Home in Scotland Limited

Reports and Financial Statements for the year ended 31 March 2021

Contents

Registered Office and Head Office

Home in Scotland Limited
20 Harvest Road
Newbridge
Edinburgh
EH28 8LW

Co-operative and Community Benefit Societies Act 2014 No: SP1935RS
Scottish Housing Regulator Registered No: HAL90
Scottish Charity No: SC005247

Part of Home Group

Chair's Report

This year's performance and results have seen us rise to challenge of supporting each other through the pandemic. The early part of the year stress-tested the organisation and our crisis management capabilities but this was promptly followed by a focus on the recovery of essential services such as repairs and maintenance and the investment in our Financial Inclusion team to support customers facing financial hardship and fuel poverty. We are grateful to our staff who have all been working remotely, but very effectively, to support our customers, in the midst of their own personal and professional challenges created by the pandemic.

This year has evidenced our organisational resilience – we have remained financially healthy, operationally adaptable and focused on the delivery of our mission to build homes, independence, and aspirations. While the pace of a number of our initiatives suffered initially, over the full course of 2020/21, Home in Scotland made strong progress towards all our objectives, in this the final year of our five-year strategy. We now start the process of developing our new strategy: we have listened to our customers through a range of initiatives so that the shape our services and strategy take will be directly influenced by what our customers need from us.

We continued to work successfully in partnership with Scottish Government and other stakeholders to support the sector recovery and support Scotland's ambition on the delivery of affordable homes. We have also continued in our role as a key partner in the Scottish Government's Housing First programme assisting those who have experienced repeat homelessness. We have managed a rapid recovery as COVID-19 restrictions eased, and we continued to deliver the services which impact on our customers most such as keeping them safe and repairing homes. We ended the year in a strong financial position, with net assets increasing by £4.8m during the year and gearing remaining low, at 26.5% (2020: 30.9%). This secures our ability to continue invest in our communities, improve our service and deliver new affordable homes.

Customers remain at the heart of what we do, and we developed our Customer Promise to deliver our mission to build homes, independence and aspirations. We refreshed our Customer Involvement Strategy with our customers as well as developing an Improvement Plan with our customers following our 2020 Customer Satisfaction Survey. We are listening to our customers and our improvement plans are focused on getting better at the basics.

We have done extensive work to understand rent affordability for customers. While we know the majority of our homes are affordable, we aim to offer targeted support for customers who are struggling and find themselves in financial hardship. We are engaging with customers to test how their priorities align with how our rents are set. As part of our Maintenance Futures project our customers were involved in the procurement of our new contracts and the design of performance monitoring arrangements to deliver services better focussed on what our customers expect from us. The launch of our Tenancy Sustainment Framework demonstrates our commitment to helping our customers to stay for the long term in a safe and affordable home.

We invested in additional dedicated staff to form our Financial Inclusion team to support customers facing financial hardship and this has proved successful in increasing our customers income and providing much needed advice in areas such as fuel poverty. We were successful in our bid for the Scottish Government's fuel support funding and we were delighted to be able to provide vouchers and winter fuel packs to a number of our customers.

Our maintenance team completed over 4,650 emergency and 8,500 routine repairs, modernised 285 void properties and serviced all heating systems to ensure our customers remained safe in their homes. Safety inspection and servicing checks were undertaken to all lifts and premises with stored water with electrical installations tested and certified as safe in accordance with our five year cycle. External decoration works were completed to over 300 properties and we saw improvement in the delivery of Cleaning and Grounds Maintenance Contracts. Fire risk assessments continue to be completed on a regular basis. Actions identified arising from the fire risk assessments are prioritised and completed to ensure that our properties and customers remain safe. In addition, we completed a planned programme replacing over 670 components (predominantly bathrooms (330) and render (200) with additional windows, doors, kitchens and electrical installations replaced) and also retrofitted fire and carbon monoxide detectors to over 4,600 properties, satisfying Government Legislative requirements.

Our focus on customers is underpinned by our commitment to and investment in our people, new build and regeneration, and our governance. We've invested and developed a comprehensive framework of wellbeing support for our people and we are now working with them on what our future ways of working will be.

The Board's commitment to continuous improvement of our assurance framework was unabated despite the extension of some of our regulatory compliance returns. Our eighth Annual Return of the Scottish Social Housing Charter (ARC) highlighted the challenges of the restrictions due to the pandemic in areas such as voids. However as soon as restrictions allowed we were ready to help those most vulnerable, providing over 100 homeless people with safe, secure and affordable homes.

We continue to work on a number of new development opportunities in our core areas and are developing plans for four developments in Glasgow, two in Edinburgh and two in Dundee. We have successfully moved into a new local authority, West Lothian. Our live and future developments help strengthen our presence and relationships with our local authority partners and will help us to achieve Home Groups target of building the right homes in the right places. We successfully delivered 49 new homes at our Holmlea Primary School development in Glasgow, in partnership with Cathcart District Housing Association.

