



HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For The Year Ended 31 March 2021

Financial Conduct Authority Number: 1827R (S)

Scottish Housing Regulator Registration Number: HEP 128

Registered Scottish Charity - Number: SC011534

HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Contents	Page Number
Board of Management, Executives and Advisors	3
Report of the Board of Management	4 – 13
Board of Management Statement on Internal Financial Controls	14
Statement of Board's Responsibilities under the Co-operative and Community Benefit Societies Act 2014 for a Registered Social Landlord	15
Independent Auditor's Report to the Members of Horizon Housing Association Limited	16 – 18
Auditors Report on Corporate Governance Matters	19
Statement of Comprehensive Income	20
Statement of Changes in Reserves	21
Statement of Financial Position	22
Statement of Cash Flows	23
Accounting Policies and Notes to the financial statements	24-43

Registration Particulars:

Financial Conduct Authority	Registered Number 1827R (S)
Scottish Housing Regulator	Registered Number HEP 128
Scottish Charity Number	SC011534

Registered Office:

Leving House
Fairbairn Place
Livingston
EH54 6TN

HORIZON HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISORS

Board of Management

Mr R McDougall (Chairperson)
Ms J Pritchard (Vice Chairperson)
Mr C Baird
Mr G Carson
Mr S Dow (Resigned April 2020)
Ms S Fitton
Ms B Graham
Ms J Hamilton
Mr R B Hartness
Mr W Taylor
Ms F R Wood
Dr R Docking (Appointed Dec 2020)
Ms J Petty (Appointed Dec 2020)

Key Management Personnel

Ms L Cameron – Chief Executive & Secretary
Mr C Russell – Head of Housing
Ms E Whyte – Housing and Communities Manager
Ms F Hoffie – Corporate Services Manager
Ms S Brady-Wardrope – Asset Manager

Principal Banker

Clydesdale Bank
30 St Vincent Place
Glasgow
G1 2HL

Funder

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

External Auditor

RSM UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditor

Azets
Exchange Place
3 Semple Street
EH3 8BL

Solicitor

T C Young
7 West George Street
Glasgow
G2 1BA

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021

The Board presents its report for the year ended 31 March 2021.

PRINCIPAL ACTIVITY

The principal activity of Horizon Housing Association is to provide and promote affordable, accessible housing and related services for people to be able to live independently in the community. Horizon Housing Association is registered with the Financial Conduct Authority as a Cooperative and Community Benefit Society, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. Horizon is a member of the Link Group of companies.

OUR VISION, MISSION AND STRATEGIC OBJECTIVES

Horizon's vision is to have inclusive, sustainable communities where everyone has a home that meets their needs and enables them to live independently. Horizon's purpose is to promote and provide affordable housing and services that enable people, irrespective of impairment, to live full independent lives in the community of their choice.

The values of inclusion underpin and shape Horizon's work and decision-making and what we do, and how we do it, is driven by the broader values of Link group which are:

- Responsibility - We all take responsibility for our actions.
- Empathy - We work hard to understand how people feel as individuals and treat them with dignity.
- Social Impact - We strive to ensure there is a positive social impact from our activities and work with others who share our aims.
- Participate - We are proactive in providing opportunities for people to engage with us and help us improve our services.
- Equality - We are all equal and different and we aim to provide inclusive environments for work and for living.
- Challenge - We challenge ourselves and others towards excellence and innovation in all we do.
- Transparency - We wish to be open and honest about what we do and how we do it.

Horizon's 6 strategic objectives are:

1. Provide quality homes & services at the right price for tenants.
2. Help deliver more accessible homes across Scotland.
3. Work with Link Group Partners to achieve Horizon's desired outcomes.
4. Develop and support initiatives which keep older and disabled people in the community.
5. Deliver social impact and value for money.
6. Work to address climate change.

And aspirations for:

- Inclusive, accessible homes and communities.
- Warmer, affordable, efficient homes, promoting a zero-carbon agenda and sustainable tenancies, properties, services.
- Knowing our costs and demonstrating value for money.
- Responsive, flexible services offering self-serve and easy access to services and support.
- Systems that support our business: quick easy access to information.

The objectives are designed to deliver the following outcomes:

- Tenants and owners have well designed and maintained homes and environments where they feel safe and secure.
- Tenants maintain their tenancies and get the help they need to manage challenges and change.
- Disabled and older people can live independently in homes adapted to enable this where necessary.
- Disabled people have more choice and control about where and how they live.
- Disabled and older people are active participants in inclusive communities.
- Tenants, staff, Board and volunteers are supported to fulfil their potential.
- Developments and ways of working are informed and influenced by a decarbonisation strategy.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

OPERATING AND FINANCIAL REVIEW

An operating and financial review is presented, as a strategic report is not required for an association of Horizon's size.

Financial Performance

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) for Social Housing Providers. Horizon Housing Association Limited ("Horizon" or the "Association") achieved a total comprehensive income for the year of £179,623 (2020: £1,022,085).

Turnover has reduced slightly from last year at £5m (2020: £5.2m) and Operating Costs are also reduced slightly from last year at £3.9m (2020: £4.4m). These are in part related to the cessation of the Care and Repair service and having not disposed of any properties in the year. The income from Social Letting Activities increased by 1.8% and this principally reflects rent increases applied in April 2020. Turnover from Other Activities decreased by 82% in total. This decrease principally reflects a reduction in income in respect of care and repair services provided by Horizon in 2020, principally the Care and Repair service, which Horizon operated until March 2020, when the funding was ended for the service.

Horizon's total comprehensive income for the year decreased by £0.8m in comparison to 2020, mainly due to the remeasurement of pension liabilities. The value of the pension scheme liability was substantially increased at 31 March 2021, the benefit obligation (liability) has increased by £1.06m and there has been an increase of £0.5m in scheme assets.

Properties in Management

In total 880 properties were managed by Horizon at 31 March 2021 (2019/20: 880). Horizon owns and manages 791 self-contained properties for social rent and another 11 properties owned by Horizon are utilised as shared accommodation (44 bedspaces) for people with disabilities and particular support needs, the support being provided by other agencies.

In addition, 4 of our properties are leased out as self-contained units - 3 to local authorities for temporary homeless accommodation and 1 to Womens' Aid.

Horizon part owns and manages 20 shared ownership properties and 9 Access Ownership properties – and in addition manage 11 which are owned by the Link Group.

We provide a factoring service to 55 properties within our estates – 35 of these are outright owners and 20 are the shared ownership properties mentioned above.

In addition to these Horizon leases 2 properties from Sense. These provide shared accommodation to 4 people with complex needs. Horizon provides property management and landlord services, and Sense delivers the support.

Finally, Horizon owns Leving House, its purpose-built office, and in addition 2 other self-contained properties are leased to support providers for use as office accommodation.

Houses under Construction

At 31 March 2021, the Association had no properties under construction (2019/20: nil).

