



KEY HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

KEY HOUSING ASSOCIATION LIMITED

LEGAL AND ADMINISTRATIVE DETAILS

Scottish Charity registration number SC006652

Financial Conduct Authority registration number 1938R (S)

Scottish Housing Regulator registration number HEP141

Registered office 70 Renton Street
Glasgow
G4 0HT

Members of the Board

Sheenagh Simpson (Chairperson)
John Paterson (Vice Chairperson)
Anne McGuigan (Vice Chairperson)
Angus Turner (Vice Chairperson - Appeals)
David Meechan
David Le Sage
Gillian Anderson
Bob Parry (resigned 29 July 2022)
Jack Crombie
Rebecca O'Donnell
Karen Jamieson
Musab Hems
Dee Fraser (co-opted 10 May 2023)
Paul Hush (co-opted 12 June 2023)

Executive Officers

Andrea Wood, Chief Executive
Alison Wood, Head of Finance
Gordon Anderson, Head of Housing
Jean Ramsay, Head of Support
Grace Semple, Head of HR

Secretary

Andrea Wood

Bankers

Clydesdale Bank plc
120 Bath Street
Glasgow
G2 2EN

Solicitors

BTO Solicitors
48 St Vincent Street
Glasgow
G2 5HS

External Auditor

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Internal Auditor

TIAA Ltd
Unit 53-55 Gosport Business Centre
Gosport
PO13 0FQ

KEY HOUSING ASSOCIATION LIMITED

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KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

The Board has pleasure in presenting its report together with the audited consolidated financial statements for the year ended 31 March 2023.

Structure, Governance and Management

Background

Key Housing Association Limited (hereafter referred to as "the Association") is a Registered Social Landlord incorporated under the Co-operative and Community Benefit Societies Act 2014, which provides housing and support to people with disabilities. The Group refers to Key Housing Association Limited (KEY), Community Lifestyles Limited (Community Lifestyles) and KHA Developments Limited (KHA).

Community Lifestyles provides individualised home and community support services to people with disabilities mainly in housing not provided by the Association. Support services provided by KEY and Community Lifestyles are funded through contracts with local authorities. Community Lifestyles is a registered charity and is limited by guarantee. It remains under control of Key Housing Association Limited.

The principal activity of KHA is the redevelopment of housing which is used for the support of adults with disabilities. KHA is a limited company. It remains under control of Key Housing Association Limited, which holds 100% of the share capital of KHA.

Employee issues

The Group has an equal opportunities policy which seeks to ensure that, in its role as employer, landlord and service provider, it does not discriminate against people on the grounds of sex, marital status, religion, sexual orientation, age, disability, colour, race, nationality or ethnic or national origins.

In respect of health and safety and welfare at work, the Group has a health and safety policy and a training programme covering a comprehensive range of relevant health and safety issues, including emergency aid and moving and handling. The Group has a health and safety advisor role as well as a health and safety committee for all office-based health and safety issues.

In employee relations, the Group recognises Trade Union representation for support service based and office-based employees and senior management meet regularly with Union representatives to discuss, and where appropriate negotiate, relevant matters relating to the activities of the Group.

Objectives and activities

The Group's Board agrees objectives and strategies for the Group normally within a 3–5-year strategic plan timescale. Our current Strategic Plan was developed for the period 2020–2025 and is designed to reflect our longer-term ambitions and allow for regular review and adaptation of our objectives in line with the ever-changing environment. The plan also incorporates the long-term funding of the Group.

The plan consists of two main parts, reflecting Support Activity and Housing Activity, each containing a range of strategies and targets designed to meet KEY's objectives, and a Risk Analysis. The accompanying risk register is reviewed regularly.

To support our activities the Group operates a policy framework which is reviewed and updated on an annual basis. Areas of policy include Board control and responsibility, housing management, maintenance, development, finance, and HR. These include the following specific policies:

Governance - Board Control and Accountability - Standing Orders and Code of Conduct, Policy on Gifts and Hospitality, Policy on Payments, Benefits and Corporate Accountability, Policy on Disclosure of Interest, Policy for Payment of Board Member Expenses, Delegation of Authority from the Board, Complaints Procedure, Membership Policy, Risk Management Strategy, Equal Opportunities Policy, Participation Policy, Health and Safety Policy, Whistleblowing, Openness & Confidentiality, Sustainability, Information and Communication Technologies, IT Strategy, Data Protection, Insurances, Anti-fraud and Corruption, Media Guidelines, Performance Measurements and Business Continuity Planning.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Housing Management - Allocations Policies, Rent Policy, Arrears Policy, Estate Management Policy, Harassment Policy, Voids Management Policy, Recovery of Charges, Sub-letting, Lodgers, Assignment, Charging for Services, Legal Action, Abandonment, Furnished Lets and Anti-Social Behaviour.

Maintenance - Maintenance Standards, Tenant Feedback on Repairs and Maintenance, Monitoring of Emergency Repairs and Pre and Post Inspections.

Development - Development Procurement, CDM Regulations and Building Defects.

Finance - Treasury Management Policy, Internal Audit, Charging for Services, Reserves and Purchasing and Procurement.

Human Resources - Training, Staff Retirals, Criminal Convictions, Salaries, Support Through Illness, Staff Welfare, No Smoking, Redundancy and Grievance Policy.

The treasury management policy aims to ensure that the Group's funds are safeguarded and wisely invested, and that loan finance is negotiated within parameters agreed by the Board.

The rent policy aims to achieve a committed rental income that enables the Association to offer a high-quality management and maintenance service to all tenants. The policy ensures that rents are viable, affordable and sustainable in the local housing context.

The long-term stock maintenance and repair policy aims to maintain a cost effective, responsive and reactive repair service to all tenants within the parameters of a 10-year strategic and 3-year implementation programme for planned and major repairs. This is within a longer term 60-year major repair profile.

Achievements and performance

Key remain a well-respected and prominent provider in the social care sector. Our attention as we emerged from the the pandemic remained on the safety and wellbeing of the people we support and our staff and we have continued to follow public health guidance, retaining specific health and safety measures for our workforce throughout the year.

The profile for our services remains dominated by a strong commitment to Self-directed Support, despite the limited implementation across Scotland and we have continued to work closely with a number of local authorities on increasingly individualised approaches to support. We see this as a very positive commitment to ensuring people who need support can have as much control and choice as possible, and that support remains flexible and responsive to their outcomes.

Our strategic plan sets out our intention to continue to deliver flexible, responsive, individual support and to promote, develop and extend this approach in order to meet increased demand and complexity of need. We have continued to extend our approach to people with dementia, autism, mental ill-health, and long-term conditions as well as younger and older people.

We have also maintained a focus on supporting people with very complex needs, including those who previously lived in hospital environments, to be supported in their own tenancies in the community. For example, this year, in one local authority, we supported a number of people to move into their new houses which have been specifically designed to increase independence through bespoke assistive technologies and housing adaptations. It is anticipated that there will be further growth in this area next year.

At 31 March 2023, Key supported 1,507 people in 16 local authority areas with total direct support of 51,553 hours per week. This is line with the position at 31 March 2022.

KEY employ 1,772 contracted staff (344 full time and 1,428 part-time) and on average a further 402 on a relief basis. This compares to 1,819 contracted staff (320 full-time and 1,499 part-time) and on average a further 380 on a relief basis as at 31 March 2022. Details regarding the average number of staff employed during the year is included in note 9 of the financial statements.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Having a flexible, positive and skilled workforce is the most essential element in sustaining our delivery of high-quality personalised services. Difficulties in recruitment and a higher turnover of staff have been frequently cited challenges for the sector and we have employed a number of strategies to ensure we continue to be seen as a good employer. Our new recruitment campaign, launched in January 2023, improved recruitment in some areas and we have maintained our positive track record of retaining staff (our annual turnover has consistently remained lower than the sector average).

Outcomes from our staff satisfaction survey were very positive with 95% of respondents saying they were proud to work for KEY.

We continued to invest in resources and initiatives to support staff throughout the year and increased the number of Mental Health First Aiders across Scotland. And we retained our focus on staff training, increasing the number face-to-face opportunities for learning as well as maintaining our remote and virtual inputs. KEY also continued to develop its work as an accredited SVQ centre, with a focus on management qualifications, to progress accreditation in accordance with the requirements of the Scottish Social Services Council and retained a 'High Confidence' rating from the SQA gain this year.

During the year to 31 March 2023, additional funding was made available to Social Care providers from local authorities to ensure that all social care staff were being paid at least the Real Living Wage per hour. This resulted in increases to funding across all local authority areas which in turn allowed a salary increase for all staff, backdated to 1 April 2022.

We have continued making progress in adopting digital technologies and remote ways of working with Teams and Microsoft 365 offering ways of communicating and engaging with colleagues across Scotland.

Our partnership with TAG continues to go from strength to strength and this year TAG facilitated four regional consultation events with people we support and their families. These sessions were designed to explore how people felt they had been supported through the pandemic and consider their views on our support relating to human rights principles (being respected and listened to, having choice and control and being fully involved). 100% of people who attended knew how to raise a concern about their support or make a complaint and were confident in doing so.

Eight of our Branches were inspected by the Care Inspectorate for the first time since before the pandemic. All were awarded grades of good or very good for the quality theme related to supporting people's wellbeing.

