered surveyor using detailed rental income stream and yield information.

Investment properties are held at fair value with changes in fair value recognised in profit and loss.

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Group Accounts**

Castle Rock Edinvar Housing Association is exempt from the requirement to prepare and deliver group accounts as it is itself a wholly owned subsidiary of Places for People Group Limited. As such these financial statements present information about Castle Rock Edinvar Housing Association as an individual undertaking and not about its group.

**Stock and work in progress**

Stock and work in progress principally comprises the costs to the balance sheet date of properties being developed for sale either as outright sale or shared ownership properties.

**Service charge sinking funds**

The Association is required to set aside sums in respect of future maintenance of certain factored properties. Amounts accumulated in the fund are included within "Cash at bank and in hand" and within "Creditors: amount falling due within one year" (Note 17).

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | **Turnover** | **Operating costs** | **Other operating items** | **Operating surplus** | Operating surplus |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| Social lettings (note 3) | **34,356** | **(18,802)** | **-** | **15,554** | 15,441 |
| Other activities (note 4) | **4,618** | **(716)** | **-** | **3,902** | 1,961 |
| Sale of fixed assets (note 5) | **-** | **-** | **52** | **52** | 190 |
| (Loss)/gain on revaluation of investment properties (note 13) | **-** | **-** | **(91)** | **(91)** | 23 |
| | **38,974** | **(19,518)** | **(39)** | **19,417** | 17,615 |

## 3. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM SOCIAL LETTINGS ACTIVITIES

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | **General needs housing** | **Supported housing and housing for older people** | **Low cost home ownership** | **Total** | Total |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| **Income from lettings activities** | | | | | |
| Rent receivable net of service charges | **25,051** | **2,483** | **597** | **28,131** | 27,510 |
| Service charges receivable | **1,578** | **1,076** | **3** | **2,657** | 2,527 |
| **Gross Rents Receivable** | **26,629** | **3,559** | **600** | **30,788** | 30,037 |
| Less: Voids | **(191)** | **(29)** | **-** | **(220)** | (219) |
| | **26,438** | **3,530** | **600** | **30,568** | 29,818 |
| Revenue grants from local authorities and other agencies | **278** | **47** | **-** | **325** | 227 |
| Grant amortisation | **2,868** | **266** | **92** | **3,226** | 3,091 |
| Other income | **231** | **6** | **-** | **237** | 194 |
| | **29,815** | **3,849** | **692** | **34,356** | 33,330 |
| **Expenditure on letting activities** | | | | | |
| Management | **(3,631)** | **(2)** | **(4)** | **(3,637)** | (3,760) |
| Services | **(1,299)** | **(891)** | **(1)** | **(2,191)** | (2,213) |
| Routine maintenance | **(4,112)** | **(476)** | **(2)** | **(4,590)** | (4,969) |
| Planned maintenance | **(2,760)** | **(404)** | **(1)** | **(3,165)** | (3,030) |
| Rent losses from bad debts | **(263)** | **(6)** | **(2)** | **(271)** | (194) |
| Depreciation on housing assets | **(2,521)** | **(216)** | **(3)** | **(2,740)** | (2,404) |
| Other costs | **(2,206)** | **(2)** | **-** | **(2,208)** | (1,319) |
| | **(16,792)** | **(1,997)** | **(13)** | **(18,802)** | (17,889) |
| **Operating surplus on letting activities** | **13,023** | **1,852** | **679** | **15,554** | 15,441 |
| Total for the year ended 31 March 2019 | 12,867 | 1,890 | 684 | 15,441 | |

## 4. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM OTHER ACTIVITIES

| | **Other revenue grants** | **Supporting people income** | **Other income** | **Total Turnover** | **Other operating costs** | **Operating surplus/ (deficit) year ended 31 March 2020** | Operating surplus/(deficit) year ended 31 March 2019 |
|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | **6** | **-** | **-** | **6** | **(50)** | **(44)** | (5) |
| Support activities | **-** | **-** | **-** | **-** | **-** | **-** | 2 |
| Commercial property income | **-** | **-** | **2,951** | **2,951** | **(275)** | **2,676** | 2,116 |
| VAT recovery | **-** | **-** | **88** | **88** | **-** | **88** | 53 |
| Other | **-** | **-** | **1,573** | **1,573** | **(391)** | **1,182** | (205) |
| **Total from other activities** | **6** | **-** | **4,612** | **4,618** | **(716)** | **3,902** | 1,961 |
| Total from other activities for the year ended 31 March 2019 | 54 | 2 | 2,576 | 2,632 | (671) | 1,961 | |

## 5. SALE OF FIXED ASSETS AND REDUCTION OF GRANT LIABILITY

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Sales proceeds | **294** | 718 |
| Cost of sales | **(239)** | (1,170) |
| Operating costs | **(3)** | (5) |
| Gain/(loss) on sale of fixed asset | **52** | (457) |
| Reduction of grant liability | **-** | 647 |
| Non cash reduction in grant liability | **-** | 647 |
| Surplus on sale of other assets and reduction in grant liability | **52** | 190 |

## 6. DIRECTORS AND KEY MANAGEMENT EMOLUMENTS

The Association is controlled by a Board. The non-executives' emoluments during the year for the Chair were met by Places for People Group Limited.

