Registered Housing Association No. HAL261
FCA Reference No. 2414R(S)
Scottish Charity No. SC040979

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2021

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

MUIRHOUSE HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES and ADVISERS

Year ended 31 March 2021

Board of Management
Iain Strachan (Chair)
Pascale Adriaens
Helen Armour (Resigned 14 September 2020)
Jonathan Brigain (Casual vacancy from 14 September 2020, Resigned 9 August 2021)
Carole Cameron (Resigned 24 August 2020)
Rhona Cameron (Appointed 14 September 2020, Resigned 10 May 2021)
Carol Duncan (Co-opted 14 September 2020, Resigned 16 August 2021)
Adam Gray (Co-opted 14 September 2020, Resigned 21 June 2021)
James Roy Douglas (Vice Chair)
William Grieve
Eric Hollanders
Janette Lynch (Resigned 16 August 2021)
Robert McDougall
Drew Moore (Co-opted 14 September 2020)
Steven Prevost (Resigned 10 August 2020)
Julie Smith
Martin Thoronka
Harry Woodward (Co-opted 14 September 2020)

Executive Officers
Stephen McAvoy (Chief Executive resigned 22 January 2021)
Barry Allan (Interim Chief Executive)

Registered Office
11 Muirhouse Medway
Edinburgh
EH4 4RW

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

Internal Auditors
BDO LLP
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

Bankers
The Royal Bank of Scotland
239 St John's Road
Edinburgh
EH12 7XA

Solicitors
T C Young
69a George Street
Edinburgh
EH2 2JG

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT

For the year ended 31 March 2021

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2021.

Legal Status
The Association is a registered non-profit making organisation under the Co-operative and Community Benefits Societies Act 2014 No. 2414R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC040979.

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

Financial Review
The Association made an operating surplus for the year of £671,858 (2020: £156,953). Due to actuarial losses on the pension scheme of £214,000 (2020: £437,332 gain), the total surplus for the year is £404,630 (2020: £593,925). The revenue reserves have increased to £6,404,142 (2020: £5,995,512).

The Association participates in a multi-employer pension scheme, Scottish Housing Associations' Pension Scheme (SHAPS).

The defined benefit liability as at 31 March 2021 is £214,000 (2020: £Nil). The defined benefit liability is based on actuarial assumptions provided on an annual basis. The movement in the liability represents the volatility of the global markets and can therefore significantly change year on year. The liability figure doesn't represent the actual liability if it was to crystalise, the potential debt if the Association was to cease to participate in the pension scheme or on winding up is included in note 13.

Due to the impact of COVID-19 and subsequent restrictions, minimal bathroom replacement and other works have been completed in the year ended 31 March 2021 totalling £16k. Over the last 5 years, the Association has invested nearly £2.5m on property improvements and around 80% of the housing stock has had at least 1 improvement completed in that period. The Association is currently 99.4% compliant with Scottish Housing Quality Standards (SHQS) and 100% compliant with the Energy Efficiency Standard for Social Housing (EESSH). The necessary works to increase the SHQS figure to 100% will be carried out during 2021-22. Significant investments have also been made in the replacement of smoke detectors in order to meet Scottish Government legislation, at 31 March 2020 the programme of replacements was 80% complete. This investment was due to continue throughout 2020 to 2021 as part of MHA's ambitious but achievable 30-year asset management plan and 3-year programme of works, however due to the impact of COVID-19 this has resulted in the timing of works being postponed until 2021-2022.

Going Concern
The long-term impact of COVID-19 cannot be determined until restrictions are ended, however during 2020-21 the Association continued to make cash surpluses. Apart from a small increase in rent arrears and the postponement of expected planned major repair works, COVID-19 has not raised any financial concerns or uncertainties. The long-term projections of the Association demonstrate the financial viability and health of the organisation. We will continue to make efficiency savings in our operational costs wherever possible and monitor income received, review budgets and projections as well as carrying out extensive sensitivity analysis and stress testing of covenants to ensure the accuracy of financial information and reporting to Board and external stakeholders.

Throughout 2020-21, monthly COVID-19 reports have been provided to the Board and stress testing has been carried out on the impact on cash reserves using scenarios with projected reductions in rental income received ranging from 10% to 60% as well as reduced income from Muirhouse Homes Limited. Cash balances are all positive other than the 40% - 60% reduction in rental income received, which would result in negative bank balances. At 31 March 2021, rental income received was down 0.67% in comparison to 2019/20 (inflated for 2020/21 rental increase) and gross rent arrears had increased by 0.93% to 3.85% compared to 2.92% at 31 March 2020. A reduction of over 10% therefore appears extremely unlikely. Consequently, the Board have identified no material uncertainties and have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. As a result, the going concern basis of accounting in preparing the financial statements continues to be applied.