Key Housing activity has been reestablished with a full repairs and replacement program in place and a plan to re-engage tenants in-person through the My Home group after a pause during the pandemic. We have continued to identify opportunities to work with others to increase the supply of leased properties and a cluster of housing has been developed in the North of Scotland this year in partnership with a developer and NHS Highland.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Financial review

Key Housing Association Limited generated a surplus of £615,098 (2022 - £1,939,063) and had reserves of £21,447,307 (2022 - £21,655,421). Included in other comprehensive income was £823,163 of an actuarial loss (2022 - £4,366,000 *actuarial gain*) to give total comprehensive income of (£208,065) (2022 - £6,305,063). This has been a more challenging financial year for KEY. The cost of living crisis has had an impact on our workforce and Key responded by awarding a one-off additional payment to support workers with associated one-off expenditure. At the same time, inflationary pressures have had an impact on our costs and staffing shortages have resulted in increased use of agency staff with an associated financial premiums.

In order to mitigate the risk in relation to the Scottish Housing Association Pension Scheme (SHAPS), the Association closed the defined benefit scheme on 1 April 2014 with all members transferring to the defined contribution scheme. Further details regarding SHAPS can be found in note 22 of the financial statements. The risks associated with the pension scheme, and how these are managed, are included within principal risks and uncertainties detailed below.

KEY continued to meet obligations to support staff in terms of both Real Living Wage, and latterly Scottish Government requirements and were able to secure additional funding during the year to enable salary increases to all staff.

Community Lifestyles has continued to focus its work in Glasgow, providing highly individualised support to people with often very complex needs. The net income for the year to 31 March 2023 for Community Lifestyles Limited was £279,584 (2022 - £445,416). Included in other comprehensive income was £35,041 of an actuarial loss (2022 - £84,000 *of an actuarial gain*) in respect of SHAPS to give total comprehensive income of £244,543 (2022 - £529,416). Community Lifestyles Limited has reserves of £7,956,826 as at 31 March 2023 (2022 - £7,712,283). As at 31 March 2023, Community Lifestyles supported 421 people with total direct support of 15,818 hours per week.

There was no financial activity in the year for KHA Developments Limited as it was dormant from 1 April 2020.

The Group's surplus for the year was £894,682 (2022 - £2,384,479) with reserves of £29,404,133 (2022 - £29,367,704). Included in other comprehensive income was £858,204 of an actuarial loss (2022 - £4,450,000 *actuarial gain*) to give total comprehensive income of £36,478 (2022 - (£6,834,479)).

Value for money

KEY continue to monitor value for money across all areas of housing and support activity.

The main elements of these initiatives are described below:

Central services and costs

We undertake regular reviews of expenditure, such as telecommunications, insurance, cleaning services and printing and stationery. We review our procurement strategy regularly to ensure that maximum savings are achieved, and in line with regulatory requirements supplies/services over £50,000 are advertised on the Public Contracts Scotland website. Cost savings have however been offset by inflationary increases during the year in some areas.

Head office costs

Our offices have returned to normal following covid although most office-based staff can take advantage of a blended approach with some home working. This has resulted in some cost savings however again these have been offset by inflationary cost increases during the year in some areas.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Support service activity

Following Covid, the funding of our support services has returned to fully spot purchased arrangements with funding based on agreed levels of support or individual budgets for self directed support arrangements. A number of local authorities monitor actual support delivery and adjust funding accordingly.

Issues with staff recruitment in the social care sector have resulted in an increased use of external agency staff in some of our services to ensure that we can deliver essential support. This has resulted in some additional expenditure and although separately funded in a small number of support arrangements, more generally has had a negative impact on our financial performance. Other local service costs have also been affected by cost increases.

The integrated management system (Evolve) is used across all of KEY local services as well as Community Lifestyles Limited. This assists with the monitoring of deployment, staffing costs and direct support delivery. Evolve continues to provide increased efficiency with directlinks to payroll.

Evolve is now critically important to our operations and is a particular focus of our business continuity arrangements. As such we have developed a detailed plan to develop a successor to Evolve in Microsoft Dynamics which will provide long term sustainability for this system. We are also in the process of developing a new HR database.

We continue to monitor and review our central and local service management structures and make efficiencies where possible. In Glasgow we continue to operate a consortium arrangement between the Association and Community Lifestyles Limited, with co-location of management teams at Kerr Street. This enables a more strategic and efficient approach to service management and development and underpins our continued success on the Glasgow Framework. This consortium is ranked highly on the Glasgow framework. KEY has also been successful in a number of other framework agreements throughout the year which cover both local authorities with existing services as well as new areas.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Statement on internal financial control

The Board is responsible for keeping proper books of account with respect to the Association's and Group's transactions and its assets and liabilities, and for maintaining a satisfactory system of control over the Association's and Group's books of account and transactions. The Board is also responsible for safeguarding the assets of the Association and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

- i) Formal policies and procedures to restrict the unauthorised use of the Association's or Group's assets;
- ii) Experienced and suitably qualified staff take responsibility for important business functions;
- iii) Forecasts and budgets are prepared which allow the Members of the Board to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term. Managements accounts are prepared and significant variances from budget are investigated as appropriate;
- iv) Major business risks and the financial implications are identified and monitored;
- v) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board;
- vi) The appointment by the Board of an internal auditor to carry out a programme of internal audit of the Association's and Group's policies and control systems;
- vii) The Board reviews reports from management, the internal auditor and external auditor to provide reasonable assurance that the control procedures in place are being followed; and
- (viii) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and internal auditor.

The Members of the Board have reviewed the effectiveness of the system of internal control in existence in the Association and Group for the year ended 31 March 2023. In the opinion of the Members of the Board, no weaknesses were found in the internal controls which would result in material loss, contingencies, or uncertainties requiring disclosure in the financial statements or the auditor's report.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. The Board receive regular cash flow and financial reports during the year to enable an informed assessment to be made. For this reason, it continues to adopt the going concern basis in the financial statements.

Plans for future periods

Our strategic plan for 2020-2025 sets out our intention to continue to deliver flexible, responsive, individual support and to promote, develop and extend this approach in order to meet increased demand and complexity of need.

The main objectives within the Strategic Plan for support activity for KEY are as follows:

1. To deliver high quality personalised support and innovative housing solutions
2. To increase opportunities for citizenship, inclusion, and participation
3. To have a skilled, committed, creative and well-supported workforce
4. To be a collaborative partner

For each objective there is a range of strategies and targets detailing how the objectives are to be achieved, with timescales. The drivers of these strategies include our continued commitment to Self-directed Support, the development of more innovative and creative supports, better engagement and more opportunity for the workforce and increased collaboration with others.

The vision set out by the Independent Review of Social Care (published in 2021) supports these strategies however progress in achieving the associated recommendations has been limited.

The National Care Service (Scotland) Bill was introduced by the Scottish Government in June 2022 and was described as the most significant reform to public services since the creation of the NHS. However there are major concerns with the proposals, not least that the financial memorandum significantly underestimates the costs of National Care Service. The Scottish Government have since confirmed a delay to the scrutiny process to help build consensus and parliamentary consideration of the Bill will not take place until next year – almost a year-on from the original timeline.

In the meantime, we will continue to maintain our focus on the initiatives in our plan which will help people live good lives of their choice, and ensure our workforce is valued for the work they do. Our focus on community connecting, harnessing digital solutions, collaboration, and inclusion are approaches which will support our vision-that people can stay in their own homes and communities, surrounded by people who care about them and living the life of their choice.

For KEY's Housing activity, the Housing Strategic Plan reflects the following objectives:

Objective 1

To achieve a housing service that meets individual needs and enables housing choice.

Objective 2

To achieve a service that provides housing that is well managed and maintained.

Objective 3

To achieve a housing service that is adequately funded.

We continue to work with our local authority partners to explore options for securing new housing, particularly for people with very complex needs who have requirements for assistive technology and specialist housing adaptations. This year we entered into a lease agreement for new build accommodation for six people with complex needs in Highland (where KEY is also the support provider) and we are exploring a further partnership with the same developer in another local authority.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties

The Group is committed to ensuring that it responds to, and manages, any challenges that may impact on the organisation, and recognises that a certain amount of risk is inevitable if the organisation is to achieve its priorities. A risk management framework is in place to assist with taking informed decisions regarding the risks that impact on Association's priorities, whether Strategic or Operational.

Principal risks identified through the Association's strategic risk register which have the potential to seriously affect the performance, future prospects or reputation of the Association are detailed below along with mitigating actions being taken by the Association. These risk areas were reassessed and updated during 2022/23.