This report is an opportunity for me to reflect not only on achievements of the last financial year, but also over the course of the last three years. I have been proud to serve as the Chair of Home in Scotland and I look forward to their continued success as I move to a different role in the governance of Home Group. I thank my board colleagues for their contributions of external and professional perspective to our consideration of opportunities and risks, while strengthening the assurance of Home in Scotland and ensuring a customer focus through all our initiatives. And not only thanks to, but also praise for our staff for their dedication, often in testing times, to our shared ambition of making a difference to the lives of our customers by providing them with affordable and safe homes.

By order of the Board.

Myriam Madden FCMA CGMA B.Comm
Chair
24 August 2021

Report of the Board

Board

R Bowes, ONC

G A Campbell, MCIH

I A Campbell, BSc (Hons)

J Cheung-Buchanan, B.Arch, MSc

M Finnegan BA (Hons)

M Henderson, BSc (Hons)

J Hudson, BSc (Hons), PhD, ACA

M Madden, FCMA, CGMA, B.COMM (Hons) (Chair)

A Mauger-Thompson, BA (Hons), MCLIP, MBA

C Wood (Mappin), BSc (Hons), Dip Surv, MRTPI

Company Secretary

R Hall, BA (Hons) Law

Advisors

Bankers:

Bank of Scotland plc
Business Banking Centre
2 West Marketgait
Dundee
DD1 1QN

Independent Auditors:

Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

Solicitors:

T C Young
7 West George Street
Glasgow
G2 1BA

Miller Hendry
3 Ward Road
Dundee
DD1 1LU

The Board presents its report and the audited financial statements for the year ended 31 March 2021.

Registration of the Association

Home in Scotland Limited (the Association) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 - registered number 1935R(S) - and with The Scottish Housing Regulator under the Housing (Scotland) Act 2010 - registered number HAL90. The Association's rules are based on the Scottish Federation of Housing Associations' Charitable Model Rules (Scotland) 2013.

Parent Association

Home Group Limited (HGL) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (registered number 22981R) and with the Regulator of Social Housing (registered number L3076).

Principal Activities

The principal activities of the Association are the provision of rented accommodation for those in housing need and the development of low cost home ownership schemes.

Results

The Association has made a surplus of £4,755,000 in the year to 31 March 2021. This is compared with £6,918,000 in the previous year. Annual surpluses are required to cover long term maintenance obligations, the development of property for sale (the profits of which are invested into our core services and the provision of more affordable homes), repayment of loans and future risks.

Review of Business

A brief review of the business is given on page 2 in the Chair's report. Further information is available in the Association's Annual Review, available on request from the registered office and on the Association's website (www.homegroup.org.uk).

COVID–19

The coronavirus pandemic is the most significant external factor impacting the Association. During 2020/21 we have operated in a different environment, with restricted access to our customers, their homes, our suppliers, our offices and each other. Although restrictions continue to ease as we move through 2021/22 we expect some disruption to continue. A summary of the key impacts and our response is included below:

Customers and the community – during an unprecedented time it is imperative that we continue to support our customers, many of whom are extremely vulnerable. Whilst their safety and wellbeing has been our main concern, we also know that for many their financial situations have been impacted by the pandemic. We added additional resource into our customer financial inclusion team to provide advice, support and solutions for our customers who were struggling with rent or their bills. We also made wellbeing calls to check in on how customers were doing and whether there was any additional support we could provide.

Colleagues – the health, safety and wellbeing of our colleagues are our top priority. We completed detailed risk assessments and provided personal protective equipment in line with Public Health Scotland guidance for all those who need it in their day to day work. Where colleagues can work from home they have done since the beginning of the pandemic, with all of our offices across the country offering very limited access. As steps are taken by the Scottish and UK governments to ease lockdown we have plans in place through the business to ensure our colleagues can continue to work safely whilst still providing the important support our customers need. We anticipate colleagues returning to our offices during the third quarter of 2021/22.

Supply chain – many of our major suppliers (maintenance and development contractors) have been significantly impacted by the pandemic with site closures and furloughing of staff. We initially reduced our maintenance service to emergency repairs and statutory compliance checks only, however since the second quarter of 2020/21 we worked closely with our maintenance contractors and customers to ensure these activities recommenced and completed safely for all. In support of our small and medium sized suppliers, we changed our payment terms and now pay them all immediately on receipt of goods and services.

Financial position and liquidity – risk based scenario planning was intensively undertaken to understand the potential impact on our financial position for the current year and in the future. This has included the impact on loan covenants, cash flow, liquidity and funding requirements. The stress testing results were regularly shared with our Board and gave the Association confidence that we main financially strong. Alongside Home in Scotland Limited, our parent association HGL (which provides us loan facilities) remains in a strong financial position with the capacity to respond to this and any future shocks. We maintain flexibility in our plans for growth which are being reviewed and can be altered to maintain our financial strength if required. Further details are discussed in our going concern assessment on page 17.

Brexit

We have continued to be mindful of Brexit and any potential impact to the Association. Brexit has been seen as a trigger of existing strategic and operational risks rather than a specific risk on its own, and to date we have not seen a significant impact on our risk profile in relation to the UK exiting the European Union.

Treasury Policy

Treasury management is operated within a framework of clearly defined Board approved policies and procedures that serve to control the use of financial instruments. The overall aim is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. The Board receives regular reports on relevant treasury matters.