The number of Non Executive Board members whose emoluments fall in the following ranges were as follows:

| | **2020** | 2019 |
|---|---|---|
| | **No.** | No. |
| £5,000 - £9,999 | - | 1 |

The Managing Director is a director and is remunerated by the Association and detailed with the other key management officers below.

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| The aggregate of emoluments payable to Key Management Officers | **327** | 485 |
| Aggregate emoluments payable to the Managing Director (exc. pension) | **110** | 148 |
| Pension contributions payable to Key Management Officers | **44** | 46 |

Remuneration banding for key management personnel is disclosed below, which is considered by the Places for People Group to be Executive Directors and members of the Group management team responsible for the management of the Association. The analysis below includes staff remunerated by the Association only.

| | **2020** | 2019 |
|---|---|---|
| | **No.** | No. |
| £60,000 - £69,999 | **1** | 1 |
| £70,000 - £79,999 | **2** | 2 |
| £80,000 - £89,999 | **-** | 1 |
| £100,000 - £109,999 | **1** | - |
| £150,000 - £159,999 | **-** | 1 |

## 6. DIRECTORS AND OFFICERS' EMOLUMENTS (CONT'D)

Average number of employees is calculated by ascertaining for each calendar month in the financial year, the number of persons, by category, employed by the company. The monthly numbers are then added together and divided by the number of months in the financial year.

| | **2020** | 2019 |
|---|---|---|
| | **No.** | No. |
| Housing | **50** | 48 |
| Property Services and Direct Trades | **110** | 106 |
| Sheltered Housing | **18** | 19 |
| Wider role and Commercial activities | **4** | 2 |
| **Total Managing Housing Services** | **182** | 175 |
| Central Administration Services | **17** | 18 |
| **Total average FTE employees** | **199** | 193 |

| Staff costs (for the above persons): | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **6,077** | 5,743 |
| Severance costs | **15** | 308 |
| Social security costs | **562** | 518 |
| Other pension costs | **591** | 509 |
| | **7,245** | 7,078 |

## 7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Interest receivable on cash deposits | **5** | 5 |

## 8. INTEREST PAYABLE AND SIMILAR CHARGES

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| On loans from related undertakings | **1,634** | 483 |
| On bank loans and overdrafts | **464** | 659 |
| | **2,098** | 1,142 |
| Capitalised interest | **(775)** | (279) |
| Unwinding of SHAPS pension liability discount | **46** | 82 |
| | **1,369** | 945 |
| Capitalisation rate used to determine the finance costs capitalised during the year: | **3.75%** | 1.74% |

## 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

Surplus on ordinary activities before taxation was arrived at after charging:

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Auditor remuneration in their capacity as auditors | **12** | 15 |
| Payments under operating leases on motor vehicles | **277** | 430 |
| Depreciation of housing fixed assets | **2,665** | 2,321 |
| Depreciation of other fixed assets | **99** | 107 |

## 10. TAXATION

There was no charge for corporation tax in 2020 or in 2019. The Association has charitable status and is exempt from corporation taxation under the provisions of Section 505 of the Income and Corporation Taxes Act 1988.

## 11. HOUSING PROPERTIES

| | **Completed housing properties** | **Completed LSE & Shared Ownership housing properties** | **Housing properties, LSE & Shared Ownership in the course of** | **Total housing properties** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost** | | | | |
| At 1 April 2019 | 452,012 | 13,464 | 42,530 | 508,006 |
| Additions | - | - | 60,791 | 60,791 |
| Change of tenure | - | - | 137 | 137 |
| Transfer to completed schemes | 56,651 | - | (56,651) | - |
| Transfer to sales on account on disposal | (50) | (199) | - | (249) |
| **At 31 March 2020** | **508,613** | **13,265** | **46,807** | **568,685** |
| **Depreciation & Impairment** | | | | |
| At 1 April 2019 | (61,312) | (1,645) | - | (62,957) |
| Depreciation charges during year | (2,663) | (2) | - | (2,665) |
| Depreciation eliminated on disposal | 9 | 13 | - | 22 |
| **At 31 March 2020** | **(63,966)** | **(1,634)** | **-** | **(65,600)** |
| **Net Book Value at 31 March 2020** | **444,647** | **11,631** | **46,807** | **503,085** |
| Net Book Value at 1 April 2019 | 390,700 | 11,819 | 42,530 | 445,049 |

Expenditure on major works to existing properties during the year was £7.4m (2019: £5.7m).