In terms of Group wide risks, the main risks identified are:

Risk	Actions to mitigate
Board not equipped to control organisation	Regular review of Board profile and performance. Comprehensive delegation guidelines. Clear remits for Audit Committee. System of Review Groups, and regular in-house training programme.
Board unable to guide organisation through the pandemic	Board meetings held mainly in-person with option for members to attend and participate via remote access. Agendas audited to focus scrutiny and business on key risk areas. Adequate number of Board members to ensure quorum. Reviewed/updated delegation guidelines which allow for effective decision making during this period (including if the CEO falls ill). Regular briefings to the Board to ensure effective monitoring and oversight.
Failure to meet regulatory requirements	SHR requirements regularly reviewed and measures/arrangements in place to ensure compliance. Head of Housing coordinating returns and notifications as required. Operational Manager in regular contact with Care Inspectorate relationship manager and coordinating reporting and notification requirements. Health and Safety Personnel reviewing and coordinating information from the HSE.
Failure to meet regulatory requirements of SHR	New SHR Framework introduced and Board aware of requirements. Comprehensive self-assessment of compliance against SHR Regulatory Framework with annual review. Governance session training on Regulatory responsibilities provided annually.
Pension scheme deficit grows; or loss of income inhibits capacity to meet deficit	Following the 2018 scheme revaluation, concessionary payments have been agreed covering payments from April 2020 to February 2025. This will however be reviewed if the recovery plan is subject to change. Assets (housing stock) revalued in 2016 to meet future liability on balance sheet.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

Risk	Actions to mitigate
IT systems inadequate to meet needs/system overload/ breakdown	<p>Purchase of additional laptops and telephones for Homeworking arrangements.</p> <p>ICT resource/need reviewed weekly by senior management team</p> <p>Evolve support/development team in place and regular project management meetings.</p> <p>Accelerated implementation of emails accounts for the workforce.</p> <p>Project team approach to systems development.</p> <p>Specialist IT staff and Network Manager in post.</p> <p>Business Continuity Team includes all sections, with full IT support.</p> <p>Comprehensive redevelopment of Evolve and in-house ability to host and maintain the system.</p>
Increased cyber security risks	<p>Increased access controls are in place since move to Microsoft 365.</p> <p>Email protection service in place.</p> <p>Staff awareness raised and training in place</p> <p>Cyber Essentials Accreditation achieved</p>
Failure to meet requirements of SPSO Complaints Handling Procedures	<p>Regular review of compliance introduced.</p>
Failure to meet Health and Safety statutory requirements	<p>Comprehensive Health and safety Policies and Procedures to ensure risks are assessed and necessary action taken.</p> <p>Fulltime H&S Advisor role</p>

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

For Support activity:

Risks	Actions to mitigate
Workforce negativity and inflexibility	<p>Non-support staff working hybrid arrangements since 2022.</p> <p>Management Development Program in place to assist local management teams to provide fair and responsive support</p> <p>A focus on staff wellbeing and mental health. 60 Mental Health First Aiders now in place</p> <p>Good communication systems.</p> <p>Social media strategy and regular CEO communication to thank staff.Supportive management, with regular professional supervision.</p>
Overstretched services/ insufficient resources to support managers	<p>Continual review of management resources (including admin support) in local services through deployment meetings.</p> <p>Clear oversight of reduced services and regular reporting of any changes.</p> <p>Evolve reconfigured to allow managers to share staff capacity.</p> <p>Deployment monitoring meetings happening 4-weekly.</p> <p>Testing of key workers in place in every local authority.</p> <p>Comprehensive policies, procedures and training.</p> <p>Serious incident reporting system and follow up.</p> <p>Access to Independent counselling.</p> <p>Developing quality assurance systems in line with new National Care Standards.</p> <p>Codes of Conduct distributed to all workers and used as a basis for initial and ongoing professional development.</p>
Procedures and training against abuse are inadequate to keep people safe	<p>Updated guidance provided to keep people safe and well provided regularly.</p> <p>Comprehensive guidance on Adult Protection is included in initial training for support workers and managers.</p> <p>Whistleblowing policy.</p> <p>Codes of Conduct distributed to all workers.</p> <p>Respect and Protect materials distributed to all services.</p> <p>Zero tolerance of abuse emphasised in training and in professional practice expectation.</p> <p>Financial Internal audit programme, and management checks, to back up rigorous Financial Procedures.</p> <p>Monitoring of policies, and procedures and practice, by managers.</p>

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

For Support activity (continued)

Health and Safety training and audit inadequate to keepworkers and service users safe	<p>Comprehensive Health & Safety policies/ procedures updated and published.</p> <p>Update Health and safety training included in management induction programme.</p> <p>FT H&S training officer.</p> <p>Comprehensive H & S training programme embedded in ITP.</p> <p>Clear guidelines for Risk Assessment.</p> <p>Whistleblowing policy.</p> <p>Serious incident analysis.</p> <p>Use of accredited Behavioural Support Strategy (BSS).</p> <p>Comprehensive Covid-19 information and guidance</p>
Recruitment difficulties	<p>Recruitment working group established and new campaign launched 2023</p> <p>Accelerated Recruitment Strategy in place and on-line application introduced.</p> <p>Rigorous recruitment process with competency framework being developed.</p> <p>Competitive terms and conditions in our sector.</p> <p>Local approaches to recruitment where appropriate.</p> <p>Review of contracts and work/life balance approaches.</p>
Losing financial viability	<p>Regular deployment analysis, budget review and operational reviews.</p> <p>Quarterly reports on service funding and development to Board.</p> <p>Positive attitude to controlled growth.</p> <p>Intensive Housing Management funding to be maintained.</p>
Losing services/not winning/missing tenders	<p>Ensuring sufficient staff resources to progress tender processes and a co-ordinated approach to tender submissions.</p> <p>Regular review of service costs/profile and planning to adjust costs where required(including management structures and time).</p> <p>Registered with Public Contracts Scotland tender notification service.</p>

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REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

For Support activity (continued)

Other areas of inherent risk that are being given particular focus in our strategic priorities are:

- Ensuring our workforce is well support, developed and rewarded;
- Ensuring our support remains relevant, community based and in line with current and future expectations; and
- Being able to evidence improved outcomes for the people we support, for evidence based self-assessment and tendering.

For Housing activity:

In our Housing activity, the main risk areas relate to compliance with the Social Housing Charter and related reporting requirements from the Scottish Housing Regulator, with which we must ensure compliance, and the introduction of welfare reform.

The main risks and actions to mitigate these are as follows:

Risks	Actions to mitigate
Poor satisfaction rating from tenants on quality of service received	Range of mechanisms in place including annual satisfaction survey, establishment of tenant engagement group and regular consultations as required (for example on rent increases). Overall focus on tenant satisfaction in all activity.
Failure to meet requirements of Social Housing Charter and associated reporting requirements	Reporting requirements now captured and routine systems in place. SHR carried out a partial data verification audit in 2017 which highlighted no issues.
Failure to consider rental affordability	Rent setting policy has comparability and affordability as key factors to be considered. Majority of stock classified as supported accommodation in benefits terms.
Housing stock fails to meet needs of tenants, without long term flexibility of use	Active housing remodeling programme taken forward over last 15 years but there remain a small number of larger shared properties with no active proposals to change. Whilst meeting the needs of the current tenants this will be reviewed should this position change and/or appropriate funding is available,

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

Statement of the Board's Responsibilities

Housing Association legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for the year ended on that date. In preparing those financial statements the Board are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Association will continue in business; and
- Prepare a statement on internal control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. The Board is also responsible for safeguarding the assets of the Group and the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Board at the time this report is approved:

- So far as each Board member is aware, there is no relevant audit information of which the auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Member of the Board in order to make him/her aware of any relevant audit information, and to establish that the auditor is aware of that information.

Auditor

The Key Group is in the process of re-tendering the external audit. This process will be completed by the time of the AGM and a resolution will be put to the members in respect of the appointment of the auditor.

By order of the Board

Secretary

Date: 23 August 2023

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of Key Housing Association Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2023 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Capital and Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated and Association Statements of Cash Flows and the 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Association's affairs as at 31 March 2023 and of the Group's and Parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Other information (continued)

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 13, 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 determine 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 Group's and the Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Parent Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Auditor's responsibilities for the audit of the financial statements (continued)

We obtain and update our understanding of the Group and the Parent Association, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and the Parent Association are complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Group and the Association that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the Parent Association through discussions with the Board members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the Parent Association, including the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator, and taxation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Board and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Board and relevant sub-committees;
- enquiring of the senior management team and the Board as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Group's and the Parent Association's legal advisors.

We assessed the susceptibility of the Group's and the Parent Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Board as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Auditor's responsibilities for the audit of the financial statements (continued)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the Parent Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Parent Association's members, as a body, 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 28 August 2023

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE BOARD OF KEY HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2023

In addition to our audit of the Financial Statements, we have reviewed your statements on page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control 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 on corporate governance matters within Bulletin 2009/4 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 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Azets Audit Services

Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 28 August 2023

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	4	83,922,838	77,866,506
Operating expenditure	4	(82,970,776)	(75,287,934)
Operating surplus	4, 8	952,062	2,578,572
Interest receivable and other income	11	47,255	13,730
Interest payable and similar charges	11	(96,572)	(228,566)
Movement in market value of investments	16	(8,063)	20,743
Surplus before tax		894,682	2,384,479
Taxation	12	-	-
Surplus for the year		894,682	2,384,479
Other comprehensive income			
Actuarial (loss)/gain in respect of pension scheme	22	(858,204)	4,450,000
Total comprehensive income for the year		36,478	6,834,479

The results for the year relate wholly to continuing activities.

The financial statements were authorised for issue by the Members of the Board on 23 August 2023 and were signed on its behalf by:

Secretary

Vice - Chairperson

Vice-Chairperson - Appeals

KEY HOUSING ASSOCIATION LIMITED

**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £	2022 £
Turnover	5	65,659,532	60,980,837
Operating expenditure	5	(64,964,993)	(58,843,938)
Operating surplus	5, 8	694,539	2,136,899
Interest receivable and other income	11	25,194	7,987
Interest payable and similar charges	11	(96,572)	(226,566)
Movement in market value of investments	16	(8,063)	20,743
Surplus before tax		615,098	1,939,063
Taxation	12	-	-
Surplus for the year		615,098	1,939,063
Other comprehensive income			
Actuarial (loss)/gain in respect of pension scheme	22	(823,163)	4,366,000
Total comprehensive (expenditure) / income for the year		(208,065)	6,305,063

The results for the year relate wholly to continuing activities.