Operating Performance

1. Housing Services

Many Horizon tenants have a long-term health condition or are disabled. In our 2018 Tenant Satisfaction Survey, 65% of those interviewed said that they or someone living in the household were disabled or had a long-term illness affecting daily living. This has increased from 51% of those interviewed in 2015. Overall, 32% of our tenants are over the age of 65. We will be carrying out our next full tenant survey in the coming year.

Housing and asset management services are focused on meeting individuals' needs and supporting them to live independently. They also recognise the particularly adverse impact of social security changes and service cuts on disabled people and at this time of a global pandemic, the particular pressures and difficulties many tenants face. The priorities for housing management continue to be maximising our income, supporting tenants to pay their rent, manage their finances and contain and reduce rent arrears. We have continued to invest in welfare rights support. We have our own in-house Tenancy Sustainment Team and work in partnership with Link's specialised Welfare Rights Team.

Horizon's gross rent arrears reduced from 4.05% in 2019/20 to 3.3% in 2020/21. Some of this decrease can be attributed to a substantial write off of historic debt in 2019/20 (£40,430). However, performance in minimising arrears was good throughout the year as the housing team took additional care to make early contact with and offer support to tenants whose ability to pay was affected by the pandemic. As a result, current tenant arrears decreased from £129,442 at 31 March 2020 to £120,344 at 31 March 2021 as did the former tenant arrears (£19,735 in April 2020 to £18,862 in March 2021).

During the year we continued to raise awareness of Horizon's in-house tenancy sustainment service. The number of tenants supported increased from 164 in 2019/20 to 206 in 2020/21 – over a quarter of our tenants, and the financial gain for tenants rose from £280,491 to £348,101. Support provided ranged from help with claims and appeals for Housing Benefit/Universal Credit and disability related benefits as well as support in accessing the Scottish Welfare Fund or charitable funds, energy advice and digital support.

The pandemic necessitated a new way of working since face-to-face home visits were no longer possible. The team adapted well to change and made better use of telephone calls, texts and emails. Not only is this a better use of time – less time spent travelling meant more time supporting tenants, but it has a financial benefit for Horizon (fewer travel expenses) and a positive impact towards our decarbonisation agenda. Going forward the team are of the view that the majority of tenants can be supported remotely – and the introduction of the Near Me system will enhance this further. However, there will be vulnerable tenants who will require face to face support, and we intend to develop a blended approach to the delivery of the service.

Tenancy sustainment for the year was 94% (2019/20: 97.8%). This equates to three tenancies which did not last a year. However, two of these were deaths, if these are discounted tenancy sustainment was 98%.

There were 36 properties that were re-let in 2020/21 down from 50 properties in the previous year – this equates to a turnover of 5.06% down from 6.3%. The pandemic had a significant impact on this as the letting process was halted for most of the first quarter and even once this resumed fewer people chose to move. As a result, the proportion of our tenancy terminations which were the consequence of the tenant's death rose to 38% from 26% in 2019/20.

On average, the time to re-let void properties was 22.1 days. This was up from 13.9 days in 2019/20. This was a direct consequence of the first lockdown and the difficulty in carrying out void works. The average days to let improved significantly in Q3 and Q4 of 2020/21 when it was 7.3 days and 13.1 days respectively. Rent loss due to voids increased from 0.25% to 0.27%.

We have worked with Link colleagues on the replacement of the choice-based lettings system, Homehunt with a new bespoke system, Find a Home which has gone live in June 2021. The new system will be easier to use and more accessible for older applicants and those with disabilities.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Asset Management

A comprehensive Asset Performance Review was completed in June 2017 to give a sound basis for developing the Asset Management Strategy. The planned refresh of the financial indicators in the asset performance review is underway with assistance from external consultants to take account of the implementation of our new rent structure in 2020/21, the outcome of which will influence our future asset improvement plans. In-house stock condition surveys covering 64% of Horizon stock have been completed with the final properties to be surveyed in 2021/22 following the delay due to the restrictions imposed as a result of Covid-19. This will inform the future five-year and thirty-year investment plans.

Horizon invested £497,924 in upgrading and improving 141 tenants' homes with new kitchens, bathrooms, windows and boilers in the financial year. We also invested a further £240,000 on electrical installation condition reports (EICR) to a number of our properties and upgraded over 400 properties smoke detection systems to be compliant with the new tolerable standard as amended by the Housing (Scotland) Act 1987 (Tolerable Standard) (Extension of Criterion) Order 2019. We therefore have over 74% of our stock with a current EICR and 94% of our stock with interlinked smoke and heat detectors. Our tenant satisfaction with our repairs service is lower than we would like with 88% of our tenants stating that they are satisfied or very satisfied. In order to drive up performance with our repairs service we have recruited an additional asset officer to increase the team to three officers allowing for additional resource to focus on contractor quality through increased post inspections and more accurate diagnosis of repairs at first point of contact.

Horizon completed 56 adaptations for Horizon tenants during the year with £146,546 of grant assistance from Scottish Government and additional adaptations were carried out as part of the planned maintenance programmes for bathrooms and kitchens. The average time to complete approved applications for Stage 3 adaptations was 58 days which was higher than the 26 days the previous year, this increase was attributed to the restrictions due to Covid -19 and many of those who had been referred for adaptations were in the shielding category. The total cost of adaptations excluding those completed under the planned maintenance programme was £158,319 in 2020/21.

Our Estates Caretaking team continued throughout the lockdown period to make sure the environment around Horizon's developments and communal areas are safe, maintained to a high standard and that any issues are quickly identified and addressed. Annual estate inspections are attended by tenants and staff and used to identify necessary improvements or renewals, many of which were postponed for 2020/21 due to the lockdown restrictions, however our teams continued to visit each development and highlight any areas for improvement. We have appointed a framework contract to carry out landscaping improvements and have already completed 3 sites as a pilot project which will enable us to further develop our approach to improving our communal areas over the next 3 years. The team continue to provide disabled tenants or elderly tenants a free of charge grass cutting service as well as a 'Good Neighbour' service where the estates caretakers help tenants out with small jobs, like lifting heavy items or changing lightbulbs.

3. Tenant Involvement

The lockdown has impacted significantly on tenant engagement activities since face-to-face meetings have not been possible. Despite this a core group of members of the Residents Improvement Group (RIG) has continued to meet via Zoom, supported by the Tenant Information Service (TIS). The RIG completed its fourth review focussing on complaints in relation to repairs in summer 2020, and subsequently commenced a new project on the planned maintenance programme. In addition, the group met to influence the design of the Annual Return to Tenants and the annual rent consultation.

Unfortunately, lockdown restrictions prevented Horizon from holding neighbourhood events such as 'Tea in the Car Park' that have proved to be very popular in the past.

There is currently one tenant member on the Board of Management ("The Board"). Three places on Horizon's Board are reserved for tenant members.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

4. Future Developments

Horizon's Board has clear priorities for 2021/22, all linked to the six strategic objectives set out earlier in this report and all intended to contribute towards the outcomes also set out earlier.

