



Alexander Sloan
Accountants and Business Advisers

Cloch Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HEP91

FCA Reference No.SP1893R(S)

Scottish Charity No. SCO13996

CLOCH HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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CLOCH HOUSING ASSOCIATION LIMITED

BOARD, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2020

Board

Julianne Scarlett
Brian Corrigan
Alison Greenhill
Eileen Tamburrini
Eleanor Robertson
Heather Thomson
Kelly Ferns
Ronny Lee
Jane Cheshire
Monica Sheekey
Karen Wilson
Jackie McKelvie

Chairperson
Vice Chairperson from 25/09/19
Secretary

Oak Tree HA Nominee
Resigned 25/04/19
Vice Chairperson to 25/09/19; Resigned 25/09/19
Resigned 18/02/20
Oak Tree HA Nominee – resigned 10/03/20

Executive Officers

Paul McVey
Andrew Thomson
Paul McColgan
Elizabeth Bowden
Alana Durnin

Director
Housing Services Manager
Property Services Manager
Corporate Services Manager
Finance Director

Registered Office

19 Bogle Street
Greenock
PA15 1ER

External Auditors

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

Internal Auditors

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers

Bank of Scotland
The Cross Branch
Paisley
PA1 1DD

Solicitors

Patten & Prentice
2 Ardgowan Square
Greenock
PA16 8PP

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

The Board presents its report and the financial statements for the year ended 31 March 2020.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No SP1893RS), the Scottish Housing Regulator as a registered social landlord (No. HEP91) under the Housing (Scotland) Act 2010 and as is a registered Scottish Charity with the charity number SCO13996.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

1. providing, restructuring, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re-enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

Review of Business and Future Developments

2019/20 has been a challenging yet positive one in the main for all at Cloch. As we reflect, we also consider the global pandemic which took hold at the end of this financial year and how that has impacted on progress and service delivery during the spring and summer months of 2020, the importance of which shrinks into insignificance when we consider the devastating impact of COVID-19, particularly in the communities of Inverclyde.

In March 2020 our view of the year's business, however, was very positive and we will reap the rewards of the intensive work put in throughout the year. The most significant change, or proposed change, was a result of both Cloch and Oak Tree's Governing Bodies going through an extensive independently facilitated Options Appraisal to look at the future relationship of both Associations. This project took most of the year to negotiate and consider and in February 2020, both Associations took the decision that the Constitutional Partnership which exists with the two companies should cease, with a separation from the partnership. There is still a long way to go, however, this decision is a symbolic one and is a key milestone in Cloch regaining its independence and full control.

At the start of April 2019, Cloch had entered into a new reactive and void maintenance contract with MPS, who are a subsidiary of the Mears Group. This contract promised a lot and did deliver a significant increase in performance in most of our Key Performance areas – our time taken to carry out Emergency and Non-Emergency repairs improved, as did the performance in void properties – although the performance in this latter area was still requiring improvement. Unfortunately, Mears Group decided in March/April 2020 to terminate most of their contracts in Scotland, and the Cloch contract was among this. The satisfaction at improved performance in these areas has been dampened due to the response from Mears in the early days of the pandemic crisis.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

In 2019, Cloch published an updated Asset Management Strategy which takes into account areas where we need to focus investment and attention throughout the housing stock. Like most Associations in Inverclyde, we are battling depopulation and reducing demand, against a background of significant new build activity. This is an area we are constantly working on and introducing new initiatives to tackle demand issues.

As well as our programme of cyclical maintenance and safety inspections, during the year we completed our current Kitchen contract with CCG installing a further 87 kitchens, our contractor CMBS installed 38 new bathrooms and 15 boiler replacements and McColl Decorators painted 23 houses and 21 closes.

After considerable delays, the 57-unit development at the former Kings Glen Primary School site in Kilmacolm Road, Greenock was commenced by CCG at the turn of the calendar year. Unfortunately, the development has stalled due to lockdown measures, however, we are still hopeful of completion in the Spring/Summer of 2021.