The financial statements were authorised for issue by the Members of the Board on 23 August 2023 and were signed on its behalf by:

Secretary

Vice - Chairperson

Vice-Chairperson - Appeals

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2023

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2022		274	29,367,430	29,367,704
Total comprehensive income for the year		-	36,478	36,478
Shares cancelled during the year	24a	(51)	-	(51)
Shares issued in the year	24a	2	-	2
Balance at 31 March 2023		<u>225</u>	<u>29,403,908</u>	<u>29,404,133</u>

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2022

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2021		287	22,532,951	22,533,238
Total comprehensive income for the year		-	6,834,479	6,834,479
Shares cancelled during the year		(13)	-	(13)
Shares issued in the year		-	-	-
Balance at 31 March 2022		<u>274</u>	<u>29,367,430</u>	<u>29,367,704</u>

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2023

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2022		274	21,655,147	21,655,421
Total comprehensive income for the year		-	(208,065)	(208,065)
Shares cancelled during the year	24a	(51)	-	(51)
Shares issued during the year	24a	2	-	2
Balance at 31 March 2023		<u>225</u>	<u>21,447,082</u>	<u>21,447,307</u>

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2022

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2021		287	15,350,084	15,350,371
Total comprehensive income for the year		-	6,305,063	6,305,063
Shares cancelled during the year		(13)	-	(13)
Shares issued during the year		-	-	-
Balance at 31 March 2022		<u>274</u>	<u>21,655,147</u>	<u>21,655,421</u>

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	2023 £	2022 £
Tangible fixed assets			
Housing properties	13	14,727,982	15,106,023
Other fixed assets	14	3,933,511	4,083,733
		<u>18,661,493</u>	<u>19,189,756</u>
Current assets			
Debtors	15	8,443,572	8,769,770
Stock		12,096	48,053
Investments	16	1,172,224	1,175,594
Cash and cash equivalents	17	14,983,606	14,758,207
		<u>24,611,498</u>	<u>24,751,624</u>
Creditors: amounts falling due within one year	18	<u>(10,626,846)</u>	<u>(10,272,207)</u>
Net current assets		<u>13,984,652</u>	<u>14,479,417</u>
Total assets less current liabilities		32,646,145	33,669,173
Creditors: amounts falling due after more than one year	19	(526,012)	(584,255)
Pension – defined benefit liability	22	(2,716,000)	(3,717,214)
Net assets		<u>29,404,133</u>	<u>29,367,704</u>
Capital and reserves			
Share capital	24a	225	274
Revenue reserve	24b	29,403,908	29,367,430
		<u>29,404,133</u>	<u>29,367,704</u>

The financial statements were authorised for issue by the Members of the Board on 23 August 2023 and were signed on its behalf by:

Secretary

Vice - Chairperson

Vice-Chairperson - Appeals

Regulated number: 1938R(S)

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	2023 £	2022 £
Tangible fixed assets			
Housing properties	13	14,727,982	15,106,023
Other fixed assets	14	2,150,016	2,242,160
		<u>16,877,998</u>	<u>17,348,183</u>
Current assets			
Debtors	15	7,494,819	7,187,222
Stock		12,096	48,053
Investments	16	543,450	551,514
Cash and cash equivalents	17	7,109,685	8,287,299
		<u>15,160,050</u>	<u>16,074,088</u>
Creditors: amounts falling due within one year	18	<u>(7,386,729)</u>	<u>(7,481,595)</u>
Net current assets		<u>7,773,321</u>	<u>8,592,493</u>
Total assets less current liabilities		24,651,319	25,940,676
Creditors: amounts falling due after more than one year	19	(526,012)	(584,255)
Pension – defined benefit liability	22	<u>(2,678,000)</u>	<u>(3,701,000)</u>
Net assets		<u>21,447,307</u>	<u>21,655,421</u>
Capital and reserves			
Share capital	24a	225	274
Revenue reserve	24b	21,447,082	21,655,147
		<u>21,447,307</u>	<u>21,655,421</u>

The financial statements were authorised for issue by the Members of the Board on 23 August 2023 and were signed on its behalf by:

Secretary

Vice - Chairperson

Vice-Chairperson - Appeals

Regulated number: 1938R(S)

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Net cash generated from operating activities	25a	516,018	580,979
Cash flow from investing activities			
Payments to acquire and improve housing stock		(125,896)	(81,280)
Purchase of other property, plant and equipment		(61,082)	(78,726)
Proceeds from sale of property, plant and equipment		2,199	9,068
Interest received		47,255	13,730
		<u>(137,524)</u>	<u>(137,208)</u>
Cash flow from financing activities			
Proceeds received from disposal of current asset investments		-	20,674
Interest paid		(20,572)	(37,566)
Repayment of borrowings		(127,830)	(416,592)
(Deposit to)/withdrawal from current asset investments		(4,693)	504,777
		<u>(153,095)</u>	<u>71,293</u>
Net change in cash and cash equivalents		225,399	515,064
Cash and cash equivalents at beginning of year		14,758,207	14,243,143
Cash and cash equivalents at end of the year		<u>14,983,606</u>	<u>14,758,207</u>

The notes form part of these financial statements.

(i) Analysis of changes in net debt

	At 1 April 2022	Cash flows	Other non- cash changes	At 31 March 2023
	£	£	£	£
Cash and cash equivalents				
Cash	14,758,207	225,399	-	14,983,606
	<u>14,758,207</u>	<u>225,399</u>	<u>-</u>	<u>14,983,606</u>
Investments - deposit accounts	624,081	4,693	-	628,774
Borrowings				
Debt due within one year	(132,970)	132,970	(56,758)	(56,758)
Debt due after one year	(299,505)	(5,140)	56,758	(247,887)
	<u>(432,475)</u>	<u>127,830</u>	<u>-</u>	<u>(304,645)</u>
Total	<u>14,949,813</u>	<u>357,922</u>	<u>-</u>	<u>15,307,735</u>

KEY HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Net cash generated from operating activities	25b	(894,465)	297,595
Cash flow from investing activities			
Payments to acquire and improve housing stock		(125,896)	(81,280)
Purchase of other property, plant and equipment		(36,244)	(51,382)
Proceeds from sale of property, plant and equipment		2,199	9,068
Interest received		25,194	7,987
		<u>(134,747)</u>	<u>(115,607)</u>
Cash flow from financing activities			
Proceeds received from disposal of current asset investments		-	20,674
Interest paid		(20,572)	(37,566)
Repayment of borrowings		(127,830)	(416,592)
		<u>(148,402)</u>	<u>(433,484)</u>
Net change in cash and cash equivalents		<u>(1,177,614)</u>	<u>(251,496)</u>
Cash and cash equivalents at beginning of year		<u>8,287,299</u>	<u>8,538,795</u>
Cash and cash equivalents at end of the year		<u><u>7,109,685</u></u>	<u><u>8,287,299</u></u>

The notes form part of these financial statements.

(i) Analysis of changes in net debt

	At 1 April 2022 £	Cash flows £	Other non- cash changes £	At 31 March 2023 £
Cash and cash equivalents				
Cash	8,287,299	(1,177,614)	-	7,109,685
	<u>8,287,299</u>	<u>(1,177,614)</u>	<u>-</u>	<u>7,109,685</u>
Borrowings				
Debt due within one year	(132,970)	132,970	(56,758)	(56,758)
Debt due after one year	(299,505)	(5,140)	56,758	(247,887)
	<u>(432,475)</u>	<u>127,830</u>	<u>-</u>	<u>(304,645)</u>
Total	<u><u>7,854,824</u></u>	<u><u>(1,049,784)</u></u>	<u><u>-</u></u>	<u><u>6,805,040</u></u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. General Information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. The principal accounting policies are set out below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

The presentation currency is pounds sterling, and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HEP141. The registered address is available on the first page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards. However, please note that on transition to FRS 102, an existing use value was used as deemed cost for housing properties.

The effect of events relating to the year ended 31 March 2023, which occurred before the date of approval of the financial statements by the Board have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2023 and of the results for the year ended on that date.

Basis of consolidation

These financial statements consolidate those of Key Housing Association Limited and its subsidiary undertakings, Community Lifestyles Limited and KHA Developments Limited (dormant from 1 April 2020), drawn up to 31 March 2023 as obliged by statute. Surpluses or deficits on intra-group transactions are eliminated in full.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Principal accounting policies (continued)

Turnover

Association

Turnover represents rental income earned in the period and grants of a revenue nature from local authorities and the Scottish Government for the provision of support services in the period which are recognised in line with the provision of the service.

Income from rental and service charges is recognised when the Association is entitled to it, it is probable it will be received, and it can be measured reliably.

Community Lifestyles Limited

All incoming resources are included in the Statement of Financial Activities when the charitable company is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- All income is included in the Statement of Financial Activities when the charitable company is entitled to the income after any performance conditions have been met, it is probable that the income will be received, and the amount can be measured reliably.
- Investment income is included when receivable.

KHA Developments Limited

This company was dormant during the current and prior year.