Additions to housing properties in the course of construction during the year include an apportionment of staff time directly spent on the administration of development activities amounting to £1.5m (2019: £1.2m).

Additions to housing properties in the course of construction during the year include capitalised interest of £0.8m (2019: £0.3m).

## 12. OTHER FIXED ASSETS

| | Plant & Special Equipment | Computer Equipment | Freehold Commercial Properties | Fixtures & Fittings | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | |
| At 1 April 2019 | 3 | 48 | 3,012 | 334 | 3,397 |
| Additions | - | - | 5 | - | 5 |
| **At 31 March 2020** | **3** | **48** | **3,017** | **334** | **3,402** |
| **Depreciation** | | | | | |
| At 1 April 2019 | (3) | (48) | (299) | (241) | (591) |
| Charged during year | - | - | (76) | (23) | (99) |
| **At 31 March 2020** | **(3)** | **(48)** | **(375)** | **(264)** | **(690)** |
| **Net book value at 31 March 2020** | **-** | **-** | **2,642** | **70** | **2,712** |
| Net book value at 31 March 2019 | - | - | 2,713 | 93 | 2,806 |

## 13. FIXED ASSET INVESTMENTS

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| External investments and investment in related undertakings (a) | **9,911** | 10 |
| Investment property (b) | **2,252** | 2,341 |
| **Total fixed asset investments** | **12,163** | 2,351 |

| **(a) External investments and investment in related undertakings** | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| **Equity investments in related undertakings** | | |
| Places for People Scotland Limited | **1** | 1 |
| **Equity investments in associates** | | |
| PFPC MMR LP | **9,910,566** | - |
| **External investments** | | |
| Vital Spark Incubation Ltd | - | 10,000 |
| | **9,910,567** | 10,001 |

**(b) Investment properties**

| | £'000 |
|---|---|
| At 1 April 2019 | **2,341** |
| Additions | **2** |
| Revaluation in year | **(91)** |
| **At 31 March 2020** | **2,252** |

## 14. HOMEBUY FIXED ASSET INVESTMENTS

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| At 1 April | **115** | 179 |
| Net appreciation in year | **1** | 4 |
| Disposals in year | **-** | (68) |
| **At 31 March** | **116** | 115 |

## 15. STOCK AND WORK IN PROGRESS

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Completed properties | **43** | 3,514 |
| Other stock | **-** | 881 |
| Trade stock | **180** | 122 |
| | **223** | 4,517 |

## 16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Rental debtors | **1,693** | 1,447 |
| Less: provision for bad and doubtful debts | **(508)** | (403) |
| | **1,185** | 1,044 |
| Other trade debtors | **769** | 834 |
| Sundry debtors, prepayments and accrued income | **757** | 434 |
| Capital development debtor | **582** | 582 |
| Amounts due from related undertakings | **503** | 1,411 |
| | **3,796** | 4,305 |

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Housing loans principal payable within one year | **-** | 1,893 |
| Interest on housing loans | **-** | 234 |
| Amount due to related undertakings | **80,261** | - |
| Trade creditors | **2,497** | 1,771 |
| Other creditors and accruals | **4,913** | 2,430 |
| Other taxes | **59** | 60 |
| Capital development creditor | **7,018** | 7,912 |
| Deferred Government Grant | **3,233** | 3,039 |
| Prepaid rent | **704** | 644 |
| | **98,685** | 17,983 |

## 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| **Debt** | | |
| Housing loans | **5,500** | 39,039 |
| Loans from related undertakings | **90,263** | 26,550 |
| Recycled Capital Grant Funds | **4,526** | 4,676 |
| Cost of raising finance | **(28)** | (188) |
| | **100,261** | 70,077 |
| Less: payable within one year | **(80,261)** | (1,893) |
| Deferred Government Grant | **254,285** | 241,276 |
| | **274,285** | 309,460 |

**Debt analysis**

| | | |
|---|---|---|
| Debt is repayable as follows: | | |
| In one year or less | **80,261** | 2,297 |
| In more than one year but less than two years | **(2)** | 28,873 |
| In more than two years but less than five years | **9,992** | 7,128 |
| In more than five years : | | |
| By instalments | **-** | 21,603 |
| Not by instalments | **10,010** | 10,176 |
| | **100,261** | 70,077 |

The loans are secured by specific charges over properties, and are repayable at varying rates of interest.