We have now experienced three full financial years with Universal Credit (full service) being in place in Inverclyde and this continues to have a significant impact on our service and resources. We spend much more time now helping our tenants navigate the welfare benefits system and the Housing Services team along with our partners at Financial Fitness, Future Skills and other support services have been working hard to assist our tenants in dealing with this transition and the financial impact it causes. Despite this Cloch continue to report the lowest rent arrears in Inverclyde with our non-technical arrears at 1.48% on 31 March 2020 – this is an increase from 1.1% last year and a significant increase was noted in March 2020 as the Coronavirus Pandemic was taking effect.

In 2019/20 a detailed rent consultation exercise was carried out focussing on changing our current rent structure to make it fairer and easier to understand. The new rent structure is in place and all new rents will be based on that; existing tenants will have their rents adjusted over a period of between 1-3 years to ensure they are harmonised to the new structure. This means no rent increases for some tenants and a higher than average increase for others. However, the end result will meet the primary objective – fairer, more transparent, and easier to understand.

In consultation with our Customer Scrutiny Group, we reviewed our Consultation Toolkit highlighting the various ways in which we engage with customers and seek views and ideas as well as concerns. Working with the community is at the core of what we do, and it's not solely about housing. This year our E-Bikes Scheme in partnership with Community Tracks went from strength to strength and as well as hosting our own events such as the community conversation cafes, we involve our contractors in supplying community benefits as part of the contracts they seal with Cloch. This includes employing young people, and giving a bit back to the community, for example, the installation of planters in our Sheltered Housing Complex at Elliot Court.

Both the Association and the staff team donate to local charities and organise events where funds can be raised or donations given. This year recipients have included the Broomhill Hub, Belville Community Garden, Reach for Autism, RNIB, Ardgowan Hospice, Inverclyde Foodbank, Smalls for All, and Barnardos.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

Our commitment to Modern Apprenticeships has continued and we currently have two local young people in 18-month apprenticeships, gaining relevant qualifications and learning about careers and jobs within the Housing Sector. Our latest recruitment was from Inverclyde's Recruit Challenge which Cloch participated in and offered an apprenticeship at the end of the process to a local school leaver. Our contractor also participated in this fantastic initiative and offered a local young person a 4-year Electrical Apprenticeship. Having secured the Investors in Young People accreditation late 2018, the Association built on our work with young people, which not only featured employability but also our efforts working with schools and providing placements for a range of school pupils.

In partnership with Oak Tree and Larkfield, the Energy Activator Project was completed which saw 3 Energy Activators working within the Associations and the communities and helping people measure and improve their carbon efficiency and fuel usage. This project was funded by the Climate Challenge Fund and operated through Keep Scotland Beautiful.

Cloch made significant improvements to our digital offer with our portal offering our customers a variety of services 24/7. This will continue to be developed in the coming year. In addition to this, our data has never been more secure as we seek compliance with GDPR and Freedom of Information legislation which has been extended to our sector.

Finally, our governance arrangements. Julianne Scarlett was re-elected for a 4th year as Chairperson of the Association following the AGM in September and Monica Sheekey continued as Vice-Chair, until her resignation during the year. Brian Corrigan stepped up to assume the Vice-Chair position. Our longest-serving tenant, Jane Cheshire also resigned her position, as did Karen Wilson and Jackie McKelvie stood down in her role as nominee. We are engaged in a comprehensive recruitment exercise for new Board Members. The Board work with a Training & Development Plan and receive training and awareness sessions throughout the year.

We delivered our first Assurance Statement last year on the back of a Self-Assessment project where consideration and evidence is provided as to how informed and compliant the governing body is against the regulatory standards outlined by the Scottish Housing Regulator.

Our Board invests their own time to commit their skills, experience, and knowledge to ensure that the governance of Cloch is robust and that there is a clear strategic direction for the organisation. This is all in a voluntary capacity and working on behalf of the members, they ensure that Cloch is well managed and controlled and delivering the necessary outputs as expected and that there is full and professional compliance with legislative and regulatory standards. This works well, and the membership and staff team of Cloch are fortunate to be governed by this dedicated team.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Board and Executive Officers

The members of the Board and the Executive officers are listed on page 1.

Each member of the Board holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board.