Going concern

The Board expect the Association and the Group to generate a surplus in 2023/24 and 2024/25 and the Board is satisfied that the Association and the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or local authorities, are paid directly to the Group as required to meet its liabilities during the development process. This is treated as a deferred Government capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Group to recognise income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Principal accounting policies (continued)

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Group recognises the grant in income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Operating leases

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

Fixed assets and depreciation

Housing properties are stated at deemed cost based on an Existing Use Value at 1 April 2014. From this date, housing properties have been accounted for under historical cost. The cost of properties includes land cost, all construction costs, professional fees, and development administration costs.

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write off the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties over the following years with the corresponding annual rates:

Land	Not depreciated
Buildings	50 years (2%)
Kitchens	18 years (5.56%)
Bathrooms	20 years (5%)
Heating systems	15 years (6.67%)
Roof structure and coverings	50 years (2%)
Windows	25 years (4%)

No depreciation is charged on assets during the course of construction.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Principal accounting policies (continued)

Fixed assets and depreciation (continued)

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the following basis:

Motor vehicles	-	20% - 33% per annum straight line method
Office Accommodation	-	2.5% per annum straight line method
Office Equipment		
- Equipment and Furniture	-	10% per annum reducing balance method
- Computer Equipment	-	25% per annum reducing balance method
- Photocopier	-	20% per annum reducing balance method
Wemyss Bay Lodge	-	3.33% per annum straight line method

Depreciation is charged on these fixed assets from the year of purchase, but no charge is made in the year of disposal.

Investments

Quoted investments are included in the financial statements at market value which is defined as mid-price.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 15.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

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

Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method.

2. Principal accounting policies (continued)

Financial instruments (continued)

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Group terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation, or expiry.

Loans

Mortgage loans are advanced by private institutions and local authorities under the terms of individual mortgage deeds in respect of each property or housing development. Advances are only available in respect of those developments which have been given approval for by the Scottish Government.

Investments in subsidiary

The investment in the subsidiary, KHA Developments Limited, is stated at cost, less any provisions required where there has been a permanent diminution in their value.

Retirement benefits (note 22)

The Group and the Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Group and Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating entities taken as a whole.

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

The defined benefit scheme was closed to future accrual on 1 April 2014.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Principal accounting policies (continued)

Defined Contribution Scheme

The Group and the Association also participates in defined contribution schemes with SHAPS and with Standard Life. The pension costs charged against operating profits are contributions payable to the respective scheme in respect of the financial year.

Reserves

In line with recommended practice, the reserves which had been previously designated for specific purposes are no longer disclosed separately within the financial statements. These included reserves for major repairs and future trading commitments as well as other smaller reserves. The Group and the Association continue to internally monitor these sums.

3. Judgements in applying policies 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.

The members of the Board consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant, and equipment in line with the requirements of the SORP; and
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'.

The Board are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of Housing Properties	Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition of 1 April 2014. The assumptions used in the existing use value were reviewed and are considered reasonable.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

3. Judgements in applying policies and key sources of estimation uncertainty (continued)

<u>Estimate</u>	<u>Basis of estimation</u>
The obligations under the SHAPs pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
Investments at market value	This has relied on the valuation prepared by investment managers as at the year end.

4. Particulars of turnover, operating expenditure and operating surplus - Consolidated

	Turnover 2023 £	Operating expenditure 2023 £	Operating surplus 2023 £	Operating surplus 2022 £
Affordable lettings (note 6)	6,203,360	5,668,517	534,843	751,291
Other activities (note 7a)	77,719,478	77,302,259	417,219	1,827,281
Total 2023	83,922,838	82,970,776	952,062	
<i>Total 2022</i>	<i>77,866,506</i>	<i>75,287,934</i>		<i>2,578,572</i>

5. Particulars of turnover, operating expenditure and operating surplus – The Association

	Turnover 2023 £	Operating expenditure 2023 £	Operating surplus 2023 £	Operating surplus 2022 £
Affordable lettings (note 6)	6,203,360	5,668,517	534,843	751,291
Other activities (note 7b)	59,456,172	59,296,476	159,696	1,385,608
Total 2023	65,659,532	64,964,993	694,539	
<i>Total 2022</i>	<i>60,980,837</i>	<i>58,843,938</i>		<i>2,136,899</i>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

6. Particulars of turnover, operating expenditure and operating surplus from affordable letting activities – Consolidated and Association

	General Needs Housing £	Supported Housing £	2023 Total £	2022 Total £
Rent receivable net of service charges	491,598	5,081,077	5,572,675	5,320,622
Service charges	23,984	634,286	658,270	616,205
Gross income from rents and service charges	515,582	5,715,363	6,230,945	5,936,827
Less voids	(4,942)	(29,268)	(34,210)	(39,676)
Net income from rents and services	510,640	5,686,095	6,196,735	5,897,151
Amortisation of deferred government capital grants	-	6,625	6,625	6,625
Total turnover from affordable letting activities	510,640	5,692,720	6,203,360	5,903,776
Management and maintenance administration costs	137,359	813,488	950,847	(895,713)
Service costs	74,756	3,062,024	3,136,780	(2,864,804)
Planned and cyclical maintenance costs including major repairs	86,450	511,986	598,436	(453,935)
Reactive maintenance costs	69,127	409,390	478,517	(447,928)
Depreciation of social housing	72,798	431,139	503,937	(490,105)
Operating expenditure for affordable letting activities	440,490	5,228,027	5,668,517	(5,152,485)
Operating Surplus on affordable letting activities, 2023	70,150	464,693	534,843	
Operating Surplus on affordable letting activities, 2022	191,643	559,648		751,291

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

7a. Particulars of turnover, operating expenditure and operating surplus from other activities – Consolidated

	Grants from Scottish Ministers 2023 £	Support funding 2023 £	Total turnover 2023 £	Operating expenditure 2023 £	Operating surplus 2023 £	Operating surplus 2022 £
Development activities	117,742	-	117,742	107,946	9,796	15,493
Care activities	-	77,601,736	77,601,736	77,194,313	407,423	1,811,788
Total from other activities 2023	117,742	77,601,736	77,719,478	77,302,259	417,219	
Total from other activities 2022	184,706	71,778,024	71,962,730	70,135,449		1,827,281

7b. Particulars of turnover, operating expenditure and operating surplus from other activities – Association

	Grants from Scottish Ministers 2023 £	Support funding 2023 £	Other Agency / Management Services 2023 £	Total turnover 2023 £	Operating expenditure 2023 £	Operating surplus / (deficit) 2023 £	Operating surplus/(deficit) 2022 £
Development activities	117,742	-	-	117,742	107,946	9,796	15,493
Care activities	-	58,458,559	879,871	59,338,430	59,188,530	149,900	1,370,115
Total from other activities 2023	117,742	58,458,559	879,871	59,456,172	59,296,476	159,696	
Total from other activities 2022	184,706	53,994,395	897,960	55,077,061	53,691,453		1,385,608

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

8. Operating Surplus

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Operating surplus is stated after:				
Depreciation:				
- property	482,656	478,162	482,656	478,162
- other fixed assets	208,247	212,652	125,331	139,775
- loss on disposal of components	21,281	11,944	21,281	11,944
Loss on disposal of fixed assets	861	16,385	861	16,385
External auditor's remuneration exc VAT:				
- external audit services	35,500	29,335	22,500	20,000
Internal auditor's remuneration:				
- internal audit services	16,286	14,983	12,586	11,283
Operating lease costs:				
- motor vehicles	70,958	76,533	70,958	76,533
- land and buildings	349,839	335,972	349,839	335,972

9. Remuneration

Board members are not remunerated.

The number of employees in the year whose emoluments (excluding pension contributions) exceeded £60,000 were as follows:

	2023	2022
More than £60,000 but not more than £70,000	3	7
More than £70,000 but not more than £80,000	4	1
More than £80,000 but not more than £90,000	2	1
More than £90,000 but not more than £100,000	1	1
More than £100,000 but not more than £110,000	-	-
More than £110,000 but not more than £120,000	1	1

Total emoluments paid to employees whose emoluments (excluding pension contributions) exceeded £60,000 were as follows:

Emoluments of those earning > £60,000	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Salary	858,751	829,217	858,751	829,217
Pension contributions	38,336	36,948	38,336	36,948
	897,087	866,165	897,087	866,165

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. Remuneration (continued)

The Association considers key management personnel to be the Board and the senior management team of the Association as detailed on the first page of the accounts under Executive Officers.

Key management emoluments	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Salary	442,332	428,836	442,332	428,836
Employers' national insurance	55,082	52,900	55,082	52,900
Pension contributions	19,957	19,323	19,957	19,323
	<u>517,371</u>	<u>501,059</u>	<u>517,371</u>	<u>501,059</u>

The emoluments excluding pension contributions of the highest paid director who is the Chief Executive were £112,092 (2022 - £110,829).

The Chief Executive is an ordinary member of the Scottish Housing Association Pension Scheme (SHAPS) as described in note 22. No enhanced or special terms apply to membership. The Chief Executive had no personal pension arrangements. Pension contributions in respect of the Chief Executive amounted to £5,008 (2022 - £4,949).