Horizon continues to work with its West Lothian Development Alliance partners to increase the supply of affordable, accessible housing for rent in West Lothian. The West Lothian Development Alliance is part of the Homes for West Lothian Partnership which has previously submitted an indicative programme for the Strategic Housing Investment Plan covering the period 1 April 2021 to 31 March 2022.

Horizon continues to contribute to the Renfrewshire Housing Providers' Forum to support the delivery of affordable and accessible housing across that area. Work is also currently underway to collate information on the availability and location of wheelchair and accessible housing, as well as adapted properties.

The four partners in Link Housing have been developing a housing strategy based around key themes of tenant participation/engagement; sustainability; value for money and accountability/culture. A staff away-day in February was the first time all housing staff had been together, and staff raised and discussed some important developments and ways of working. This will be implemented during the coming year.

The Horizon Access Ownership programme now includes 9 properties, and 11 properties managed for the Link Group.

5. Business Outlook

Horizon's business plan incorporates a 30-year financial projection which demonstrates that Horizon is a viable going concern, able to meet its commitments and requirements in relation to service and asset management as well as maintaining and complying with various obligations required by its lender.

However, as the impact of the Covid-19 pandemic continues, work is ongoing to monitor the situation in terms of cash flow. This includes stress-testing and scenario planning to assess future affordability and identify mitigating actions.

Like all social housing providers, Horizon is experiencing the impact of social security changes including the application of Universal Credit. Although, Horizon includes the impact of adverse scenarios arising from these changes in its sensitivity analysis as a part of its long-term financial projections. The full impact of Universal Credit continues to be the one of the highest risks facing Horizon in the immediate future, notwithstanding the Covid-19 pandemic.

Corporate Governance

The Board is elected annually by the members of the Association and is responsible for setting the strategic direction of the organisation and ensuring financial control. It delegates responsibility for the monitoring of its financial and risk management activities to its Finance, Audit and Risk sub-committee ("the Audit Committee"). The members of the Board act in a voluntary capacity, for which they receive no remuneration.

The Management Team is responsible for the implementation of Horizon's Business Strategy, ensuring that operational activities are undertaken in line with the policies approved by the Board and the monitoring of performance against the Key Performance Indicators (KPIs) agreed by the Board.

The Board takes its Corporate Governance role very seriously and arranges appropriate induction training for members, regular briefing sessions, encourages and arranges attendance at conferences and training and at tenant involvement events. The annual appraisal of Board members took place in September 2020 with a revised process which includes a skills audit and assessment of the tools and equipment board members need to be able to carry out their board duties.

Two new members joined the Board in the year 2020/21.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Corporate Structure

Horizon is a partner within Link Group Limited (the "Group"), a Registered Social Landlord. Ultimate responsibility for the conduct and control of the Group and its subsidiaries rests with the Link Group Board, while an Independence and Responsibilities Agreement sets out conditions for the autonomous operation of the Association within the Group. The partners work within a revised Intra Group Agreement which set out new governance arrangements for all parties to work effectively together.

Treasury Management

Horizon has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. In this way Horizon manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

Horizon, as a matter of policy, does not enter into transactions of a speculative nature. As at 31 March 2021, £5.75m (61%) (2020: £6.05m (61%)) of borrowings with external funders were subject to fixed interest rates.

Budgetary Process

Each year the Board approves the annual budget, the rolling five-year strategic plan and the 30-year financial projections. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year, together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Internal Audit

Internal Audit services are provided by an experienced external company. The audit work plan is generated from a detailed Audit Needs Assessment which is based upon a systematic risk assessment of the groups' operations and activities. The Internal Auditor reports to the Group Audit and Risk Committee.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Performance Management

Horizon wants to continuously improve its business activities, promoting positive outcomes for individuals and their communities. As part of the business planning process, performance targets and Key Performance Indicators (KPIs) are established in consultation with staff. Performance against KPI targets is monitored by the Board and Audit Committee on a quarterly basis and reported to tenants in the Annual Report to Tenants. Performance against the Scottish Social Housing Charter Outcomes and other measures is also reported quarterly to the Link Group Board. Performance is benchmarked with other Link Group partners and with other Registered Social Landlords (RSLs).

Performance against Business Plan objectives is also monitored quarterly by the Management Team and bi-annual reports are made to the Board. Performance is managed at a team level through regular team meetings, and individual staff performance is developed and appraised at twice yearly reviews.

Horizon Housing Association	Target 2021/22	Link Group Target 2021/22	Scottish RSL average 2019/20
Core Services			
Gross rent arrears (all current and former tenants) as a percentage of rent due [Charter indicator 27]	<4.0%	5.6%	4.4%
Average time to relet (days) [Charter indicator 30]	15	25	25.7
Average length of time to complete emergency repairs (hours) [Charter indicator 8]	≤ 4 hours	4 hours	2.7 hours
Average number of days to carry out non-emergency repairs [Charter indicator 9]	≤ 5	6	5.7
% Reactive repairs completed right first time [Charter indicator 10]	≥ 95%	95%	92.8%
How many times in the reporting year did you not meet your statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitter or last checked [Charter indicator 11]	0	0	208
% of 1 st stage complaints responded to in full, within the Scottish Public Services Ombudsman (SPSO) Model Complaint Handling Procedure (CHP) timescales [Charter indicator 3]	≥ 95%	95%	98.6%
% of 2 nd stage complaints responded to in full, within the Scottish Public Services Ombudsman (SPSO) Model Complaint Handling Procedure (CHP) timescales [Charter indicator 4]	≥ 95%	95%	94.2%
% of stock meeting the Scottish Housing Quality Standard (SHQS) [Charter Indicator 6]	100%	99.6%	93%
% of properties meeting EESH [Charter Indicator 10]	99%	95%	90.9%
Homelessness - of properties available (and where there was a demand from homeless people) to let what % went to homeless applicants	> 55%	> 70%	N/A

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Risk Management

The Board and Audit committee receive regular updates on Horizon's risk profile and Covid-19 risk profile and has consolidated the risks into 19 areas and has conducted a revised risk mapping exercise (analysis of risks facing Horizon), this has identified and prioritised the medium and high-level risks which require regular monitoring by the Board. The Audit Committee has responsibility for monitoring and review of risks during the year, with the outcome of this reported to the Board.

Horizon has set policies on internal controls which cover the following:

- Type of risks Horizon faces.
- Level of risks which it regards as acceptable.
- Probability of the risks concerned materialising.
- Horizon's ability to reduce the incidents and impact on the business of risks that do materialise; and the costs of operating controls relative to the benefit obtained.
- Responsibility of management to implement the Management Committee's policies and to identify and evaluate risks for their consideration.
- Responsibility of employees regarding internal control as part of their accountability for achieving objectives.
- Implementation of the control system into Horizon's operations ensuring integration into the culture of Horizon.
- Development of systems to respond quickly to evolving risks arising from factors within Horizon and to changes in the external environment.
- Implementation of procedures for reporting failings immediately to appropriate levels of management and the Management Committee together with details of corrective action being undertaken.