The members of the Board are also trustees of the charity. Members of the Board are appointed by the members at the Association's Annual General Meeting.

Statement of Board's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on internal financial control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Going Concern

Based on its budgetary and forecasting processes the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Statement on 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;
- the safeguarding of assets against unauthorised use or disposition.

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly 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, through the Board;
- the Board receives reports from management and from the 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;
- 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 system of internal financial control in existence in the Association for the year end 31 March 2020. No weaknesses were found in the 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.

Donations

During the year the Association made charitable donations of £507 (2019 - £1,529).

Disclosure of Information to the Auditor

The members of the Board at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

CLOCH HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

By order of the Board

Secretary
18 August 2020

CLOCH HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF CLOCH HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed your statement on page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement of Internal Financial Control on page 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain members of the Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW



Alexander Sloan
Accountants and Business Advisers

CLOCH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOCH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Cloch Housing Association Limited (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

Basis of Opinion

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

Conclusions relating to going concern

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

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

Other Information

The Board is responsible for the other information. The other information comprises the information contained in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

CLOCH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOCH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the statement of Board's responsibilities as set out on page 5, the Board is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
31 August 2020



Alexander Sloan
Accountants and Business Advisers

CLOCH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Continuing Operations £	Discontinued Operations	2020 Total £	Continuing Operations £	Discontinued Operations £	2019 Total £
Revenue	2	8,484,629	-	8,484,629	8,328,487	245,833	8,574,320
Operating costs	2	6,478,597	-	6,478,597	6,384,791	216,798	6,601,589
OPERATING SURPLUS		2,006,032	-	2,006,032	1,943,696	29,035	1,972,731
Gain on sale of housing stock	7	24,352	-	24,352	-	-	-
Exceptional item	28	-	-	-	-	35,754	35,754
Interest receivable and other income		45,944	-	45,944	30,219	-	30,219
Interest payable and similar charges	8	(471,181)	-	(471,181)	(489,631)	-	(489,631)
Other Finance income/(charges)	11	(66,406)	-	(66,406)	(61,402)	-	(61,402)
		<u>(467,291)</u>	<u>-</u>	<u>(467,291)</u>	<u>(520,814)</u>	<u>35,754</u>	<u>(485,060)</u>
SURPLUS FOR THE YEAR		1,538,741	-	1,538,741	1,422,882	64,789	1,487,671
Other comprehensive income							
Adjustment relating to opening pension liability	20			-			(595,709)
Pension Asset not recognised	20			(101,000)			-
Actuarial gains/(losses) on defined benefit pension plan	20			1,412,000			(182,000)
TOTAL COMPREHENSIVE INCOME				2,849,741			709,962

The notes on pages 15 to 35 form an integral part of these financial statements.

CLOCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
NON-CURRENT ASSETS					
Housing properties - depreciated cost	12		71,451,921		71,725,436
Other tangible assets	13		522,864		544,039
Investments	13		2		2
			<u>71,974,787</u>		<u>72,269,477</u>
CURRENT ASSETS					
Receivables	14	417,176		349,014	
Investments	15	4,623,035		2,788,575	
Cash and cash equivalents	16	1,365,112		1,357,413	
		<u>6,405,323</u>		<u>4,495,002</u>	
CREDITORS: Amounts falling due within one year	17	(3,016,312)		(2,370,783)	
			<u>3,389,011</u>		<u>2,124,219</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES					
			75,363,798		74,393,696
CREDITORS: Amounts falling due after more than one year	18		(13,446,288)		(13,925,418)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	20	-		(1,452,000)	
			-		(1,452,000)
DEFERRED INCOME					
Social housing grants	21	(46,005,038)		(45,933,638)	
Other grants	21	(537,523)		(557,435)	
		<u>(46,542,561)</u>		<u>(46,491,073)</u>	
NET ASSETS					
			<u>15,374,949</u>		<u>12,525,205</u>
EQUITY					
Share capital	22		56		53
Revenue reserves			15,374,893		13,977,152
Pension reserves			-		(1,452,000)
			<u>15,374,949</u>		<u>12,525,205</u>

The financial statements were approved by the Board and authorised for issue and signed on their behalf on 18 August 2020.