The Association finances its operations through a mixture of retained earnings, grants, long term loans and short term facilities. Borrowings are in sterling at both fixed and floating rates of interest. The Association has a five year £10 million intercompany loan from HGL which expires in May 2025 and a five year £20 million intercompany loan from HGL, which is due to expire in May 2023. On 11 August 2020 the Association entered into a new £40 million revolving credit facility with a term of five years on competitive terms following a tender process. The new facility replaces a previous £20 million facility which was due to expire on 19 August 2020. The new facility provides additional liquidity to support the Association's future development programme. Of these facilities, £54.0 million was committed, undrawn and immediately available as at 31 March 2021. Full details of the Association's borrowings are shown in note 17 to the financial statements.

The Association's lending agreements include a number of financial and non-financial covenants. The key financial covenants are interest cover and gearing ratios. Loan covenants are monitored by the Treasury team on a monthly basis and reported to Board regularly. All covenants were met throughout the year.

Statement on Internal Financial Controls

The Association Board acknowledges its overall responsibility for establishing and maintaining the system of internal control and reviewing its effectiveness across the Association. 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.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The process for identifying, evaluating and managing significant risks faced by the Association is on-going, and has been in place throughout the period from 1 April 2020 up to the date of approval of the financial statements. This process is set out in the Group's Risk Management Framework which is followed by the Association.

Key elements of the Association's internal control framework include:

- Board approved terms of reference and clear delegated authorities throughout the Association;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- risk registers which are regularly reviewed by senior management, Executive, the Audit Committee of the Group and the Association Board;
- a robust operational planning process with detailed financial budgets, forecasts and performance measures;
- regular reporting to senior management and the Board of key performance indicators to monitor progress against objectives;
- a structured approach to the appraisal and authorisation of all significant new business initiatives and commitments;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- detailed policies and procedures in each area of the Association's activities; and
- an assurance service which reviews internal controls across the Association and provides regular reports to Board on any significant control weaknesses.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

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, 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;
- 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.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditors

The Board members and Directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member and Director has taken all the steps that he/she ought to have taken as a Board member or Director to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Colleagues

We work with colleagues to make sure people feel aware, informed and involved with our strategic direction and we welcome views and suggestions. We use a range of ways to engage with colleagues, including Workplace (an enterprise social network), our intranet, seminars, meetings and events as well as a strong team culture of briefings, meetings and brilliant conversations. Our mutual pay award is an example of how we engage with colleagues and encourage them to be involved in the company's performance, achieving a common awareness of factors affecting the performance of the company, and consulting colleagues so their views can be taken into account in making decisions.

Our recruitment approach is one that is inclusive and as a Disability Confident and 'Mindful Employer' we support future and current colleagues to develop meaningful careers, offering a comprehensive training and development approach that welcomes a diverse pool of colleagues. We continue to invest in colleague learning and development and wellbeing as this is key to engagement and business success.

Equality, diversity and inclusion are at the heart of our social purpose, driving the value that a diverse workforce brings to the organisation and the communities within which we operate. In terms of colleague gender we have a ratio of 81% females to 19% males. Our broad efforts to attract, recruit and retain an overall diverse workforce have led to some promising results with our multicultural representation currently at 8% and LGB+ at 11%, although disability is lower at 3%. We have adopted the Rooney Rule (interviewing where possible, at least one candidate from a BAME background for all senior roles – and extending this to female applicants too), as we acknowledge there's clearly work still to do to achieve the aspirational targets we've committed to by 2025 (multicultural 22%, LGB+ 8%, disability 8%).

Events after the end of the reporting period

The Board considers that there have been no events since the year end that have had a significant impact on the Association's financial position.

Auditor

A resolution to reappoint Deloitte LLP as auditors was proposed at the Annual General Meeting.

On behalf of the Board

Myriam Madden, FCMA, CGMA, B.COMM (Hons)
Chair

24 August 2021

Independent Auditor's Report to Home in Scotland Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Home in Scotland Limited (the 'association'):

- give a true and fair view of the state of the association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Reserves;
- the Cash Flow Statement; and,
- the related notes 1 to 28.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of board

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

In preparing the financial statements, the board is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the association or to cease operations, or has 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the association's industry and its control environment, and reviewed the association's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the association operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the association's ability to operate or to avoid a material penalty. This included compliance with regulatory standards set by the Scottish Housing Regulator.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas and our specific procedures performed to address them are described below:

- housing property impairment due to the existence of significant management judgement and estimation uncertainty. In response, we evaluated management's assessment of potential impairment triggers using our experience of the association and wider sector, engaged our valuations specialists to challenge the assumptions and calculations, and compared a sample of key information used in the impairment calculations with published information sources to test the reasonableness of management's assumptions.

- grant income recognition due to the judgement involved in assessing the conditions and recognition criteria attached to each grant. In response, for a sample of grants recorded as turnover in the year, we assessed whether the appropriate amount of revenue has been released to the Statement of Comprehensive Income by reviewing the useful economic lives of the assets to which the grants related.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the association's members as a body, 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'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.

Michael Jeffrey (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United Kingdom
17 September 2021

Report by the auditors to the members of Home in Scotland Limited 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 within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Controls on page 6 has provided 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 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 management committee and officers of the association and examination of relevant documents, we have satisfied ourselves that the management committee's Statement on Internal Financial Controls 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 Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Use of our report

This report is made solely to the association's members as a body, in accordance with the Regulatory Advisory Notes which are issued by the Scottish Housing Regulator. Our work has been undertaken so that we might state to the association's members those matters we are required to state to them in our 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 work, for this report, or for the opinions we have formed.