The 19 Risk areas have been identified as:

- Substantial increase in pension liability or deficit payments.
- Rent cuts or freezes become inevitable threatening viability.
- Rents are not affordable for tenants.
- Loss of income.
- Interest costs.
- Failure to comply with the Data Protection legislation leading to financial penalties from Information Commissioner's Office and loss of reputation.
- Financial fraud/ theft including cyber-attack.
- Failure to adequately address climate change.
- Housing inequalities, particularly in relation to disabled people are harder to address, are perpetuated or worsen.
- Lettings policy, procedures and systems do not improve access to suitable housing - or deliver fewer good outcomes for disabled applicants than for non-disabled households.
- Failure to deliver good quality Reactive and Voids Repairs Service to meet Charter outcomes.
- We do not have the staff, resources and skills to deliver required services.
- Board numbers, skills & succession planning for potential office bearers are inadequate for good governance.
- Services are reduced/halted due to further lockdown.
- Inadequate new working arrangements as a result of Covid-19.
- Gas safety requirements are not satisfied leading to injury/fatality or non-compliance with evidence requirements.
- Compliance with the requirement to notify the regulator of a notifiable event triggers a loan covenant breach.
- Failure to meet Scottish Housing Regulator (SHR) regulatory requirements.
- Breach of Health and Safety Regulations.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Maintenance policies

Horizon seeks to maintain its properties to the highest standard. To this end, programmes of cyclical maintenance are carried out to deal with and prevent the gradual and predictable deterioration of building components. It is expected that the cost of this maintenance and associated repairs would be charged to the Income and Expenditure account.

In addition, Horizon has a long-term programme of major repairs to cover works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs will be capitalised as required by the SORP.

Component accounting

In accordance with the 'Housing SORP', Horizon operates component accounting. This accounting treatment ensures that the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component is capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements better to reflect the use of the component over its life cycle.

Employee Involvement and Health & Safety

Horizon encourages employee involvement in all major initiatives. A Board and Employee Negotiating Committee for Horizon (BENCH) meets as required to negotiate on salary cost of living increases and review a range of human resources policies. A Health and Safety Staff Group meets every 6 weeks to review all health and safety matters and to implement any improvements arising from inspections and audits. The Board receives quarterly reports on any incidents or accidents and an annual Health and Safety report. Health and Safety is subject to regular internal audit with the most recent audit being carried out in January 2020, and any actions and recommendations are reported to the Audit Committee and Board.

Rental Income

Horizon's rent policy is a points system based on the size, type and facilities of the accommodation. A major review of the rent structure was carried out in 2018/19, and recommendations were agreed by the Board in December 2019 which were implemented in April 2020, with support for those most affected in the form of a phased increase over two years. The rent increase for 20/21 was 2.5% following a majority vote of Horizon tenants (with a 33% response rate – significantly higher than previous years).

Disabled Employees

Employment applications from disabled people are given full and fair consideration in accordance with their aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of Horizon that training, career development and promotion opportunities should be available to all employees. Horizon employs 32 staff (31 FTE) of which two consider themselves to be disabled.

Home Ownership

Horizon has not sold (2020: 2) or purchased (2020: 2) any shared ownership properties on the open market in the year. Horizon continues to extend choice of home ownership to disabled people through the Access Ownership scheme in partnership with Link Group Limited, funds were made available in 2020/21 to invest in tailored shared ownership solutions for disabled people and their families. However, there were no acquisitions (2020: 3) under the programme in the year by Link Group. Horizon's partnership with Housing Options Scotland continues to provide benefits, increasing access to independent housing information, advice and solutions for disabled people.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Future Plans – Key Priorities

1. Provide **quality homes & services** at the **right price** for tenants.
 - Develop a value for money strategy with housing services.
 - Continue to implement our Resident Engagement Strategy, promoting digital and on-line services and support.

2. Help deliver more **accessible homes** across Scotland.
 - Build on the outcomes of the Accessible Housing Summit.
 - Develop work on adaptations with key partners and explore options to develop a national design standard and award for inclusive and wheelchair homes.

3. Work with **Link Group** Partners to achieve Horizon's desired outcomes.
 - Continue to implement the intra-group arrangements and revised joint business planning process.
 - Implement key elements of the housing strategy.

4. Develop and support **initiatives which keep older and disabled people in the community**.
 - Work with Health & Social Care partnerships and 3rd sector to support people in their own homes.
 - Implement our social inclusion/digital inclusion project to support a range of tenants and customers.

5. Deliver **social impact and value for money**.
 - Continue to work with Link to support and deliver the ICT change projects.
 - Continue to deliver key projects to improve front line services and back-office support.

6. Work to **address climate change**.
 - Develop a strategy addressing decarbonization agenda, promoting positive change within our properties and tenancies, ways of working and office accommodation.
 - Implement board, staff and tenant learning program.

Auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and RSM UK Audit LLP will therefore continue in office.

Provision of information to the auditor

The Members of the Board of Management who held office at the date of approval of this report of the Board of Management confirm that, so far as they each are aware, there is no relevant audit information of which the Association's auditor is unaware; and each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

BY ORDER OF THE BOARD OF MANAGEMENT

R McDougall
Chairperson

Date: 17 August 2021

HORIZON HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2021

The Board of Management ("The Board") acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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 proper authorisation and recording of transactions.
- 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 include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management financial statements are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Board members.
- the Board reviews reports from the Chief Executive, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a regular review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has continued to review the system of internal financial control in the Association during the year ended 31 March 2021. No weaknesses were found in the internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the external auditor's report on the financial statements.

BY ORDER OF THE BOARD OF MANAGEMENT

R McDougall
Chairperson

Date: 17 August 2021

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 FOR A REGISTERED SOCIAL LANDLORD

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Management 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for instituting adequate systems of internal control and for:

- safeguarding assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it 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 – February 2019.

Opinion

We have audited the financial statements of Horizon Housing Association Limited (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the 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;
- 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 Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about 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 of going concern are described in the relevant sections of this report.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZON HOUSING ASSOCIATION LIMITED (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 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 15, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZON HOUSING ASSOCIATION LIMITED (continued)

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

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

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

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

Use of our report

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

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

Date: 20 August 2021

REPORT BY THE AUDITOR TO THE MEMBERS OF HORIZON HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 14 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 Control on page 14 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.