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Expenses paid to members of the Board	<u>356</u>	<u>75</u>	<u>356</u>	<u>75</u>

Staff costs (including Directors' emoluments) during the year:

Wages and salaries	65,927,667	61,933,388	50,822,986	47,707,271
Social security costs	6,449,126	5,490,837	4,887,512	4,180,277
Pension costs	1,303,269	1,232,742	1,024,853	968,692
Pension costs – Past service scheme expenses	62,609	62,609	61,777	61,777
	<u>73,742,671</u>	<u>68,719,576</u>	<u>56,797,128</u>	<u>52,918,017</u>

In addition to expenditure on direct salaries, the group incurred £2,812,761 (2022 - £728,796) expenditure on the use of agency staff. For KEY this was £2,343,624 (2022 - £651,276).

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. Remuneration (continued)

The average weekly number of persons employed and the full time equivalent (FTE) was as follows:

	Consolidated			
	2023 average weekly Nos	2022 average Weekly Nos	2023 FTE Nos	2022 FTE Nos
Head Office	99	100	92	93
Services	2,647	2,730	2,153	2,220
	<u>2,746</u>	<u>2,830</u>	<u>2,245</u>	<u>2,313</u>
	Association			
	2023 average weekly Nos	2022 average Weekly Nos	2023 FTE Nos	2022 FTE Nos
Head Office	99	100	92	93
Services	2,096	2,158	1,638	1,689
	<u>2,195</u>	<u>2,258</u>	<u>1,730</u>	<u>1,782</u>

10. Creditor payments

The group policy is to pay purchase invoices at the end of the month following receipt. On average, invoices are paid within 30 days (2022 - 30 days) of receipt.

11. Interest receivable and payable

	Consolidated		Association	
	2023 £	2022 £	2023 £	2022 £
Interest receivable and similar income				
Bank deposit interest	45,461	11,740	23,400	5,997
Union commission	1,794	1,990	1,794	1,990
	<u>47,255</u>	<u>13,730</u>	<u>25,194</u>	<u>7,987</u>
Interest payable and similar charges:				
Bank loans and other loan	(20,572)	(37,566)	(20,572)	(37,566)
Defined benefit pension liability – interest charge (note 22)	(76,000)	(191,000)	(76,000)	(189,000)
	<u>(96,572)</u>	<u>(228,566)</u>	<u>(96,572)</u>	<u>(226,566)</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

12. Taxation

Group

The Association and Community Lifestyles Limited have charitable status and thus no corporation tax is due from their charitable activities (2022 - £nil).

KHA Developments Limited did not trade during the year so no tax is payable.

Association

The Association has charitable status and thus no corporation tax is due from its charitable activities.

13. Fixed assets – Housing Land and Buildings – Consolidated and Association

	2023 £	2022 £
Cost		
At 1 April 2022	18,518,303	18,455,374
Additions	125,896	81,280
Disposals	(37,343)	(18,351)
At 31 March 2023	<u>18,606,856</u>	<u>18,518,303</u>
Property Depreciation		
At 1 April 2022	3,412,280	2,940,525
Charge for the year	482,656	478,162
Disposals	(16,062)	(6,407)
At 31 March 2023	<u>3,878,874</u>	<u>3,412,280</u>
Net Book Value at 31 March 2023	<u>14,727,982</u>	<u>15,106,023</u>

Total cost of components capitalised for the year amounted to £125,896 (2022 - £81,280). The amount spent on maintenance of housing properties held for letting can be seen in Note 6.

Additions to Housing Properties during the year includes £nil capitalised interest (2022 - £nil) and £nil capitalised administration costs (2022 - £nil). All housing properties are freehold. Properties with a cost of £nil (2022 - £nil) and accumulated depreciation of £nil (2022 - £nil) have been disposed in the year. Components with a cost of £37,343 (2022- £18,351) and accumulated depreciation of £16,062 (2022 - £6,407) have been disposed of for £nil (2022 - £nil) net proceeds.

The housing properties were revalued as at 1 April 2014 by Graham & Sibbald Limited and this value was used as the deemed cost from that date in accordance with FRS 102.

Included in freehold housing properties is land with a historic cost allocation of £1,615,500 (2022 - £1,615,500).

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Fixed Assets – Other - Consolidated

	Motor Vehicles £	Office Equipment £	Wemyss Bay Lodge £	Office Accomm- odation £	Total £
Cost					
At 1 April 2022	143,349	552,317	132,227	4,542,791	5,370,684
Additions	-	61,082	-	-	61,082
Disposals	(14,805)	(9,689)	-	-	(24,494)
At 31 March 2023	128,544	603,710	132,227	4,542,791	5,407,272
Depreciation					
At 1 April 2022	120,100	270,179	30,856	865,816	1,286,951
Charge for year	10,174	71,619	4,408	122,046	208,247
Disposals	(14,805)	(6,632)	-	-	(21,437)
At 31 March 2023	115,469	335,166	35,264	987,862	1,473,761
Net Book Value					
At 31 March 2023	13,075	268,544	96,963	3,554,929	3,933,511
At 31 March 2022	23,249	282,138	101,371	3,676,975	4,083,733

Fixed Assets – Other - Association

	Motor Vehicles £	Office Equipment £	Wemyss Bay Lodge £	Office Accomm- odation £	Total £
Cost					
At 1 April 2022	143,349	350,719	132,227	2,488,646	3,114,941
Additions	-	36,244	-	-	36,244
Disposals	(14,805)	(9,689)	-	-	(24,494)
At 31 March 2023	128,544	377,274	132,227	2,488,646	3,126,691
Depreciation					
At 1 April 2022	120,100	161,611	30,856	560,214	872,781
Charge for year	10,174	48,503	4,408	62,246	125,331
Disposals	(14,805)	(6,632)	-	-	(21,437)
At 31 March 2023	115,469	203,482	35,264	622,460	976,675
Net Book Value					
At 31 March 2023	13,075	173,792	96,963	1,866,186	2,150,016
At 31 March 2022	23,249	189,108	101,371	1,928,432	2,242,160

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Debtors: falling due within one year

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Rent arrears	92,878	146,688	92,878	146,688
Less: provision for bad debts	(32,809)	(25,563)	(32,809)	(25,563)
Arrears for rent and service charge	60,069	121,125	60,069	121,125
Other debtors and prepayments	857,666	773,101	695,221	629,051
Local authority revenue grant receivable	7,525,837	7,875,544	5,568,349	6,343,841
Amounts owed by subsidiary undertakings	-	-	1,171,180	93,205
	<u>8,443,572</u>	<u>8,769,770</u>	<u>7,494,819</u>	<u>7,187,222</u>

16. Investments

Consolidated	2023	2022
	£	£
Quoted investments (see below)	543,450	551,513
Balances held in deposit accounts (> 3 months)	628,774	624,081
	<u>1,172,224</u>	<u>1,175,594</u>
Association	2023	2022
	£	£
Investment in subsidiary undertaking:		
- KHA Developments Limited	1	1
Quoted investments (see below)	543,450	551,513
	<u>543,451</u>	<u>551,514</u>

Key Housing Association Limited owns 1 ordinary £1 share in KHA Developments Limited (SC341478). The investment is held at cost. This represents a 100% shareholding in KHA Developments Limited, a company registered in Scotland, whose principal activity is that of acting as the design and build subsidiary of Key Housing Association Limited. There was no financial activity in the year for KHA Developments Limited. The net liabilities at 31 March 2023 were (£1,040) (2022: (£1,040)).

Key Housing Association Limited has 100% control over its subsidiary undertaking Community Lifestyles Limited, a company limited by guarantee whose principal activity is the support of adults with learning disabilities. KEY is the only member of Community Lifestyles Limited and approves the appointment of the directors of Community Lifestyles Limited. Community Lifestyles Limited made a surplus of £279,584 (2022 - £445,416) for the year ended 31 March 2023. Included in other comprehensive income was an actuarial loss of £35,041 (2022 - actuarial gain of £84,000) in respect of SHAPS to give total comprehensive income of £244,543 (2022 - £529,416). Community Lifestyles Limited has reserves of £7,956,826 as at 31 March 2023 (2022 - £7,712,283).

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

16. Investments (continued)

The Group and Key Housing Association Limited have quoted investments held via James Hay as follows:

	Consolidated 2023	Consolidated 2022	Association 2023	Association 2022
	£	£	£	£
Quoted investments				
Market value at 1 April 2022	551,513	551,444	551,513	551,444
Movement in market value	(8,063)	20,743	(8,063)	20,743
Divested in current year	-	(20,674)	-	(20,674)
Market value at 31 March 2023	<u>543,450</u>	<u>551,513</u>	<u>543,450</u>	<u>551,513</u>

The following investments represent over 5% of the portfolio:

	Value at 31 March 2023 £	% Holding
Legal and General UK Index C Inc.	81,489	15%
Legal and General US Index Trust C Inc.	70,215	13%
Legal and General European Index Trust C Inc.	76,373	14%
M&G UK Inflation Linked Corporate Bond I Inc.	48,006	9%
M&G Strategic Corporate Bond I Inc.	39,353	7%

17. Cash and cash equivalents

	Consolidated 2023	2022	Association 2023	2022
	£	£	£	£
Cash - Current account	13,317,395	13,098,334	5,969,563	7,151,954
Cash equivalents - Deposit accounts (< 3 months)	1,666,211	1,659,873	1,140,122	1,135,345
	<u>14,983,606</u>	<u>14,758,207</u>	<u>7,109,685</u>	<u>8,287,299</u>