Michael Jeffrey (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United Kingdom
17 September 2021

Statement of Comprehensive Income for the year ended 31 March 2021

	Notes	2021	2020
		£000	£000
Turnover	2	23,155	24,323
Cost of sales	2	-	(2,244)
Operating expenditure	2	(16,293)	(13,095)
Surplus on disposal of social housing properties	3	33	117
Operating surplus		6,895	9,101
Interest receivable	7	3	7
Finance costs	8	(2,143)	(2,190)
Surplus before taxation	9	4,755	6,918
Taxation		-	-
Surplus for the year		4,755	6,918
Other comprehensive income		-	-
Total comprehensive income		4,755	6,918

All activities of the Association are classed as continuing.

There are no other surpluses or deficits to be recognised in the current or prior year other than the surplus for the year reported above.

The notes on pages 17 to 32 form part of the financial statements.

The financial statements on pages 13 to 32 were approved by the Board on 24 August 2021 and were signed on its behalf by:

Russell Hall
Company Secretary

Myriam Madden
Chair

John Hudson
Board member

Statement of Financial Position as at 31 March 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Tangible fixed assets	10 & 11	295,211	286,006
Other investments	12	434	464
		295,645	286,470
Current assets			
Properties held for sale	13	118	88
Debtors	14	954	4,035
Investments	15	34	-
Cash and cash equivalents		207	2,421
		1,313	6,544
Creditors: amounts falling due within one year	16	(8,931)	(28,867)
Net current liabilities		(7,618)	(22,323)
Total assets less current liabilities		288,027	264,147
Creditors: amount falling due after more than one year	17	(227,758)	(208,633)
Net assets		60,269	55,514
Capital and reserves			
Non-equity share capital	19	-	-
Income and expenditure reserve		60,269	55,514
Total capital and reserves		60,269	55,514

The notes on pages 17 to 32 form part of the financial statements.

The financial statements on pages 13 to 32 were approved by the Board on 24 August 2021 and were signed on its behalf by:

Russell Hall
Company Secretary

Myriam Madden
Chair

John Hudson
Board member

Statement of Changes in Reserves for the year ended 31 March 2021

	Income and expenditure reserve
	£000
As at 1 April 2019	48,596
Total comprehensive income for the year	6,918
As at 31 March 2020	55,514
Total comprehensive income for the year	4,755
As at 31 March 2021	**60,269**

The notes on pages 17 to 32 form part of the financial statements.

Cash Flow Statement for the year ended 31 March 2021

	Notes	2021	2020
		£000	£000
Net cash inflow from operating activities	20	15,487	8,691
Cash flow from investing activities			
Purchase of tangible fixed assets		(15,034)	(17,520)
Additions to investments		(5)	(40)
Disposals of investments		35	-
Proceeds from sale of tangible fixed assets		56	399
Capital grants received		11,923	8,782
Interest received		3	7
Net cash outflow from investing activities		(3,022)	(8,372)
Cash flow from financing activities			
Interest paid		(2,140)	(2,226)
New secured loans		13,000	5,807
Repayment of borrowings		(25,505)	(2,934)
Withdrawal from deposits		(34)	-
Net cash (outflow) / inflow from financing activities		(14,679)	647
Net change in cash and cash equivalents		(2,214)	966
Cash and cash equivalents at the beginning of the year		2,421	1,455
Cash and cash equivalents at the end of the year		207	2,421

The notes on pages 17 to 32 form part of the financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK Accounting FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Co-operative and Community Benefit Societies and Credit Unions Act 2014, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2019 and the Statement of Recommended Practice for registered social housing providers Update 2018 ('SORP 2018').

As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The Association's parent undertaking, Home Group Limited (HGL), includes the Association in its consolidated financial statements, and these are the smallest and largest set of financial statements that the Association is consolidated into. The consolidated financial statements of HGL are available to the public and may be obtained from The Secretary, Home Group Limited, 2 Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.

As the consolidated financial statements of HGL include the equivalent disclosures and the Association is a wholly owned subsidiary of HGL, it has also taken the exemptions under FRS 102 available in respect of the following:

- The disclosures 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; and
- The disclosures required by FRS 102.33A Related Party Disclosures in respect of transactions or balances with subsidiaries which form part of the group.

The Association proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The financial statements are prepared on the historical cost basis of accounting. There are no material differences between the surplus before taxation and the surplus for the current or prior year and their historical cost equivalents.

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

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board. Whilst the Statement of Financial Position shows net current liabilities, the Association has in place loan agreements which allow the Association sufficient funding to pay its liabilities as they fall due; these are set out in note 16 and 17. When considering our ability to continue as a going concern we have paid particular attention to the impact of the ongoing COVID-19 pandemic, as detailed on pages 5 and 6.