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

Date: 20 August 2021

HORIZON HOUSING ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £	2020 £
Turnover	2	5,003,496	5,240,263
Operating expenditure	2	<u>(3,925,164)</u>	<u>(4,355,187)</u>
Operating surplus		1,078,332	885,076
Interest receivable		743	3,073
Interest and financing costs	4	(165,452)	(220,064)
Other finance charges		(2,000)	(16,000)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation		911,623	652,085
Taxation		<hr/> -	<hr/> -
Surplus for the year		911,623	652,085
Remeasurement of the defined benefit pension liability		(732,000)	370,000
Total comprehensive income for the year		<hr/> <u>179,623</u>	<hr/> <u>1,022,085</u>

All results relate wholly to continuing activities.

HORIZON HOUSING ASSOCIATION LIMITED**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021**

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2020	50	5,925,027	5,925,077
Issue of shares	3	-	3
Cancellation of shares	-	-	-
Surplus from Statement of Comprehensive Income	-	911,623	911,623
Remeasurement of the defined benefit pension liability	-	(732,000)	(732,000)
Balance as at 31 March 2021	<u>53</u>	<u>6,104,650</u>	<u>6,104,703</u>

The notes on pages 24 to 43 form part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
Non-Current Assets					
Tangible fixed assets					
Housing properties	5a		45,434,665		46,397,746
Other fixed assets	5b		<u>510,508</u>		<u>543,549</u>
			45,945,173		46,941,295
Current Assets					
Stock		2,058		4,778	
Trade and other receivables	6	185,491		131,044	
Cash and cash equivalents		<u>1,654,195</u>		<u>1,527,393</u>	
		1,841,744		1,663,215	
Payables: amounts falling due within one year	7	<u>(1,412,710)</u>		<u>(1,727,739)</u>	
Net current assets/(liabilities)			<u>429,034</u>		<u>(64,524)</u>
Total assets less current liabilities			46,374,207		46,876,771
Payables: amounts falling due after more than one year	8		(8,993,089)		(9,467,030)
Deferred income	10		(30,524,214)		(31,290,008)
Pension liability	14b		(752,201)		(194,656)
Net assets			<u>6,104,703</u>		<u>5,925,077</u>
Capital and reserves					
Share capital	11		53		50
Revenue reserve including pension reserve	12		6,104,650		5,925,027
			<u>6,104,703</u>		<u>5,925,077</u>

Approved and authorised for issue by the Board of Management on Thursday 15 July 2021 and signed on its behalf by:

R McDougall, Chairperson

J Pritchard, Vice Chairperson

L Cameron, Secretary

17 August 2021

The notes on pages 24 to 43 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
Net cash inflow from operating activities	16		1,245,925		2,037,153
Investing activities					
Acquisition and construction of properties		(482,395)		(892,396)	
Purchase of other fixed assets		(14,182)		(9,596)	
Proceeds of other fixed assets		8,700		-	
Grants repaid		-		(17,235)	
Interest received on cash and cash equivalents		743		3,073	
Net cash outflow from investing activities			(487,134)		(916,154)
Financing activities					
Interest paid on loans	4	(165,452)		(220,064)	
Issue of shares		3		1	
Loan principal repayments		(466,540)		(438,780)	
Net cash outflow from financing activities			(631,989)		(658,843)
Increase/(Decrease) in cash			126,802		462,156
Opening cash and cash equivalents			1,527,393		1,065,237
Closing cash and cash equivalents			1,654,195		1,527,393

The notes on pages 24 to 43 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Horizon is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102. The company's registered office is noted on page 10 and a description of the principal activities of the Association is noted on page 4 of the Report of the Board of Management.

1. Accounting Policies

The principal accounting policies of Horizon are set out in paragraphs (c) to (s) below.

(a) Basis of Accounting

These financial statements are prepared in accordance with applicable accounting standards and statements of recommended practice and comply with the requirements of the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2018 (SORP 2018) and Financial Reporting Standard 102 (FRS 102).

(b) Going concern

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

The Board of Management have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Horizon Housing Association has a healthy cash position and thus the Board of Management is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. The Board of Management, have reviewed the company's budgets for 2021/22 and the medium-term financial position as detailed in the 30-year business plan, taking account of plausible downsides.

Consequently, the Board of Management are confident that the association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. There are some uncertainties arising as a result of the Covid-19 pandemic, however these are not considered to be material.

(c) Turnover

Turnover is recognised in the year to which it relates. Turnover, which is stated net of value added tax, represents income receivable from lettings and property management, revenue grants, contract income for care and repairs services and other income.

(d) Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

(e) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in Note 5 will be grant aided, funded by loan or met out of reserves.

1. Accounting Policies (continued)

(f) Financial instruments

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

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

Financial assets

Receivables

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

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

A provision for impairment of receivables is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade receivable over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities

Trade payables

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

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

Borrowings

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1. Accounting Policies (continued)

(g) Mortgages

Mortgage loans are advanced by the Scottish Government or private lenders under the terms of individual mortgage deeds in respect of each property or housing scheme.

(h) 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 as income on a systematic basis over the expected useful life of the property and assets to which it relates. Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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.

Non-government grants are accounted for using the performance method, as outlined in Section 24 of Financial Reporting Standard 102 and the SORP 2018. Non-government grants are recognised as income when the performance conditions have been met.

(i) Tangible Fixed Assets and Depreciation

Housing properties

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

The properties are stated at historical cost less accumulated depreciation. Each property has been split between its major component parts which are depreciated on a straight-line basis over their expected economic useful life. A full year's depreciation is charged in the year of acquisition, but no charge is made in the year of disposal. The following major components and useful lives have been identified by the Association:

- Land - not depreciated
- Structure – over 60 years
- Rewiring – over 40 years
- Windows – over 30 years
- Doors – over 30 years
- Bathrooms – over 25 years
- Pipework – over 24 years
- Kitchen – over 15 years
- Boilers – over 12 years
- Smoke Detectors – over 10 years

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

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

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

Heritable office property

Heritable office property is held at cost less accumulated depreciation.

Depreciation is provided at a rate calculated to write off the cost of the offices evenly over their expected useful life of 60 years.

1. Accounting Policies (continued)

(i) Tangible Fixed Assets and Depreciation (continued)

Furniture and equipment

Furniture and Equipment are held at cost less accumulated depreciation.

Depreciation is provided at a rate calculated to write off the cost of furniture and equipment evenly over its expected useful life of 8 years. Computer equipment depreciation is provided at a rate calculated to write off the cost of the computer equipment evenly over its expected useful life of 3 years.

Motor vehicles

Motor vehicles are held at cost less accumulated depreciation.

Depreciation is provided at a rate calculated to write off the cost of the motor vehicles evenly over their expected useful life of 5 years.

(j) Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist the Association estimates the recoverable amount of the asset. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

(k) Shared Ownership transactions

First tranche sales of shared ownership properties are treated as sales of current assets, with proceeds being credited to turnover and costs to cost of sales in the Income and Expenditure Account. Sales taking place after the initial purchase are accounted for as a disposal of fixed assets.

(l) Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis that they are directly engaged in each of the operations dealt with in those accounts.