Board Member

Board Member

Secretary

The notes on pages 15 to 35 form an integral part of these financial statements.

CLOCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Surplus for the Year			1,538,741		1,487,671
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	12	2,507,919		2,587,505	
Amortisation of capital grants	21	(1,556,991)		(1,617,316)	
Gain on disposal of tangible fixed assets		(24,352)		-	
Non-cash adjustments to pension provisions		(141,000)		(115,000)	
Share capital written off	22	(4)		(5)	
			785,572		855,184
Interest receivable			(45,944)		(30,219)
Interest payable	8		471,181		489,631
Operating cash flows before movements in working capital			2,749,550		2,802,267
Change in debtors		(59,078)		32,366	
Change in creditors		73,229		(438,782)	
			14,151		(406,416)
Net cash inflow from operating activities			2,763,701		2,395,851
Investing Activities					
Acquisition and construction of properties		(2,295,101)		(565,050)	
Purchase of Intangible Fixed Assets		-		(41,566)	
Purchase of other fixed assets		(28,563)		-	
Social housing grant received		2,088,456		232,277	
Social housing grant repaid		(55,667)		-	
Other grants repaid		(3,394)		-	
Changes on short term deposits with banks		(1,834,460)		(2,788,575)	
Proceeds on disposal of housing properties		134,787		-	
Net cash outflow from investing activities			(1,993,942)		(3,162,914)
Financing Activities					
Interest received on cash and cash equivalents		45,944		30,219	
Interest paid on loans		(471,181)		(489,631)	
Loan principal repayments		(336,830)		(1,008,362)	
Share capital issued	22	7		5	
Net cash outflow from financing activities			(762,060)		(1,467,769)
Increase/(decrease) in cash	23		7,699		(2,234,832)
Opening cash & cash equivalents			1,357,413		3,592,245
Closing cash & cash equivalents			1,365,112		1,357,413
Cash and cash equivalents as at 31 March					
Cash	23		1,365,112		1,357,413
			1,365,112		1,357,413

The notes on pages 15 to 35 form an integral part of these financial statements.

CLOCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	53	-	11,815,190	11,815,243
Issue of Shares	5	-	-	5
Cancellation of Shares	(5)	-	-	(5)
Other comprehensive income	-	(777,709)	-	(777,709)
Other movements	-	(674,291)	674,291	-
Surplus for the year	-	-	1,487,671	1,487,671
Balance as at 31 March 2019	53	(1,452,000)	13,977,152	12,525,205
Balance as at 1 April 2019	53	(1,452,000)	13,977,152	12,525,205
Issue of Shares	7	-	-	7
Cancellation of Shares	(4)	-	-	(4)
Other comprehensive income	-	1,311,000	-	1,311,000
Other movements	-	141,000	(141,000)	-
Surplus for the year	-	-	1,538,741	1,538,741
Balance as at 31 March 2020	56	-	15,374,893	15,374,949

The notes on pages 15 to 35 form an integral part of these financial statements.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below.

Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sales of properties built for sale, other services provided, revenue grants receivable and government grants released to income in the period.

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Going Concern

On the basis that the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not Depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Rewiring	Over 30 years
Central Heating	Over 30 years
Bathroom	Over 20 Years
Lifts	Over 20 Years
Kitchens	Over 15 Years
Boilers	Over 15 Years

Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	2%
Furniture and Fittings	20%
Computer Equipment	33%

The carrying values of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

Although social housing grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the statement of recommended practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the statement of comprehensive income.

Disposals under shared equity schemes are accounted for in the statement of comprehensive income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Taxation

The Association is a Scottish Charity and is not liable to taxation on its charitable activities.

Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives or the term of the lease whichever is shorter.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a non-current asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income.

Property developments that are intended for resale are included in current assets until disposal.