Impact of COVID-19

Since Scotland entered its first 'lockdown' on 23 March 2020 we have closely monitored the effects of COVID-19. During the initial months of 2020/21 our response included understanding the impact of COVID-19 on our already well-established stress testing methodology, intensive and regular updating of that stress testing, and refreshing our budget. The budget was fully reviewed and re-approved by Board, and although some changes were made to it, we did not expect there to be a significant financial impact and our budgeted EBITDA and surplus before tax figures did not change.

In quarter 1 of the year the main area of activity and financial performance affected by the pandemic was our maintenance programme, where activity and spend has experienced a short-term reduction. However we put plans in place to recover this activity and by the end of the year spend was at 98% of budget. Our key loan covenants were not stretched and we retained significant (£56m) headroom against our borrowing limits.

1. Principal accounting policies (continued)

Looking forwards

From the outputs of our detailed five-year financial forecasting exercise we can see the Association, expects to be growing and building on its current financial strength:

- Surpluses are expected to incrementally increase;
- We will see higher net assets year on year;
- We expect to have significant liquidity each year - we aim to have a minimum of 18 months at any one time and our minimum headroom against this benchmark is £49m at 31 March 2026; and
- We expect to remain well within our loan covenant limitations at all times.

When reviewing our financial projections we have paid particular focus on the period to September 2022, which would be one year from the time our accounts are submitted to the SHR.

Stress testing

We regularly stress test our financial forecasts to understand the risks they face and the impact of them transpiring. We also model the impact of the mitigations we have identified to address these events if they occur. We continue to be mindful of the ongoing impact of the COVID-19 pandemic - we expect its impact to continue for some time both for the UK as a whole and Scotland, though the impact on the Association is not expected to be as significant as that already experienced in the first quarter of 2020/21.

The detailed stress testing our financial forecasts have been subjected to include:

- A further wave of COVID-19;
- A change of grant regime reducing the level of grant received to develop new homes;
- Significant increase in bad debts, arrears and voids;
- Anticipated future rent increases limited by Scottish Government policy and/or customer affordability;
- Increased cost pressures arising from planned efficiency benefits not being realised;
- An economic downturn leading to severely restricted lender credit; and
- A property market crash.

We always stress test our five-year financial projections to identify what would 'break' them. This is an important step in making sure our plans are robust and the SHR expects to see this. To breach our loan covenants would require a 'perfect storm' of all the above stresses being realised together. Our work shows that in all scenarios we can implement mitigations so that covenants are adhered to.

On this basis, the Board has a reasonable expectation that the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months after the date on which the report and financial statements are signed. For this reason, the Association continues to adopt the going concern basis in the financial statements.

Turnover

Rental income is recognised on a straight line basis in accordance with the terms of the tenancy agreement on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Fees receivable are recognised in line with the underlying management agreements.

Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment. Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed. The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development, finance and legal colleagues, and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

Housing properties are split under component accounting between their land, structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as follows:

1. Principal accounting policies (continued)

Component	Estimated useful economic life (years)
Property structure	100
Bathroom	30
Boiler	15
Heating distribution	30
Doors	20
Electrics	30
Kitchen	15
Roof	40
Windows	30
Land	Not depreciated

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

Asset type	Estimated useful economic life (years)
Plant, machinery, fixtures and vehicles	8
Computer equipment	3
Leased equipment	Over the life of the lease

Housing Association Grant

Government grants include grants receivable from the Scottish Housing Regulator, Scottish Ministers and local authorities. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but such repayment will normally be restricted to the net proceeds of sale.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Disposals of housing properties

Where properties built for sale are disposed of during the year, the disposal proceeds are included in turnover and the attributable costs included in cost of sales. Where properties previously rented out to customers are disposed of, the surplus on disposal is included in operating surplus.

Where a component is replaced or restored, the old component is written off to the Statement of Comprehensive Income, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Where any Housing Association Grant (HAG) to be repaid is less than the HAG relating to the disposal, the difference is treated as abated HAG and included as a component of the surplus or deficit on disposal.

1. Principal accounting policies (continued)

Properties for sale

Completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value.

Grants are received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs net of grants up to the point of sale are reflected as stock within current assets. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the Statement of Comprehensive Income as other activities; within turnover and operating costs respectively. 100% of the property is sold between the owner and the Government.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the element retained and held in liabilities. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties, as noted above.

Improvements to properties

Expenditure on housing properties which is capable of generating increased future rents, or extends their useful lives, or significantly reduces future maintenance costs, is capitalised.

Finance costs

Interest is capitalised on borrowings related to the development of qualifying assets, to the extent that it accrues in respect of the period of development if it represents interest on borrowings specifically financing the development programme after deduction of related grants received in advance. Other interest payable is charged to income and expenditure in the year.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms has been agreed and the impact of discounting is material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Provisions for liabilities and charges

The Association recognises in the accounts provisions to meet liabilities arising from past events, which are likely or certain to be incurred, but for which the amount or timing cannot be determined accurately.

1. Principal accounting policies (continued)

Significant estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out below.

Significant management judgement

Carrying value of housing properties and stock

Judgement is exercised in determining the carrying value of housing properties and stock in line with the accounting policies set out on page 18 to 19.