(m) Apportionment of costs between housing types

Indirect employee administration and operating costs have been apportioned to the housing types of General Needs Housing, Supported Housing and Shared Ownership based on a percentage of Rent and Service charge receivable.

(n) Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure on a straight-line basis over the lease term. These were £806 in 2021 (2020: £806)

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1. Accounting Policies (continued)

(o) Pensions

The Association participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit pension scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme in September 2013. Contributions to the defined contribution scheme are charged to the Statement of Comprehensive Income to spread the cost of pensions over the employees working lives with the Association.

Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. In accordance with FRS 102, the Association's share of the scheme assets and liabilities has been separately identified and included in the Association's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Horizon's share of the deficit is recognised in full, and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

(p) Stocks

Stocks are valued at the lower of cost and net realisable value, after making allowances for obsolete and slow moving items.

(q) Value added tax

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

(r) Provisions

The Association recognises provisions when: there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(s) Corporation Tax

Horizon Housing Association Limited is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2012 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1. Accounting Policies (continued)

(t) Judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Pension Scheme Liabilities

The SHAPS pension scheme provision is valued in these financial statements by an independent actuary. The assumptions used are reviewed by the Board of Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation and discount rates. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi-employer pension scheme.

Depreciation

Estimation has been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or asset component.

Receivables

Debtor recoverability is considered throughout the year and appropriate provisions set aside in the financial statements where required.

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)****2. Particulars of Turnover, Operating Costs and Operating Surplus**

	Turnover	Operating	2021	2020
	£	Costs	Operating	Operating
		£	Surplus/	Surplus/
			(Loss)	(Loss)
			£	£
Affordable letting activities (note 3a)	4,931,375	3,884,499	1,046,876	889,855
Other activities (note 3b)	72,121	40,665	31,456	(4,779)
2021 Total	5,003,496	3,925,164	1,078,332	885,076
2020 Total	5,240,263	4,355,187	885,076	

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

3a. Particulars of Turnover, Operating Costs and Operating Surplus from Affordable Letting Activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	Total 2021 £	Total 2020 £
Revenue from lettings					
Rent receivable including service charges	3,815,879	82,510	87,895	3,986,284	3,681,518
Service charges Receivable from Leases and Shared Owners	8,275	-	23,014	31,289	258,631
Gross income from rents and service charges	3,824,154	82,510	110,909	4,017,573	3,940,149
Less: Voids	(15,934)	-	(3,012)	(18,946)	(11,599)
Net income from rents and service charges	3,808,220	82,510	107,897	3,998,627	3,928,550
Revenue Grants					
Grants released from deferred income	728,956	25,326	11,511	765,793	765,720
Revenue grants from Scottish Ministers	166,955	-	-	166,955	146,585
Other revenue grants	-	-	-	-	4,543
Total turnover from affordable letting activities	4,704,131	107,836	119,408	4,931,375	4,845,398
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,229,666	30,518	32,616	1,292,800	1,382,211
Service costs	227,843	3,548	1,865	233,256	280,037
Planned and cyclical maintenance including major repair costs	496,225	(3,518)	1,019	493,726	256,646
Reactive Maintenance costs	363,518	4,141	5,006	372,665	567,518
Bad Debts – rents and service charges	31,048	-	-	31,048	43,129
Depreciation of affordable let properties	1,343,925	41,786	23,171	1,408,882	1,390,935
Loss on disposal of components	52,122	-	-	52,122	35,067
Operating costs for affordable letting activities	3,744,347	76,475	63,677	3,884,499	3,955,543
2021 Operating surplus/(deficit) on affordable letting activities	959,784	31,361	55,731	1,046,876	889,855
2020 Operating surplus on affordable letting activities	830,227	(1,296)	60,924	889,855	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2020: £nil). The cost of property components capitalised in the year was £497,924 (2020: £632,076).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

3b. Particulars Of Turnover, Operating Costs and Operating Surplus/(Deficit) from Other Activities

	Other revenue grants £	Other income £	Total Turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus/ (deficit) 2021 £	Operating surplus/ (deficit) 2020 £
Other activities							
Care and repair	-	-	-	-	-	-	(25,149)
Factoring	-	19,965	19,965	-	19,508	457	(4,345)
Contracted out services for registered social landlords	-	6,243	6,243	-	6,243	-	-
Contracted out services for other organisations	-	43,142	43,142	-	14,914	28,228	2,499
Gain on disposal of properties	-	-	-	-	-	-	73,739
Other activities - new initiatives	-	-	-	-	-	-	(67,710)
Other activities	-	2,771	2,771	-	-	2,771	16,187
2021 Total	<u>-</u>	<u>72,121</u>	<u>72,121</u>	<u>-</u>	<u>40,665</u>	<u>31,456</u>	<u>(4,779)</u>
2020 Total	<u>-</u>	<u>394,865</u>	<u>394,865</u>	<u>-</u>	<u>399,644</u>	<u>(4,779)</u>	

Horizon did not receive any income or incur any expenditure in respect of Wider Role or Support and Care activities and did not receive any Grants from Scottish Ministers or income for care or support activities from statutory sources (2020: £nil).

4. Interest and financing costs

	2021 £	2020 £
Loan interest payable	<u>165,452</u>	<u>220,064</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

5. Non-Current Assets

5a. Housing Properties

	Housing Properties held for Letting £	Completed Shared Ownership Housing Property £	Housing properties Total £
Cost			
At 1 April 2020	65,432,881	1,582,087	67,014,968
Additions during year	497,924	-	497,924
Disposals	(189,147)	-	(189,147)
At 31 March 2021	<u>65,741,658</u>	<u>1,582,087</u>	<u>67,323,745</u>
Depreciation			
At 1 April 2020	20,332,790	284,432	20,617,222
Provided during year	1,385,711	23,171	1,408,882
Disposals during year	(137,024)	-	(137,024)
At 31 March 2021	<u>21,581,477</u>	<u>307,603</u>	<u>21,889,080</u>
Net book value At 31 March 2021	<u>44,160,181</u>	<u>1,274,484</u>	<u>45,434,665</u>
At 31 March 2020	<u>45,100,091</u>	<u>1,297,655</u>	<u>46,397,746</u>

Land values included in the cost above are £2,117,753 (2020: £2,117,753) for Properties held for Letting and £316,417 (2020: £316,417) for Shared Ownership properties.

Development administration costs capitalised amounted to £nil (2020: £nil) for which Housing Association Grants amounting to £nil (2020: £nil) were received in the year.

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2020: £nil).

The Net Book Value of the 463 properties pledged as security for loans per note 9 is £6,519,031.