Housing Property Managed By Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

VAT

The Association is Value Added Tax (VAT) registered but the substantial proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT. The Association is part of VAT group and as a result no VAT is charged on intra-group transactions.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can't be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Impairment

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Association to exercise judgement in applying the its accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

Key Judgements

a) Categorisation of Housing Properties

In the judgement of the Board the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Board considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

e) Defined pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

		2020			2019		
	Notes	Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	8,327,976	6,244,534	2,083,442	8,166,518	6,158,968	2,007,550
Other Activities	4	156,653	234,063	(77,410)	407,802	442,621	(34,819)
Total		8,484,629	6,478,597	2,006,032	8,574,320	6,601,589	1,972,731

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	Shared Ownership £	2020 Total £	2019 Total £
Revenue from Lettings					
Rent receivable net of service charges	6,197,950	293,278	48,434	6,539,662	6,333,338
Service charges receivable	63,815	126,003	-	189,818	163,560
Gross income from rent and service charges	6,261,765	419,281	48,434	6,729,480	6,496,898
Less: Rent losses from voids	40,550	5,227	-	45,777	58,518
Income from rents and service charges	6,221,215	414,054	48,434	6,683,703	6,438,380
Grants released from deferred income	1,495,511	53,796	15,250	1,564,557	1,617,313
Revenue grants from Scottish Ministers	79,716	-	-	79,716	110,825
Total turnover from affordable letting activities	7,796,442	467,850	63,684	8,327,976	8,166,518
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,696,744	80,288	13,259	1,790,291	1,848,842
Service costs	57,877	116,103	-	173,980	154,679
Planned and cyclical maintenance, including major repairs	795,655	34,911	-	830,566	693,375
Reactive maintenance costs	866,180	41,807	-	907,987	886,339
Bad Debts - rents and service charges	64,874	-	-	64,874	51,496
Depreciation of affordable let properties	2,374,393	81,597	20,846	2,476,836	2,524,237
Operating costs of affordable letting activities	5,855,723	354,706	34,105	6,244,534	6,158,968
Operating surplus on affordable letting activities	1,940,719	113,144	29,579	2,083,442	2,007,550
2019	1,898,403	82,649	26,498		

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Operating costs - bad debts	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£	£
Wider role activities	113,882	2,125	16,455	132,462	-	177,306	(44,844)	(41,297)
Care and repair	-	-	-	-	-	-	-	29,035
Factoring	-	-	24,191	24,191	(13,653)	23,692	14,152	12,025
Common Housing Register	-	-	-	-	-	46,718	(46,718)	(34,582)
Total From Other Activities	113,882	2,125	40,646	156,653	(13,653)	247,716	(77,410)	(34,819)
2019	338,950	-	68,852	407,802	(8,237)	450,858	(34,819)	

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020 £	2019 £
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	197,445	193,266
Pension contributions made on behalf on Officers with emoluments greater than £60,000	24,801	26,167
Emoluments payable to Director (excluding pension contributions)	75,780	74,290
Pension contributions paid on behalf of the Director	9,818	10,043
Total emoluments payable to the Director	85,598	84,333
Total emoluments paid to key management personnel	319,012	309,154
The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-		
	Number	Number
£60,001 to £70,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	-	-

6. EMPLOYEE INFORMATION

	2020 No.	2019 No.
Average monthly number of full time equivalent persons employed during the year	33	33
Average total number of employees employed during the year	41	42
Staff costs were:	£	£
Wages and salaries	1,051,833	1,077,776
National insurance costs	100,200	109,202
Pension costs	170,864	239,208
Temporary, agency and seconded staff	26,351	92,621
	1,349,248	1,518,807

Included within Pension Costs above, is an amount of £203,166 paid towards the past service deficit within the year, £140,698 for annual pension contributions and £(173,000), which relates to adjustments in respect of the pension valuation provided by The Pension Trust to reflect the actual pension cost.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	135,500	-
Cost of sales	111,148	-
Gain on sale of housing stock	<u>24,352</u>	<u>-</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	<u>471,181</u>	<u>489,631</u>