The Association has conducted a review of the financial performance and future prospects of its full portfolio of existing rented housing properties to assess whether there has been a trigger event for an impairment review. Indicators of impairment used as part of the review were:

- a fall in market values;
- a significant change in our operating environment;
- change in market interest rates;
- a change in the strength of our balance sheet;
- evidence of obsolescence in our stock;
- a change in how we use our stock; or
- a deterioration in asset performance.

Specifically, we have considered whether properties are planned to be sold, demolished or earmarked for regeneration, whether they require major works or whether they have been void for an extended period of time.

Impairment reversals identified and included in the Statement of Comprehensive Income are set out in Note 9 to the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below. The estimates used relate to the current year and are not expected to impact the next financial year: they will be revaluated at the next reporting date.

Impairment testing

Where indicators of impairment have been identified we have tested the carrying values of both our housing properties and our development work in progress. In doing so we make a number of estimates.

When considering housing properties, we compare our carrying values against the sector standard valuation of Existing Use Value for Social Housing (EUV-SH). This is the value at which we would expect to transfer properties to another registered provider. Where the carrying value of identified properties is higher than EUV-SH, the properties have been impaired by the difference and the cost has been taken to the Statement of Comprehensive Income (£159k – see note 2b, 9 and 10). It is a standard valuation method and as such is not considered to cause significant uncertainty. For housing properties under development there is limited estimation uncertainty as we contract with our group development company, Home Group Developments Limited, who operate on a fixed price contracts basis.

For stock, a scheme under development is impaired if its carrying value is higher than its selling price less costs to sell and complete. Given the low balance of stock for sale we do not consider this to be an area of estimation uncertainty either in the current financial year or next.

2a. Particulars of turnover, operating costs and operating surplus / (deficit)

	Note	Turnover	Cost of sales	Operating costs	**Operating surplus 2021**	Operating surplus 2020
		£000	£000	£000	**£000**	£000
Affordable letting activities	2(b)	23,049	-	(16,059)	**6,990**	8,984
Other activities	2(c)	106	-	(234)	**(128)**	-
Total		**23,155**	-	**(16,293)**	**6,862**	
Total for the year ended 31 March 2020		24,323	(2,244)	(13,095)		8,984

2b. Particulars of turnover, operating costs and operating surplus / (deficit) from affordable letting activities

	General needs social housing	Shared ownership housing	Mid-market rent	**2021 Total**	2020 Total
	£000	£000	£000	**£000**	£000
Rent receivable net of service charges	17,959	74	2,787	**20,820**	19,844
Service charges	853	-	133	**986**	951
Gross income from rents and service charges	18,812	74	2,920	**21,806**	20,795
Less voids	(190)	-	(89)	**(279)**	(225)
Net income from rents and service charges	18,622	74	2,831	**21,527**	20,570
Grants released from deferred income	1,134	7	115	**1,256**	1,128
Revenue grants from Scottish Ministers	266	-	-	**266**	228
Total turnover from affordable letting activities	20,022	81	2,946	**23,049**	21,926
Management and maintenance administration costs	(2,463)	(6)	(652)	**(3,121)**	(3,448)
Service costs	(812)	(3)	(107)	**(922)**	(994)
Planned and cyclical maintenance including major repairs costs	(2,751)	-	(310)	**(3,061)**	(1,369)
Reactive maintenance costs	(2,669)	-	(393)	**(3,062)**	(2,727)
Bad debts – rent and service charges	(182)	-	(56)	**(238)**	(423)
Depreciation of affordable let properties	(4,844)	(8)	(644)	**(5,496)**	(3,999)
Impairment of affordable let properties	36	-	(195)	**(159)**	18
Operating costs for affordable letting activities	(13,685)	(17)	(2,357)	**(16,059)**	(12,942)
Operating surplus for affordable letting activities	**6,337**	**64**	589	**6,990**	
Operating surplus for affordable letting activities for the year ended 31 March 2020	7,268	60	1,656		8,984

2c. Particulars of turnover, operating costs and operating surplus / (deficit) from other activities

	Turnover	Cost of sales	Other operating costs	**Operating surplus / (deficit) 2021**	Operating surplus / (deficit) 2020
	£000	£000	£000	**£000**	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	(73)	**(73)**	(27)
Factoring	106	-	(103)	**3**	66
Developments and improvements for sale to other organisations	-	-	-	-	44
Uncapitalised development administration costs	-	-	(58)	**(58)**	(82)
Other activities	-	-	-	-	(1)
Total	**106**	-	**(234)**	**(128)**	
Total for the year ended 31 March 2020	2,397	(2,244)	(153)		-

3. Surplus on disposal of social housing properties

	2021	2020
	£000	£000
Sales proceeds	**56**	399
Cost of sales	**(23)**	(282)
	33	117

4. Housing stock

The disclosure below relates to units of housing accommodation and therefore excludes commercial properties and garages.