18. Creditors: falling due within one year

	Consolidated 2023	2022	Association 2023	2022
	£	£	£	£
Bank loans (note 20)	56,758	132,970	56,758	132,970
Trade creditors	59,048	48,321	59,048	48,321
Pension creditor	435,108	480,520	379,516	402,183
Other creditors	3,638,180	3,360,358	1,883,914	1,947,937
Social security and other taxes	1,311,039	1,295,491	989,041	973,501
Accruals and deferred grant income	4,955,580	4,859,951	3,791,108	3,805,493
Prepayments of rent and service charge	164,508	87,971	164,508	87,971
Amounts due to subsidiary undertakings	-	-	56,211	76,594
Deferred Government capital grant (note 21)	6,625	6,625	6,625	6,625
	<u>10,626,846</u>	<u>10,272,207</u>	<u>7,386,729</u>	<u>7,481,595</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

	Consolidated 2023 £	2022 £	Association 2023 £	2022 £
Bank loans (note 20)	247,887	299,505	247,887	299,505
Deferred Government capital grant (note 21)	278,125	284,750	278,125	284,750
	<u>526,012</u>	<u>584,255</u>	<u>526,012</u>	<u>584,255</u>

20. Loans: Consolidated and Association

	2023 £	2022 £
Total bank loans outstanding:		
Payable in one year or less	56,758	132,970
Payable within one to two years	59,180	77,498
Payable within two to five years	188,707	167,845
Payable over five years	-	54,162
	<u>304,645</u>	<u>432,475</u>
Less: payable within one year	(56,758)	(132,970)
Total bank loans due after one year	<u>247,887</u>	<u>299,505</u>

Bank loans are secured by a fixed charge over certain properties of the Association. The loans are repayable in equal monthly instalments and are secured over 25 or 30 years. The highest rate of interest payable during the year was 5.76% and the lowest 1.4%.

The net book value of housing properties secured at the year-end was £5,180,363 (2022 - £8,952,598).

21. Deferred capital grants: Consolidated and Association

	2023 £	2022 £
Gross grant		
At 1 April 2022	331,246	331,246
Grants received in year	-	-
At 31 March 2023	<u>331,246</u>	<u>331,246</u>
Amortisation of grant		
At 1 April 2022	39,871	33,246
Amortisation	6,625	6,625
At 31 March 2023	<u>46,496</u>	<u>39,871</u>
Net grant at 31 March 2023	<u>284,750</u>	<u>291,375</u>
Payable in one year or less	6,625	6,625
Payable within one to two years	6,625	6,625
Payable within two to five years	19,875	19,875
Payable over five years	251,625	258,250
Total	<u>284,750</u>	<u>291,375</u>

22. Retirement benefits

Defined benefit scheme

Key Housing Association Limited and Community Lifestyles Limited participate in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme which provides benefits to some 150 non-associated employers. The Scheme is funded.

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 Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate;
- Career average revalued earnings with a 1/80th accrual rate;
- Career average revalued earnings with a 1/120th accrual rate contracted in; and
- Defined Contribution.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Key Housing Association Limited and Community Lifestyle Limited have elected to operate the Defined Contributions Option for existing and new entrants. The defined benefit scheme was closed to future accrual on 1 April 2014. However, the Association and Community Lifestyles Limited are still required to fund the past service deficit liability in respect of the defined benefit scheme.

There was an additional annual employer past service deficit contribution of £1,935,417 (net of administration costs) (2022 - £1,936,277) made in the year ended 31 March 2023 for the Group including £1,922,163 (2022 - £1,910,541) for the Association. This includes an additional payment of £458,787 following the out-turn for year ending 31 March 2022 and in accordance with the agreement with SHAPS.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last triennial valuation of the Scheme was performed as at 30 September 2018. The valuation revealed a deficit of £121m. A recovery plan has been put in place to eliminate the deficit which will run to 30 September 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last man standing arrangement'. Therefore, the Association 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.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Retirement benefits (continued)

Defined benefit scheme (continued)

The SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Group

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2023 £'000	31 March 2022 £'000
Fair value of plan assets	45,129	65,074
Present value of defined benefit obligation	(47,845)	(68,791)
Defined benefit liability to be recognised	(2,716)	(3,717)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Defined benefit obligation at start of period	68,791	73,273
Current service cost	-	-
Expenses	63	63
Interest expense	1,889	1,536
Actuarial (gains)/losses due to scheme experience	(2,349)	2,008
Actuarial (gains)/losses due to changes in demographic assumptions	(1,174)	236
Actuarial (gains) due to changes in financial assumptions	(17,278)	(5,326)
Benefits paid and expenses	(2,097)	(2,999)
Defined benefit liability at the end of the period	47,845	68,791

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Retirement benefits (continued)

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fair value of plan assets at start of the period	65,074	63,360
Interest income	1,813	1,345
Experience on plan assets (excluding amounts included in interest income) – (loss)/gain	(21,657)	1,368
Contributions by the employer	1,996	2,000
Benefits paid and expenses	(2,097)	(2,999)
Fair value of plan assets at end of period	<u>45,129</u>	<u>65,074</u>

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2021 to 31 March 2023 £'000	Period from 31 March 2021 to 31 March 2022 £'000
Current service cost	-	-
Admin expenses	63	63
Net interest expense	76	191
Defined benefit costs recognised in Statement of Comprehensive Income	<u>139</u>	<u>254</u>

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Experience on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(21,657)	1,368
Experience gains and losses arising on the plan liabilities – gain/(loss)	2,349	(2,008)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	1,174	(236)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	<u>17,276</u>	<u>5,326</u>
Total amount recognised in other comprehensive income – actuarial (loss)/gain	<u>(858)</u>	<u>4,450</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Retirement benefits (continued)

Fund allocation for employer's calculated share of assets

	31 March 2023 £'000	31 March 2022 £'000
Global Equity	1,191	12,867
Absolute Return	615	2,984
Distressed Opportunities	1,388	2,333
Credit Relative Value	1,721	2,088
Alternative Risk Premia	261	2,688
Fund of Hedge Funds		-
Emerging Markets Debt	349	2,422
Risk Sharing	3,290	2,122
Insurance-Linked Securities	1,256	1,364
Property	1,879	1,686
Infrastructure	4,862	4,062
Private Debt	2,015	1,637
Opportunistic Illiquid Credit	1,995	2,157
High Yield	228	632
Opportunistic Credit	3	227
Cash	189	181
Corporate Bond Fund	59	4,113
Liquid Credit	2	417
Long Lease Property	1,513	1,875
Secured Income	3,018	3,476
Over 15 Year Gilts	-	27
Liability Driven Investment	19,109	15,746
Current Hedging	101	(238)
Net Current Assets	85	208
Total Assets	45,129	65,074

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2023 % per annum Key Housing Association	31 March 2023 % per annum Community Lifestyles
Discount rate	4.89%	4.86%
Inflation (RPI)	3.2%	3.19%
Inflation (CPI)	2.72%	2.77%
Salary growth	3.72%	3.77%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**22. Retirement benefits (continued)**

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary**Active members**

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	29	1,053	56
Females	55	1,967	56
Total	84	3,020	56

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	44	106	57
Females	119	294	55
Total	163	400	56

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	76	521	69
Females	211	979	69
Total	287	1,500	69

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Retirement benefits (continued)

Association

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2023 £'000	31 March 2022 £'000
Fair value of plan assets	44,476	64,027
Present value of defined benefit obligation	(47,154)	(67,728)
Defined benefit liability to be recognised	(2,678)	(3,701)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Defined benefit obligation at start of period	67,728	72,160
Current service cost	-	-
Expenses	62	62
Interest expense	1,860	1,512
Actuarial (gains)/losses due to scheme experience	(2,283)	1,985
Actuarial (gains)/losses due to changes in demographic assumptions	(1,160)	233
Actuarial (gains) due to changes in financial assumptions	(16,982)	(5,234)
Benefits paid and expenses	(2,071)	(2,990)
Defined benefit liability at the end of the period	47,154	67,728

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fair value of plan assets at start of the period	64,027	62,371
Interest income	1,784	1,323
Experience on plan assets (excluding amounts included in interest income)		
- (loss)/gain	(21,244)	1,350
Contributions by the employer	1,980	1,973
Benefits paid and expenses	(2,071)	(2,990)
Fair value of plan assets at end of period	44,476	64,027

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Retirement benefits (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2022 to 31 March 2023 £'000	Period from 31 March 2021 to 31 March 2022 £'000
Current service cost	-	-
Admin expenses	62	62
Net interest expense	76	189
	<u>138</u>	<u>251</u>
Defined benefit costs recognised in Statement of Comprehensive Income		
	<u>138</u>	<u>251</u>

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Experience on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(21,244)	1,350
Experience gains and losses arising on the plan liabilities – gain/(loss)	2,283	(1,985)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	1,160	(233)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	16,978	5,234
	<u>16,978</u>	<u>5,234</u>
Total amount recognised in other comprehensive income – actuarial (loss)/gain	<u>(823)</u>	<u>4,366</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Retirement benefits (continued)

Fund allocation for employer's calculated share of assets

	31 March 2023 £'000	31 March 2022 £'000
Global Equity	1,174	12,660
Absolute Return	606	2,936
Distressed Opportunities	1,368	2,295
Credit Relative Value	1,696	2,054
Alternative Risk Premia	257	2,645
Emerging Markets Debt	344	2,383
Risk Sharing	3,242	2,088
Insurance Linked Securities	1,238	1,342
Property	1,852	1,659
Infrastructure	4,792	3,997
Private Debt	1,986	1,611
Opportunistic Illiquid Credit	1,966	2,122
High Yield	225	622
Opportunistic Credit	3	223
Cash	186	178
Corporate Bond Fund	58	4,047
Liquid Credit	2	410
Long Lease Property	1,491	1,845
Secured Income	2,974	3,420
Over 15 Year Gilts	-	27
Liability Driven Investments	18,832	15,492
Net Current Assets	100	205
Current Hedging	84	(234)
Total Assets	44,476	64,027