9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	2,507,919	2,534,393
Auditors' remuneration - audit services	8,170	8,210
Operating lease rentals - other	<u>4,840</u>	<u>4,953</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Non Utilisation and Loan Set-Up Fees	(34,406)	(21,299)
Net interest on pension obligations	<u>(32,000)</u>	<u>(40,103)</u>
	<u>(66,406)</u>	<u>(61,402)</u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2019	106,599,435	825,939	1,013,537	108,438,911
Additions	557,072	1,738,029	-	2,295,101
Disposals	(587,065)	-	(111,211)	(698,276)
At 31 March 2020	106,569,442	2,563,968	902,326	110,035,736
DEPRECIATION				
At 1 April 2019	36,318,507	-	394,968	36,713,475
Charge for Year	2,437,335	-	20,846	2,458,181
Disposals	(551,465)	-	(36,376)	(587,841)
At 31 March 2020	38,204,377	-	379,438	38,583,815
NET BOOK VALUE				
At 31 March 2020	68,365,065	2,563,968	522,888	71,451,921
At 31 March 2019	70,280,928	825,939	618,569	71,725,436
		2020	2019	
Expenditure on Existing Properties		<i>Component replacement</i>	<i>Improvement / Repairs</i>	<i>Component replacement</i>
		£	£	£
Amounts capitalised		521,502	-	276,860
Amounts charged to the statement of comprehensive income		-	1,738,553	-
				1,579,714

The Association's lenders have standard securities over housing property with a carrying value of £53,287,336 (2019 - £51,967,356).

The depreciation charge on housing properties as shown above differs from that per Note 3 due to accelerated depreciation on component replacements.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Sheltered Housing F&F £	Computer Equipment £	Total £
COST					
At 1 April 2019	1,183,886	58,659	18,374	157,488	1,418,407
Additions	8,237	3,285	-	17,041	28,563
Eliminated on disposals	-	(1,082)	-	(31,933)	(33,015)
At 31 March 2020	1,192,123	60,862	18,374	142,596	1,413,955
DEPRECIATION					
At 1 April 2019	673,158	49,785	13,384	138,041	874,368
Charge for year	23,845	3,758	2,495	19,640	49,738
Eliminated on disposals	-	(1,082)	-	(31,933)	(33,015)
At 31 March 2020	697,003	52,461	15,879	125,748	891,091
NET BOOK VALUE					
At 31 March 2020	495,120	8,401	2,495	16,848	522,864
At 31 March 2019	510,728	8,874	4,990	19,447	544,039

13. FIXED ASSET INVESTMENTS

	2020 £	2019 £
Subsidiary undertakings	2	2
	<u>2</u>	<u>2</u>

Subsidiary Undertakings

Cloch Housing Association Limited has the following wholly owned subsidiary undertaking. The registered office of the subsidiary is 19 Bogle Street, Greenock, PA15 1ER.

	2020 Reserves £	Profit / (Loss) £	2019 Reserves £	Profit / (Loss) £
Cloch Property Services Limited	<u>2</u>	<u>nil</u>	<u>2</u>	<u>nil</u>

Cloch Property Services Limited is dormant and at 31 March 2020 the Association was in the process of striking the company from the Companies House register.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

14. RECEIVABLES

	2020 £	2019 £
Gross arrears of rent and service charges	168,127	142,326
Less: Provision for doubtful debts	(107,027)	(82,078)
Net arrears of rent and service charges	61,100	60,248
Social housing grant receivable	57,820	48,736
Other receivables	276,721	225,571
Amounts due from group undertakings	21,535	14,459
	<u>417,176</u>	<u>349,014</u>

15. CURRENT ASSET INVESTMENTS

	2020 £	2019 £
Short term deposits	4,623,035	2,788,575
	<u>4,623,035</u>	<u>2,788,575</u>

16. CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank and in hand	<u>1,365,112</u>	<u>1,357,413</u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans	1,190,000	1,047,700
Trade payables	134,841	197,366
Rent received in advance	350,221	358,630
Social housing grant in advance	437,016	7,016
Other taxation and social security	22,882	23,763
Amounts due to group undertakings	4,368	26,643
Other payables	433,192	419,684
Accruals and deferred income	443,792	289,981
	<u>3,016,312</u>	<u>2,370,783</u>

18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Bank loans	<u>13,446,288</u>	<u>13,925,418</u>

19. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
Bank Loans		
Amounts due within one year	1,190,000	1,047,700
Amounts due in one year or more but less than two years	1,204,700	1,236,400
Amounts due in two years or more but less than five years	3,540,600	374,450
Amounts due in more than five years	8,700,992	12,314,568
	<u>14,636,292</u>	<u>14,973,118</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Bank of Scotland	172	4.3%	2037	Fixed
Bank of Scotland	59	4.8%	2037	Fixed
Bank of Scotland	124	2.7%	2042	Fixed
Nationwide	32	1.3%	2028	Variable
Nationwide	-	1.3%	2030	Variable
Nationwide	118	1.4%	2027	Variable
Nationwide	13	1.4%	2023	Variable
Nationwide	46	1.6%	2025	Variable
Nationwide	143	1.4%	2025	Variable
Royal Bank of Scotland	138	3.8%	2027	Fixed
Oak Tree Housing Association	23	3.0%	2027	Variable
Energy Savings Trust	-	0.0%	2027	Int Free
Energy Savings Trust	-	0.0%	2028	Int Free
Scot Govt Smoke Alarm Loan	-	0.0%	2025	Int Free

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

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

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of £(595,709).

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019
	£	£
Fair value of plan assets	7,358,000	6,334,000
Present value of defined benefit obligation	7,257,000	7,786,000
Surplus / (deficit) in plan	101,000	(1,452,000)
Unrecognised surplus	(101,000)	-
Defined benefit asset / (liability) to be recognised	-	(1,452,000)

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at the start of period	7,786,000	7,594,000
Current service cost	159,000	200,000
Expenses	7,000	6,000
Interest expense	184,000	193,000
Contributions by plan participants	44,000	43,000
Actuarial losses (gains) due to scheme experience	239,000	(226,000)
Actuarial losses (gains) due to changes in demographic assumptions	(45,000)	20,000
Actuarial losses (gains) due to changes in financial assumptions	(937,000)	538,000
Benefits paid and expenses	(180,000)	(582,000)
Defined benefit obligation at the end of period	<u>7,257,000</u>	<u>7,786,000</u>

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

	2020	2019
	£	£
Fair value of plan assets at start of period	6,334,000	6,209,000
Interest income	152,000	159,000
Experience on plan assets (excluding amounts included in interest income)		
- gain (loss)	669,000	150,000
Contributions by the employer	339,000	355,000
Contributions by plan participants	44,000	43,000
Benefits paid and expenses	(180,000)	(582,000)
Fair value of plan assets at the end of period	<u>7,358,000</u>	<u>6,334,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £309,000.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	159,000	200,000
Expenses	7,000	6,000
Net interest expense	32,000	34,000
	<u> </u>	<u> </u>
Defined benefit costs recognised in statement of comprehensive income	198,000	240,000
	<u> </u>	<u> </u>

income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	669,000	150,000
Experience gains and losses arising on plan liabilities - gain /(loss)	(239,000)	226,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	45,000	(20,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	937,000	(538,000)
	<u> </u>	<u> </u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	1,412,000	(182,000)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	(101,000)	-
	<u> </u>	<u> </u>
Total amount recognised in other comprehensive income - gain (loss)	1,311,000	(182,000)
	<u> </u>	<u> </u>

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2020	2019	2018
	£	£	£
Absolute Return	452,000	536,000	737,000
Alternative Risk Premia	590,000	354,000	235,000
Corporate Bond Fund	538,000	444,000	433,000
Credit Relative Value	177,000	110,000	-
Distressed Opportunities	134,000	108,000	28,000
Emerging Markets Debt	262,000	203,000	212,000
Fund of Hedge Funds	-	18,000	178,000
Global Equity	1,012,000	1,019,000	1,117,000
Infrastructure	434,000	265,000	113,000
Insurance-Linked Securities	197,000	164,000	170,000
Liability Driven Investment	1,937,000	2,253,000	2,186,000
Long Lease Property	180,000	77,000	-
Net Current Assets	56,000	7,000	12,000
Over 15 Year Gilts	93,000	163,000	201,000
Private Debt	146,000	82,000	58,000
Property	137,000	126,000	245,000
Risk Sharing	233,000	184,000	57,000
Secured Income	408,000	221,000	227,000
Opportunistic Liquid Credit	179,000	-	-
Liquid Credit	193,000	-	-
Total assets	7,358,000	6,334,000	6,209,000