	At 1 April 2020	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2021
General needs – social					
Owned and managed	3,875	39	(1)	-	3,913
Managed but not owned	12	-	-	-	12
Total general needs units	**3,887**	**39**	**(1)**	-	**3,925**
Low cost home ownership					
Owned and managed	43	-	-	(20)	23
Total low cost home ownership units	**43**	-	-	**(20)**	**23**
Total social housing					
Owned and managed	3,918	39	(1)	(20)	3,936
Managed but not owned	12	-	-	-	12
Total social housing	**3,930**	**39**	**(1)**	**(20)**	**3,948**
Mid-market rent units	376	-	-	1	377
Total non-social housing	**376**	-	-	**1**	**377**
Total social and non-social housing owned and / or managed	**4,306**	**39**	**(1)**	**(19)**	**4,325**

Number of residential properties where we provide factoring services: 727

5. Directors' emoluments

The directors are paid through the parent undertaking, HGL. One director has been identified as key management personnel and the aggregate amount of emoluments payable was £88,755 (2020: £87,552) which includes £5,859 employers' pension contributions (2020: £2,600). Details of the remunerated members of the Board (Mark Henderson and John Hudson) are included within financial statements of HGL which are publicly available. No other Board members received any payment other than expenses.

	2021	2020
	£	£
Directors' expenses reimbursed to the directors not chargeable to United Kingdom income tax	68	3,900

6. Employee information

The employee costs of those persons employed by HGL who are utilised wholly and exclusively by the Association are summarised below:

	2021	2020
	Number	Number
Office staff	51	52
	51	52

	2021	2020
Employee costs (for the above persons):	£000	£000
Wages and salaries	1,833	1,782
Social security costs	188	188
Other pension costs	125	112
	2,146	2,082

The costs of employing temporary staff was £37,000 (2020: £42,000).

The full time equivalent number of staff whose remuneration payable in the year fell above £60,000 was:

	2021	2020
	Number	Number
£60,000 - £70,000	2	2
£70,001 - £80,000	-	1
£80,001 - £90,000	2	2

7. Interest receivable

	2021	2020
	£000	£000
Interest receivable from bank and building society deposits	3	7

8. Finance costs

	2021	2020
	£000	£000
Interest payable to other group companies	16	162
Interest payable on bank loans and overdrafts	923	1,038
Interest payable on other loans	1,256	1,257
	2,195	2,457
Less: Interest capitalised on housing property development	(52)	(267)
	2,143	2,190
Average rate applicable to capitalised interest	1.92%	2.19%

9. Surplus on ordinary activities before taxation

	2021 £000	2020 £000
Surplus before taxation is stated after charging / (crediting):		
Depreciation	**5,496**	4,000
Impairment / (Reversal of impairment)	**159**	(18)
Grant amortisation	**(1,256)**	(1,128)
External auditor's remuneration for audit services	**17**	18
Operating lease rentals	**146**	90

10. Tangible fixed assets – housing properties

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Total £000
Cost				
At 1 April 2020	294,242	32,464	1,299	328,005
Additions	-	14,329	-	14,329
Capitalised interest	-	52	-	52
Capitalised works	502	-	-	502
Transfer to completed schemes	29,367	(29,367)	-	-
Disposals	(23)	-	-	(23)
At 31 March 2021	**324,088**	**17,478**	**1,299**	**342,865**
Depreciation				
At 1 April 2020	41,908	-	91	41,999
Charge for year	5,479	-	17	5,496
Impairment	159	-	-	159
Eliminated in respect of disposals	-	-	-	-
At 31 March 2021	**47,546**	-	**108**	**47,654**
Net book value at 31 March 2021	**276,542**	**17,478**	**1,191**	**295,211**
Net book value at 31 March 2020	252,334	32,464	1,208	286,006

	2021 £000	2020 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**277,733**	253,542
Works to existing properties in the year:		
Components capitalised	**502**	1,571
Amounts charged to expenditure	**3,061**	1,369
	3,563	2,940

Additions to housing properties in the course of construction during the year included development administration costs of £382,000 (2020: £397,000). There were assets under charge included in the above net book value amount of £171,014,907 as at 31 March 2021 (2020: £151,101,168).

11. Tangible fixed assets – other fixed assets

	Plant, machinery, fixtures and vehicles £000	Computer equipment and leased equipment £000	Total £000
Cost			
At 1 April 2020	87	2	89
Additions	-	-	-
Disposals	-	-	-
At 31 March 2021	**87**	**2**	**89**
Depreciation			
At 1 April 2020	87	2	89
Charge for year	-	-	-
Eliminated in respect of disposals	-	-	-
At 31 March 2021	**87**	**2**	**89**
Net book value at 31 March 2021	-	-	-
Net book value at 31 March 2020	-	-	-

The cost of fixtures, furniture and equipment above has been reduced by an amount of £23,000, being grants received for the purchase of equipment and fittings (2020: £23,000).

12. Fixed asset investments

	2021 £000	2020 £000
At 1 April	464	424
Additions	5	40
Disposals	(1)	-
Transfer to current asset investments	(34)	-
At 31 March	434	464

13. Properties held for sale

	2021 £000	2020 £000
Outright sale properties:		
- Completed	-	-
- Work in progress	118	88
	118	88

14. Debtors

	2021	2020
	£000	£000
Amounts falling due within one year:		
Rental and service charges receivable	1,713	1,643
Less: Provision for bad debts	(864)	(843)
Net rental debtors	849	800
Prepayments and accrued income	13	50
Other amounts due from group undertakings	-	3,086
Leasehold debtors	45	12
Other debtors	47	87
	954	4,035

15. Current asset investments

	2021	2020
	£000	£000
Other investments	34	-

16. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Housing loans from third parties	2,161	22,946
Trade creditors	1,831	1,228
Social Housing Grant in advance	-	163
Deferred capital grant	1,593	1,543
Other taxation and social security payable	53	24
Accruals and deferred income	2,328	2,023
Other amounts due to group undertakings	526	160
Other creditors	439	780
	8,931	28,867

Whilst the Statement of Financial Position shows net current liabilities, the Association has in place external loan agreements which allow the Association sufficient funding to pay its liabilities as they fall due. The parent undertaking, HGL, acts as guarantor for some of these loans, as well as providing a £30 million intercompany facility. As at 31 March 2021, the Association had £54 million committed and undrawn facilities which were immediately available for drawing.

17. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Housing loans from third parties	73,305	62,665
Loans from group undertakings	3,000	5,295
Deferred capital grant	151,453	140,673
	227,758	208,633

Housing loans are secured by specific charges on the Association's housing properties. They are repayable at varying rates of interest, from 0% to 3.96%, due as follows:

	2021	2020
	£000	£000
In instalments:		
In one year or less	2,161	22,946
Between one and two years	2,161	2,161
Between two and five years	22,104	11,780
In five years or more	52,040	54,020
	78,466	90,907

18. Deferred capital grant

	2021	2020
	£000	£000
At 1 April	142,216	134,613
Grant received in the year	12,086	8,731
Released to income in the year	(1,256)	(1,128)
At 31 March	153,046	142,216
Amount due to be released within one year	1,593	1,543
Amount due to be released in more than one year	151,453	140,673
	153,046	142,216

19. Called up share capital

Each national member of the Association holds one voting share (nominal value £1). Each community member of the Association holds one non-voting share (nominal value £1). All shares are surrendered on the cessation of membership. Shares carry no rights to dividend or repayment of capital.

Allotted, issued and fully paid:	£
At 1 April 2020	7
Issued during the year	3
At 31 March 2021	10

20. Reconciliation of surplus to net cash inflow from operating activities

	2021 £000	2020 £000
Surplus for the year	4,755	6,918
Adjustments for:		
Depreciation of tangible fixed assets	5,496	4,000
Impairment / (Reversal of impairment)	159	(18)
(Increase) / Decrease in properties held for sale	(30)	1,314
Decrease / (Increase) in debtors	3,081	(2,806)
Increase / (Decrease) in trade and other creditors	1,175	(1,656)
Surplus on disposal of tangible fixed assets	(33)	(116)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(1,256)	(1,128)
Finance costs	2,143	2,190
Interest receivable	(3)	(7)
Net cash inflow from operating activities	15,487	8,691

21. Analysis of changes in net debt

	At 1 April 2020 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2021 £000
Cash and cash equivalents	2,421	(2,214)	-	207
Debt due within one year:				
- Housing loans from third parties	(22,946)	22,962	(2,177)	(2,161)
Debt due after one year:				
- Housing loans from third parties	(62,665)	(12,752)	2,112	(73,305)
- Loans from group undertakings	(5,295)	2,295	-	(3,000)
Total net debt	(88,485)	10,291	(65)	(78,259)

22. Reconciliation of net cash flow to movement in net debt

	2021 £000	2020 £000
(Decrease) / Increase in cash in the period	(2,214)	966
Cash inflow from increase in debt	12,505	(2,872)
Change in net debt resulting from cash flows	10,291	(1,906)
Non cash changes	(65)	(57)
Movement in net debt in the period	10,226	(1,963)
Opening net debt	(88,485)	(86,522)
Closing net debt	(78,259)	(88,485)

23. Capital commitments

	2021	2020
	£000	£000
Capital expenditure that has been contracted for but not provided for in the financial statements	68,113	4,754
Capital expenditure that has been authorised by the Board but has not yet been contracted for	12,707	27,201

The amounts contracted for at 31st March 2021 will be HAG funded, loan financed and funded from the Association's reserves.

24. Financial commitments

At the year end the total contractual payments under non-cancellable operating leases were as follows:

	2021	2020
	£000	£000
Less than one year	80	129
Between one and five years	9	75
	89	204

The Association uses certain assets acquired under operating leases entered into by the parent association, HGL. The relevant lease charges are included in the Statement of Comprehensive Income, and the commitments under these leases have been included in the above note.

25. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31 March:

	2021	2020
	£000	£000
Held as deferred capital grant	153,046	142,216
Recognised as income in the Statement of Comprehensive Income	14,479	13,223
Grant within cost on properties at fair values at acquisition	8,043	8,043
	175,568	163,482

26. Related party transactions

The Association has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that it is a wholly owned subsidiary of a group headed by HGL, whose accounts are publicly available.

During the year the Association entered into the following related party transactions with its customer board members:

	2021	2020
	£	£
Charges in respect of rent and service charges	10,446	9,896
Amounts owed to customer board members at the year-end	429	-

27. Parent association

The Board regards HGL as the ultimate parent company and the ultimate controlling party. Copies of the consolidated financial statements of HGL can be obtained from the Secretary, Home Group Limited, 2 Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.

28. Pension obligations

Employees of the parent undertaking, HGL, are eligible to participate in a number of pension schemes. Full disclosure of these schemes is included within the financial statements of HGL which are publicly available.