Works expenditure on Housing Properties

	2021 £	2020 £
Capitalised	497,924	632,076
Expensed	15,864	35,049
Total	<u>513,788</u>	<u>667,125</u>
Capitalised works are classified as follows;		
Replacements	497,924	632,076
Total	<u>497,924</u>	<u>632,076</u>

All land and buildings are wholly owned by Horizon Housing Association Limited.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

5. Non-Current Assets (continued)

5b. Other Tangible Assets

	Heritable office property £	Furniture and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2020	722,673	103,395	179,265	1,005,333
Additions during year	-	14,182	-	14,182
Disposals	-	-	(22,030)	(22,030)
At 31 March 2021	<u>722,673</u>	<u>117,577</u>	<u>157,235</u>	<u>997,485</u>
Depreciation				
At 1 April 2020	220,191	75,653	165,940	461,784
Provided during year	21,066	12,832	13,325	47,223
Disposals during year	-	-	(22,030)	(22,030)
At 31 March 2021	<u>241,257</u>	<u>88,485</u>	<u>157,235</u>	<u>486,977</u>
Net book value				
At 31 March 2021	<u>481,416</u>	<u>29,092</u>	<u>-</u>	<u>510,508</u>
At 31 March 2020	<u>502,482</u>	<u>27,742</u>	<u>13,325</u>	<u>543,549</u>

6. Receivables

	2021 £	2020 £
Rent arrears	144,783	142,507
Less: Provision for bad debts	(83,329)	(79,097)
Net rent arrears	<u>61,454</u>	<u>63,410</u>
Grants and mortgage advances receivable	42,955	20,621
Sundry receivables and prepayments	81,082	47,013
	<u><u>185,491</u></u>	<u><u>131,044</u></u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

7. Payables: amounts falling due within one year	2021	2020
	£	£
Rents in advance	180,424	184,712
Capital payables	60,755	45,226
Deferred income	114,289	116,365
Sundry payables and accruals	422,273	323,398
Amount due to parent	111,112	506,106
Amount due to group companies	68,395	103,871
Current instalments due on loans (note 9)	455,462	448,061
	<u>1,412,710</u>	<u>1,727,739</u>

8. Payables: amounts falling due after more than one year	2021	2020
	£	£
Housing loans (note 9)	<u>8,993,089</u>	<u>9,467,030</u>

The current instalments due on the above loans are included in note 7 above.

9. Loans	2021	2020
	£	£
i) <i>Loans other than instalment loans</i>		
Loans advanced by the Scottish Government	2	2
These loans fall to be repaid in March 2042 and November 2049. No interest is payable.		
Loans advanced by Private Lender		
This loan is payable on demand and no interest is payable.	50,000	50,000
ii) <i>Loans repayable by instalments</i>		
Loans advanced by Private Lenders	9,398,549	9,865,089
The Nationwide Building Society holds a standard security on 463 of Horizon Housing Association's properties. The loans are repayable by instalments of principal and interest, which fall to be repaid within 30 years. The loans bear interest at rates between 0.97% and 3.42% (2020: 0.97% and 3.42%)		
	<u>9,448,551</u>	<u>9,915,091</u>

Analysis of maturity of debt

Accounts repayable:	2021	2020
	£	£
Due within one year	455,462	448,061
Due within 1-2 years	464,077	456,487
Due within 2-5 years	1,435,152	1,422,100
Due after 5 years	7,093,860	7,588,443
	<u>9,448,551</u>	<u>9,915,091</u>

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

10. Deferred Income	2021	2020
	£	£
Social housing grants		
Opening balance	31,290,008	32,072,964
Additions in the year	-	-
Released / Repaid as a result of property disposal	-	(17,235)
Amortisation in the year	(765,793)	(765,721)
Closing balance	<u>30,524,215</u>	<u>31,290,008</u>

The social housing grants are only repayable when the properties are sold. There are no amounts due within 5 years.

11. Share capital	2021	2020
	£	£
Shares of £1 each issued and fully paid		
At 1 April	50	68
Issued during the year	3	1
Removed during the year	-	(19)
At 31 March	<u>53</u>	<u>50</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.

12. Reserves**Revenue Reserve**

Includes all surplus and deficits, including those retained from previous periods. This reserve also includes any remeasurement of the defined benefit pension liability.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

13. Employees		2021	2020
		£	£
Staff costs during year:			
Wages and salaries	1,043,087	990,930	
Social security costs	107,490	97,769	
Other pension costs	92,523	86,718	
	<u>1,243,100</u>	<u>1,175,417</u>	

Temporary, Agency and Seconded staff costs in the year were £4,638 (2020: £99,272).

	2021	2020
	No.	No.
Average Full Time Equivalent number of employees during the year was	<u>31</u>	<u>35</u>
Average total number of employees during the year was	<u>32</u>	<u>37</u>

The key management personnel are defined as the Chief Executive and any other person reporting directly to the Chief Executive plus senior managers. In 2020 and 2021 the Head of Housing reported to the Chief Executive and the other key management personnel reported to the Head of Housing. There was 1 (2020 - nil) member of key management personnel whose total emoluments were £60,000 or more, excluding pension contributions, during the year.

Number of key management personnel during the year whose total emoluments (including pension contributions) were:

	2021	2020
£80,000 - £89,999	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>

Emoluments payable to the Chief Executive:

	£	£
Emoluments excluding pension contributions	80,935	67,401
Employer's pension contributions	3,369	6,025
	<u>84,304</u>	<u>73,426</u>

In 2020 the role was performed by the Interim Managing Director for the period April 2019 to November 2019 (8 months) and paid £21,913 and the current Chief Executive for the period December 2019 to March 2020 (4 months) and paid £51,513.

No member of the Board of Management received any emoluments in respect of their services to the Association.

The key management personnel are ordinary members of the Association's pension scheme described below. No enhanced or special terms apply to their memberships and they have no other pension arrangements to which the Association contributes.

	2021	2020
	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
Full time Directors	<u>94</u>	<u>413</u>
Board of Management	<u>204</u>	<u>1,685</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Pensions

14a. Defined Contribution Scheme

Horizon Housing Association Limited offers all staff membership to the SHAPS Defined Contribution scheme, with employer contribution rates of 6%, 9% or 12% of pensionable salaries for employees who joined the scheme before 1 December 2013, and of 5%, 6%, 8% or 9% of pensionable salaries for employees who joined the scheme after 1 December 2013.

As at the balance sheet date, there were 31 active members (2020: 29) of the Defined Contribution Scheme employed by Horizon Housing Association Limited. The employers contribution in 2021 amounted to £92,523 (2020: £95,178).

14b. Defined Benefit Scheme

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, Horizon is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

The Scheme is accounted for as a defined benefit scheme.

An actuarial valuation of the scheme was carried out as at 30 September 2020 to inform the liability for 31 March 2021.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

The Scheme is a funded defined benefit arrangement. All monetary figures are shown in £'000s sterling.