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

Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.4%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%
	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance
Allowance for commutation of pension for cash at retirement			

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

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

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

21. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
Capital grants received			
At 1 April 2019	74,829,500	980,573	75,810,073
Additions in the year	1,667,540	-	1,667,540
Eliminated on disposal	(481,643)	(3,394)	(485,037)
At 31 March 2020	<u>76,015,397</u>	<u>977,179</u>	<u>76,992,576</u>
Amortisation			
At 1 April 2019	28,895,862	423,138	29,319,000
Amortisation in year	1,537,123	19,868	1,556,991
Eliminated on disposal	(422,626)	(3,350)	(425,976)
At 31 March 2020	<u>30,010,359</u>	<u>439,656</u>	<u>30,450,015</u>
Net book value			
At 31 March 2020	<u>46,005,038</u>	<u>537,523</u>	<u>46,542,561</u>
At 31 March 2019	<u>45,933,638</u>	<u>557,435</u>	<u>46,491,073</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2020 £	2019 £
Amounts due within one year	1,556,991	1,601,207
Amounts due in more than one year	44,985,570	44,889,866
	<u>46,542,561</u>	<u>46,491,073</u>

22. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2020 £	2019 £
At 1 April	53	53
Issued in year	7	5
Cancelled in year	(4)	(5)
At 31 March	<u>56</u>	<u>53</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. STATEMENT OF CASH FLOWS

Reconciliation of net cash flow to movement in net funds

		2020		2019
	£	£	£	£
Increase / (decrease) in cash	7,699		(2,234,832)	
Change in liquid resources	1,834,460		2,788,575	
Cashflow from change in net debt	336,830		1,600,561	
Movement in net debt during the year		344,529		2,154,304
Net debt at 1st April 2019		(10,827,130)		(12,981,434)
Net debt at 31 March 2020		(10,482,601)		(10,827,130)

Analysis of changes in net debt	At 01 April 2019	Cashflows	Other Changes	At 31 March 2020
	£	£	£	£
Cash at bank and in hand	1,357,413	7,699	-	1,365,112
	1,357,413	7,699	-	1,365,112
Liquid resources	2,788,575	1,834,460	-	4,623,035
Debt: Due within one year	(1,047,700)	336,830	(479,130)	(1,190,000)
Due after more than one year	(13,925,418)	-	479,130	(13,446,288)
Net Debt	(10,827,130)	2,178,989	-	(8,648,141)

24. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	5,944,690	580,628

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

25. COMMITMENTS UNDER OPERATING LEASES

	2020	2019
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Expiring in the next year	3,062	2,064
Expiring later than one year and not later than five years	4,338	-

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

26. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 19 Bogle Street, Greenock, PA15 1ER.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Inverclyde.

27. BOARD MEMBER EMOLUMENTS

Board members received £113 (2019 - £607) in the year by way of reimbursement of expenses. No remuneration is paid to Board members in respect of their duties to the Association.

28. EXCEPTIONAL ITEM

	2020	2019
	£	£
Release of Care and Repair redundancy provision	-	35,754

29. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs	1,326	1,326
Supported housing	64	62
Shared ownership	17	19
	<u>1,407</u>	<u>1,407</u>

30. RELATED PARTY TRANSACTIONS

Members of the Board are related parties of the Association as defined by Financial Reporting Standard 102.

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

Transactions with Board members (and their close family) were as follows:

	2020 £	2019 £
Rent received from tenants on the Board and their close family members	<u>9,292</u>	<u>12,599</u>
Factoring charges received from factored owners on the Board and their close family members	<u>42</u>	<u>-</u>
Members of the Board who are tenants	2	2
Members of the Board who are owner occupiers	1	1

CLOCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

32. UNADJUSTING POST BALANCE SHEET EVENT

At the time of approving the financial statements, the United Kingdom was impacted by the Coronavirus pandemic. The pandemic will impact on the Association's activities and it is monitoring the position and updating its plans accordingly. No adjustment has been made to the financial statements as a result of this post balance sheet event.