## 19. NON EQUITY SHARE CAPITAL

| | **2020** | 2019 |
|---|---|---|
| | **No.** | No. |
| Issued, allotted and unpaid "A" shares of £1 each | | |
| At 1 April | **9** | 8 |
| Cancelled during the year | **(2)** | (1) |
| Issued during the year | **4** | 2 |
| **At 31 March** | **11** | 9 |
| | | |
| Issued, allotted and fully paid "B" shares of £1 each | | |
| At 1 April | **140** | 139 |
| Cancelled during the year | **(54)** | (1) |
| Issued during the year | **2** | 2 |
| **At 31 March** | **88** | 140 |

The shares are not transferable or redeemable. Payment of dividends or other benefits to shareholders is forbidden by the Association's rules and by the Cooperative and Community Benefit Societies Act 2014. On a return of capital on a winding-up, no member shall receive any property or sum beyond their £1 entitlement.

## 20. CAPITAL AND FINANCIAL COMMITMENTS

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Capital Commitments** | | |
| Capital expenditure that has been authorised and contracted for but has not been provided for in the financial statements | **33,889** | 34,519 |
| Additional Capital expenditure that has been authorised by the Board of directors | **147,014** | 138,748 |

The above commitments will be financed in accordance with our treasury management policy which is detailed in the Places for People Group consolidated accounts.

**Financial Commitments**

The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires are set out below.

**Motor Vehicles**

| | | |
|---|---|---|
| In one year or less | **214** | 163 |
| Between one and five years | **201** | 213 |
| | **415** | 376 |

## 21. PENSION OBLIGATIONS

The Association contributed to one Defined Benefit and two Defined Contribution schemes during the year. The pension costs for the Association relate to the following schemes:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Defined Benefit scheme liabilities** | | |
| The Scottish Housing Associations' Pension Schemes "SHAPS" | **1,151** | 2,227 |

**The Scottish Housing Associations' Pension Scheme (SHAPS) - defined benefit section ("the Scheme")**

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a multi-employer scheme which provides benefits to non-associated employers.

The Scheme was previously closed to new entrants and from 1 April 2014 new accruals ceased. Members of the Scheme were given the option to enrol in one of the Associations' Defined Contribution schemes.

SHAPS is a defined benefit scheme in the UK and 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 £198m. A recovery plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

SHAPS 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 financial years ending on or before 28 February 2019, it had not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Group had previously accounted for SHAPS as a defined contribution scheme. For financial years ending on or after 31 March 2019, it was possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme.

## 21. PENSION OBLIGATIONS (CONT'D)

The mortality assumption used at 31 March 2020 is that a male currently aged 65 years old has a life expectancy of 21.5 years (2019: 21.8 years), a female currently aged 65 years old has a life expectancy of 23.2 years (2019: 23.5 years), a male currently aged 45 years old has a life expectancy of 42.8 years (2019: 45.0 years) and a female currently aged 45 years old has a life expectancy of 44.5 years (2019: 48.2 years).

**The major assumptions used by the actuaries of each scheme were:**

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **2.50%** | 2.50% |
| Rate of RPI inflation | **2.90%** | 3.30% |
| Rate of increase in salaries | **2.67%** | 3.30% |
| Rate of CPI inflation | **1.90%** | 2.30% |

**The major categories of assets as a percentage of total assets are as follows:**

| | | |
|---|---|---|
| Diversified growth funds, hedge funds and structure funds | **16.5%** | 11.6% |
| Equities | **18.2%** | 16.8% |
| Liability driven investments | **30.6%** | 36.6% |
| Absolute return bonds | **10.4%** | 8.7% |
| Corporate bonds | **7.3%** | 6.5% |
| Other fixed interest | **5.6%** | 3.6% |
| Insurance linked securities | **2.7%** | 5.9% |
| Direct lending | **4.4%** | 1.3% |
| Property | **4.3%** | 9.0% |

| | **2020** | 2019 |
|---|---|---|
| **Amounts recognised in the Statement of Financial Position** | **£'000** | £'000 |
| Fair value of assets | **23,505** | 24,241 |
| Present value of the scheme's liabilities | **(24,656)** | (26,468) |
| **Deficit in the scheme** | **(1,151)** | (2,227) |

| **Defined benefit cost recognised in the statement of comprehensive income** | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Expenses | **25** | 25 |
| Net interest expense | **46** | 82 |
| Total charged to the statement of comprehensive income | **71** | 107 |

| **Amounts recognised in Other Comprehensive Income** | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Experience on plan assets | **(1,094)** | 635 |
| Experience gains on plan liabilities | **453** | 670 |
| Effects of changes in demographic assumptions | **(338)** | 387 |
| Effects of changes in financial assumptions | **1,279** | (1,079) |
| ***Defined benefit gain recognised in other comprehensive income*** | **300** | 613 |
| ***Initial recognition of multi-employer defined benefit scheme*** | **-** | (375) |