No assets included in the fair value of plan assets are the entity's own financial instruments or are properties occupied or used by the entity.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14b. Defined Benefit Scheme (continued)

Key Assumptions	2021	2020
Discount Rate	2.05%	2.40%
Salary Increases	2.00%	2.00%
Inflation (RPI)	3.50%	2.85%
Inflation (CPI)	2.80%	1.85%

Allowance for cash commutation 75% of maximum allowance 75% of maximum allowance

Mortality Assumptions

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

Life Expectancy at the age of 65 (Years)

Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

Amounts Recognised in Statement of Financial Position	2021 £'000	2020 £'000
Fair value of scheme assets	6,323	5,825
Present value of benefit obligation	(7,076)	(6,020)
Net pension liability	<u>(753)</u>	<u>(195)</u>

Amounts Recognised in Statement of Comprehensive Income	2021 £'000	2020 £'000
Current service costs	-	-
Administration costs	6	5
Net interest on net defined benefit obligation	2	16
Total pension cost recognised in Statement of Comprehensive Income	<u>8</u>	<u>21</u>

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2021 £'000	2020 £'000
Opening Defined Benefit Obligation	6,020	6,283
Expenses	6	-
Interest Expense	142	164
Actuarial losses / (gains) due to scheme experience	(121)	(289)
Actuarial losses / (gains) due to changes in financial assumptions	1,221	-
Benefits Paid and Expenses	(192)	(138)
Closing Defined Benefit Obligation	<u>7,076</u>	<u>6,020</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14b. Defined Benefit Scheme (continued)

	2021	2020
	£'000	£'000
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	5,825	5,561
Actual Return on Scheme Assets less Interest Income	368	81
Interest income	140	143
Employer Contributions	182	178
Benefits Paid and Expenses	(192)	(138)
Administration costs	-	-
	<u>6,323</u>	<u>5,825</u>

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £508,000.

	2021	2020
	£'000	£'000
Amounts Recognised in Other Comprehensive Income		
Actual return on plan assets less interest income on plan assets	368	81
Actuarial gains / (losses)	121	289
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	(1,221)	-
Remeasurement gains / (losses) recognised in other comprehensive income	<u>(732)</u>	<u>370</u>

The major categories of Scheme assets as a total of plan assets are as follows

	2021	2020
	£'000	£'000
Global Equity	978	801
Absolute Return	312	358
Distressed Opportunity	216	106
Credit Relative Value	182	140
Alternative Risk Premia	254	467
Fund of Hedge Funds	-	-
Emerging Market Debt	255	207
Risk Sharing	226	185
Insurance-Linked Securities	132	156
Property	113	109
Infrastructure	353	343
Private Debt	149	115
Opportunistic Illiquid Credit	162	142
High Yield	166	-
Opportunistic Credit	173	-
Cash	2	-
Corporate Bond Fund	477	426
Liquid Credit	109	153
Long Lease Property	147	142
Secured Income	347	323
Over 15 Year Gilts	3	74
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,520	1,534
Net Current Assets	47	44
	<u>6,323</u>	<u>5,825</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Auditor's Remuneration		2021	2020
		£	£
Audit of these financial statements		10,500	7,376
16. Reconciliation of operating surplus to net cash inflow from operating activities		2021	2020
		£	£
Surplus for the year		179,623	652,085
Depreciation of tangible fixed assets		1,456,105	1,472,947
(Increase)/Decrease in receivables		(54,447)	34,543
(Decrease)/Increase in payables		(337,959)	431,592
(Increase)/Decrease in stock		2,720	1,727
Carrying amount of tangible fixed asset disposals		52,122	150,159
Proceeds from the sale of fixed assets		(8,700)	-
Government grants utilised in the year		(765,793)	(765,720)
Interest payable		165,452	220,064
Interest received		(743)	(3,073)
Cancellation of share		-	(19)
Pension costs less contributions payable		557,545	(157,152)
Net cash inflow from operating activities		<u>1,245,925</u>	<u>2,037,153</u>
17. Reconciliation of net cash flow to movement in debt		2021	2020
		£	£
Increase/(Decrease) in cash in year		126,802	462,156
Loan repaid		<u>466,540</u>	<u>438,780</u>
Change in net debt		593,342	900,936
Net debt at 1 April		<u>(8,387,698)</u>	<u>(9,288,634)</u>
Net debt at 31 March		<u><u>(7,794,356)</u></u>	<u><u>(8,387,698)</u></u>
18. Analysis of changes in financing during the year			
	As at	Cashflows	As at
	1 April		31 March
	2020		2021
	£	£	£
Cash at bank and in hand	1,527,393	126,802	1,654,195
Debt due within one year	(448,061)	(7,401)	(455,462)
Debt due more than one year	(9,467,030)	473,941	(8,993,089)
	<u>(8,387,698)</u>	<u>593,342</u>	<u>(7,794,356)</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

19. Housing units	2021	2020
General needs *	797	797
Shared ownership	29	29
Shared bedspaces	44	44
Total	<u>870</u>	<u>870</u>

* Included in general needs are 2 units which are currently in use as offices, 1 unit leased to Woman's Aid and 3 units leased to local authority Councils as temporary accommodation.

In addition, Horizon manages 11 units on behalf of Link Housing Association (2020: 11), for which Link Housing Association pays a management fee.

20. Operating Leases as a Lessor

Of the 6 leased properties (2020: 3) (note 19), Horizon received £28,373 in the year to 31 March 2021 (2020: £14,797).

Future minimum rentals receivable under these leases are as follows:

	2021	2020
	£	£
Receivable within one year	14,463	9,361
Receivable within 1-2 years	-	-
Receivable within 2-5 years	-	-
Receivable after 5 years	-	-
	<u>14,463</u>	<u>9,361</u>

All leases are on a rolling renewal basis of either 6 month or annual periods. There are no options for purchase in the terms.

The terms of the leases are to maintain the property and gardens, not to assign or sub-let, no structural changes and major / emergency structural repairs are to be notified to Horizon.

21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2020: £nil)

22. Related Party Transactions

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

The related party relationships of the members of the Board of Management are summarised as set out below.

Board members cannot use their position to their advantage and any transactions between Horizon and any entity with which a governing body member has a connection is made at arm's length and is under normal commercial terms.

One Board member is a tenant of the association (2020: 2 tenants) and has a tenancy that is on Horizon's normal tenancy terms and they cannot use their position to their advantage.

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

Rent received from the tenants on the Board was £4,546 (2020: £5,932).

At the year-end there were no rent arrears (2020: nil) owed by the tenant members of the Board.

As a wholly owned subsidiary of Link Group Limited Horizon is exempt from the requirements of FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited.

23. Ultimate Parent Organisation

The company's parent undertaking at the balance sheet date was Link Group Limited, a Community Benefit Society registered with the Financial Conduct Authority, registration no 1481(R) S. Link Group Limited exercises dominant control through its ability to control the majority of the membership of the Board.

The company's results are consolidated as part of the ultimate parent company's accounts. Link Group Limited's accounts can be obtained from the below address.

Registered Office	Web Site	E-Mail
2C New Mart Road Edinburgh EH14 1RL	www.linkhousing.org.uk	linkhousing@linkhousing.org.uk