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2023 % per annum
Discount rate	4.89%
Inflation (RPI)	3.2%
Inflation (CPI)	2.72%
Salary growth	3.72%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**22. Retirement benefits (continued)****Member data summary****Active members**

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	26	932	56
Females	54	1,943	56
Total	80	2,875	56

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	42	102	57
Females	114	290	55
Total	156	392	56

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	74	517	69
Females	210	977	69
Total	284	1,494	69

Pension contributions by Scheme – Group and Association**Defined contribution - SHAPS**

There are 148 active members of the SHAPS DC scheme as at 31 March 2023 for the Group and 134 for KEY only. The Group and KEY contribute 4.7% as an employer contribution. Total employer contributions for the year were £257,278 (2022 - £253,617) for the Group and £234,369 (2022 - £233,701) for KEY only. Included in the year end creditors balance is £41,556 (2022 - £40,643) for the Group and £37,255 (2022 - £37,186) for KEY only in respect of pension contributions payable. This represents one month's contributions as well as outstanding contributions for new members.

Defined contribution - Other

The Group also offers a defined contribution pension scheme under SHAPS. Employer contributions for the year were £16,961 (2022 - £18,795) for the Group and £15,823 (2022 - £17,421) for Key Housing Association Limited only. Included in creditors as at 31 March 2023 is £2,228 (2022 - £2,568) in respect of the defined contribution scheme for the group and £2,057 (2022 - £2,404) for Key Housing Association Limited only. This represents one month's contribution. As at 31 March 2023 there were 21 (2022 - 24) active members of the scheme employed by the Group and 19 (2022 - 22) by Key Housing Association Limited.

Auto Enrolment

From 1 November 2013, eligible employees in KEY who were not active members of the SHAPS scheme were automatically enrolled into the Flexible Retirement Plan with contribution levels meeting minimum statutory requirements. From 1 April 2014, eligible employees in Community Lifestyles were similarly enrolled. Employer contributions for the year were £1,029,030 (2022 - £960,330) for the Group and £774,661 (2022 - £717,570) for KEY. As at the year-end there were £264,396 (2022 - £311,770) pension contributions outstanding for the Group and £213,553 (2022 - £239,446) for KEY. There were 1,819 (2022 - 1,693) active members for the Group as at 31 March 2023 and 1,491 (2022 - 1,324) for KEY only.

At the year-end £124,915 (2022 - £123,574) was included in the pension creditor in respect of the past service deficit payment and pension management costs due to be paid at the year-end for the Group and £124,846 (2022 - £121,360) for KEY only. There was also £2,012 (2022 - £1,965) in respect of the death in service element for the Group and £1,805 (2022 - £1,787) for KEY.

22. Retirement benefits (continued)**Employer debt on withdrawal**

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the scheme as at 30 September 2022. As of this date the estimated employer debt for the Association was £17,916,383 (2021 - £28,845,037) and for Community Lifestyles Limited was £289,649 (2021 - £476,200).

Review of historic benefit changes

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items and this process is ongoing and with it being unlikely to be resolved before the end of 2024 at the earliest.

It is estimated that this could potentially increase the value of the full scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the court direction is received, it is unknown whether the full (if any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

23. Operating lease commitments – Consolidated

	Land & Buildings 2023 £	Other 2023 £	Land & Buildings 2022 £	Other 2022 £
Annual commitments expiring within the following periods post year end:				
One year or less	322,926	60,379	286,747	73,575
Between two and five years	457,299	52,281	217,253	87,547
In five years or more	4,950	-	10,402	-
	785,175	112,660	514,402	161,122

KEY HOUSING ASSOCIATION LIMITED

NOTES THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

23. Operating lease commitments – Association

Annual commitments expiring within the following periods post year end:	Land & Buildings 2023 £	Other 2023 £	Land & Buildings 2022 £	Other 2022 £
One year or less	322,926	60,379	286,747	73,575
Between two and five years	457,299	52,281	217,253	87,547
In five years or more	4,950	-	10,402	-
	<u>785,175</u>	<u>112,660</u>	<u>514,402</u>	<u>161,122</u>

24a. Share capital – Consolidated and Association

	2023 £	2022 £
Shares of £1 each fully paid and issued at:		
Brought forward at 1 April	274	287
Shares issued during the year	2	-
Shares cancelled during the year	(51)	(13)
Shares of £1 each fully paid at 31 March	<u>225</u>	<u>274</u>

The Association issued two (2022 - nil) shares in the year. The shares have limited rights with no rights to dividends, redemptions or winding up. Each shareholder has the right to vote at the General Meetings.

24b. Revenue reserves

The revenue reserve includes all current and prior year retained surpluses or deficits.

KEY HOUSING ASSOCIATION LIMITED

NOTES THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

25a. Net cash inflow from operating activities: Consolidated

	2023 £	2022 £
Surplus for the year	894,682	2,384,479
<u>Adjustments for non-cash items</u>		
Depreciation of tangible fixed assets including loss on disposal of components	712,184	702,758
Carrying amount of tangible fixed asset disposals	3,057	25,462
Increase/(decrease) in creditors	430,852	(824,190)
Decrease in debtors	326,198	98,413
Decrease/(increase) in stock	35,957	(48,053)
Interest charge in respect of the defined benefit pension liability	76,000	191,000
<u>Adjustments for investing or financing activities</u>		
Net proceeds from sale of tangible fixed assets	(2,199)	(9,068)
Interest payable	20,572	37,566
Interest receivable	(47,255)	(13,730)
SHAPS past service deficit payment	(1,935,417)	(1,936,277)
Shares cancelled	(51)	(13)
Release of deferred Government Capital grants	(6,625)	(6,625)
Movement in market value of investments	8,063	(20,743)
Net cash inflow from operating activities	<u>516,018</u>	<u>580,979</u>

25b. Net cash inflow from operating activities: Association

	2023 £	2022 £
Surplus for the year	615,098	1,939,063
<u>Adjustments for non-cash items</u>		
Depreciation of tangible fixed assets including loss on disposal of components	629,268	629,881
Carrying amount of tangible fixed asset disposals	3,057	25,462
(Decrease) in creditors	(18,651)	(444,937)
(Increase) in debtors	(307,597)	(75,410)
Decrease/(increase) in stock	35,957	(48,053)
Interest charge in respect of the defined benefit pension liability	76,000	189,000
<u>Adjustments for investing or financing activities</u>		
Net proceeds from sale of tangible fixed assets	(2,199)	(9,068)
Interest payable	20,572	37,566
Interest receivable	(25,194)	(7,987)
SHAPS past service deficit payment	(1,922,163)	(1,910,541)
Shares cancelled	(51)	(13)
Release of deferred Government Capital Grant	(6,625)	(6,625)
Movement in market value of investments	8,063	(20,743)
Net cash inflow from operating activities	<u>(894,465)</u>	<u>297,595</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

26. Capital commitments – Consolidated and Association

	2023 £	2022 £
Contracted for but not provided for in the financial statements	-	-
Authorised by the Management Committee but not contracted for	-	-

27. Housing stock – Consolidated and Association

	2023 No of units	2022 No of units
New build - mainstream	103	106
New build – supported	588	585
Rehabilitation - mainstream	-	-
Rehabilitation - supported	22	22
	<u>713</u>	<u>713</u>

	2023 No of units	2022 No of units
Registered accommodation:		
Number of bed spaces	-	-
	<u>-</u>	<u>-</u>

There are no new units under development for either year.

There were 3 units transferred from management mainstream to management supported in the year.

28. Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and registered with the Financial Conduct Authority.

29. Related parties

Subsidiary undertakings

In August 1995, Key Housing Association set up a subsidiary company, Community Lifestyles Limited. This company provides individualised home and community support services to adults with learning difficulties, mainly in housing not provided by the Association. This is provided under contracts with local authorities, mainly Glasgow City Council.

From August 1998 Community Lifestyles Limited became a registered charity and limited by guarantee. It remains under the control of Key Housing Association Limited.

The transactions between the two entities during the year have consisted of net recharges totaling £879,871 (2022 - £873,200) by Key Housing Association to Community Lifestyles Limited for staff costs and other overheads. There was also a total of £223,828 (2022 - £216,350) of recharges from Community Lifestyles Limited to Key Housing Association Limited for staff costs and other overheads. At 31 March 2023, Community Lifestyles Limited owed Key Housing Association Limited £1,171,180 (2022 - £93,205) in respect of sundry items and Glasgow City Council funding to be paid over. Included in the year end creditors is £56,211 (2022 - £76,594) in respect of sundry items payable to Community Lifestyles Limited.

Members of the Board

During the year the Association had no (2022 - *none*) member of the Board who was also a tenant. The tenancies of these members of the Board are on normal terms and the members cannot use their position to their advantage. The total rent charged in the year relating to Board members who are tenants is £nil (2022 - *£nil*). The total prepaid rent relating to Board members who are tenants included within creditors at the year end is £nil (2022 - *£nil*)