**The change in the fair value of the plan assets is analysed as follows:**

| | | |
|---|---|---|
| As at 1 April | **24,241** | - |
| Initial recognition of multi-employer defined benefit scheme | **-** | 22,812 |
| Interest on plan assets | **604** | 595 |
| Company contributions | **847** | 823 |
| Benefits paid | **(1,093)** | (624) |
| Return on assets less interest | **(1,094)** | 635 |
| **As at 31 March** | **23,505** | 24,241 |

## 21. PENSION OBLIGATIONS (CONT'D)

| The change in the present value of the defined benefit obligations is analysed as follows: | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| As at 1 April | **26,468** | - |
| Initial recognition of multi-employer defined benefit scheme | **-** | 26,368 |
| Expenses | **25** | 25 |
| Interest costs | **650** | 677 |
| Benefits paid | **(1,093)** | (624) |
| Actuarial (gains) due to scheme experience | **(453)** | (670) |
| Actuarial losses/(gains) from changes to demographic assumptions | **338** | (387) |
| Actuarial losses from changes to financial assumptions | **(1,279)** | 1,079 |
| **As at 31 March** | **24,656** | 26,468 |

**The Places for People Group Stakeholder Scheme ("the Group Scheme")**

Employees joining the Association from 1 September 2004 to 1 April 2014 had the option of joining the Group Scheme. From the 1 April 2014 this scheme is only available to new entrants with sessional contracts.

The amount charged to the Statement of Comprehensive Income in relation to this scheme was £587k (2019: £512k) which represents contributions payable to this scheme by the Association at rates specified in the rules of the scheme.

## 22. LOTTERY GRANT FUNDING

The Association has received no grant funding during the year from the Big Lottery Fund. Un used funds were fully repaid during the year.

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| At 1 April | - | 112 |
| Grant money received in year | - | (91) |
| Expenditure in year | - | (21) |
| At 31 March | **-** | - |

## 23. RELATED PARTY TRANSACTIONS AND ULTIMATE PARENT UNDERTAKING

The Association is a subsidiary of the Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. As the ultimate parent company publishes consolidated group accounts the Association has accordingly taken advantage of the exemption not to report transactions with other group members as permitted by FRS102 section 33.1A.
Under Section 33 of FRS 102 defined benefit pension schemes are considered to be related parties. Employees of the Association are members of the following defined benefit schemes: The Scottish Housing Associations' Pension Scheme, The Social Housing Pension Scheme, The Places for People Group Retirement Benefit Scheme, The Places for People Group Stakeholder Scheme. Details of transactions with the schemes are disclosed in note 21.

Places for People Scotland Limited is a subsidiary of the Company.

## 24. HOUSING ACCOMMODATION

| | 2020 | 2019 |
|---|---|---|
| | **No.** | No. |
| General needs housing | **6,156** | 5,752 |
| Supported housing accommodation | **893** | 931 |
| Shared ownership accommodation | **238** | 240 |
| Other tenancies | **56** | 55 |
| Managed for others | **6** | 45 |
| | **7,349** | 7,023 |

| | General needs housing | Supported housing | Shared ownership housing | Others | 2020 Total | 2019 Total |
|---|---|---|---|---|---|---|
| | **No.** | **No.** | **No.** | **No.** | **No.** | No. |
| Units owned and managed at year end | **5,357** | **840** | **238** | **50** | **6,485** | 6,234 |
| Units managed not owned at year end | **-** | **6** | **-** | **-** | **6** | 45 |
| Units owned not managed at year end | **799** | **53** | **-** | **6** | **858** | 744 |
| | **6,156** | **899** | **238** | **56** | **7,349** | 7,023 |

| **Units owned not managed at year end by managing body** | 2020 | 2019 |
|---|---|---|
| | **No.** | No. |
| Places for People Scotland | **589** | 465 |
| Edinburgh Student Co-op | **106** | 106 |
| West Lothian Council | **35** | 35 |
| Key Moves | **21** | 21 |
| Edinburgh Cyrenians | **19** | 19 |
| City of Edinburgh Council | **20** | 20 |
| Other | **68** | 78 |
| | **858** | 744 |