Budgetary Process

Each year the Board approves the annual budget, as well as the five-year projections. A new strategic plan is approved on a 3-year basis, the plan is reviewed on an annual basis within the 3 years. Performance is monitored, and relevant action taken throughout the year through quarterly reporting to the Audit & Risk Committee, and Board, of variances from the budget, updated forecasts for the year where necessary together with information for key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. In this way, MHA manages its borrowing arrangements to ensure that it is always in a position to meet financial obligations as they fall due, whilst managing excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2021, MHA has a mix of fixed and variable rate finance, 55%/45% split respectively, which it considers appropriate. In May 2021, the Board approved the refinancing of the full loan portfolio to take advantage of the current market conditions. This refinancing exercise is expected to be completed in August 2021.

Review of Business and Future Developments

The Association continues to review performance to meet the regulatory requirements and participates in benchmarking and good practice events. The Association performs in the top quartile with regard to KPIs reported in the Annual Return of the Charter compared to other RSLs. In 2020/21 the Association achieved improvements in operational performance; and continued to perform well, see KPIs on page 4, with regard to rent control and void management compared to peers. These results support the staff's hard work in the face of COVID-19 restrictions and working from home which raised a range of issues for both staff and tenants. Membership continues of the Scottish Federation of Housing Associations, Chartered Institute of Housing, Scotland's Housing Network, Housemark, Share etc. Board members, and staff, are encouraged to attend events and conferences organised by similar organisations and utilise online training. The Association continues to develop an annual appraisal process for all Board members and holds an annual Board and Staff strategy day. At the strategy day in November 2020, Board carried out a strategic review of the Association's vision, mission statement and strategic objective which resulted in minor adjustments and the three-year business plan for 2019 to 2021 was extended to include a 1-year Business Plan for 2021-22 due to the ongoing impact of COVID-19. In February 2020, the Board formally approved a Strategic Options Appraisal however due to COVID-19 this work was not undertaken. Following the resignation of the former Chief Executive in January 2021, the Scottish Housing Regulator requires the Association to carry out a Strategic Options Appraisal prior to the recruitment of a new permanent Chief Executive and the Options Appraisal work is due to be completed by October 2021.

The Association continues to work in partnership with the local authority to prioritise the completion of the regeneration of the community and is committed as part of the Association's business plan to be a community anchor, support social enterprise and financial & social inclusion. The Association continued its partnership with Castle Rock Edinvar for the provision of financial, welfare and fuel energy advice.

The Association successfully completed the self-assessment and annual assurance statement work to comply with the Scottish Housing Regulator's Regulatory Framework. This was satisfactorily reported to all stakeholders, and the Association received a compliant engagement plan from the Regulator for 2021-22.

As part of the Association's community work, and in conjunction with Muirhouse Homes Limited (a 100% owned subsidiary of the Association providing mid-market rent housing), a Community Chest Fund has been in place since 2017. In 2020/21, 1 project was successful in meeting the criteria and received funds of £3,900 (2020: £24,325), only 1 application was received in the year as most projects were postponed or cancelled due to COVID-19 restrictions. In 2020/21, the Association made charitable donations of £11,919 (2020: £25,147) primarily for emergency/crisis funding to local organisations providing food and IT equipment during COVID-19 restrictions. As part of the agreed strategy, the Association is keen to invest in projects which improve the community & neighbourhood of Muirhouse as well as provide learning opportunities, support and activities & experiences for tenants and local residents.

All selected projects support our stated strategic objectives and priorities, improving the neighbourhood and environment, strengthening the community, increasing wealth and opportunities, boosting health and wellbeing, and supporting children and young people.

MHA is also a founding member of The Alliance of Registered Co-operatives & Housing Associations, Independent in Edinburgh (ARCHIE). An alliance of 8 independent Housing Associations in Edinburgh established to share skills, experience and resources to enable an enhanced service to be delivered to customers and the wider community.

Key Performance Indicators

The Association reports on its performance against a series of indicators laid out in the Scottish Social Housing Charter. Our performance continues to show strong results, with all the indicators at top quartile levels.

Indicators	Targets for 2020/21	Actual 2020/21	Scottish Average 2019/20
Satisfied with overall service (Indicator 1)		93.9%	90.9%
Satisfied being kept informed (Indicator 2)		93.9%	93.4%
Satisfaction property represents good value for money (Indicator 25)		91.7%	83.0%
Average calendar days to re-let properties (Indicator 30)	Less than 5 days	46.5 days	27.8 days
Void Rent Loss (Indicator 18)	Less than 0.5%	0.35%	0.80%
Gross Rent Arrears (Indicator 27)	Less than 3%	3.85%	4.10%
Rent collected as percentage of total rent due (Indicator 26)		99.65%	99.5%
No. of stage 1 complaints responded within timescale (Indicator 3)	100%	100%	98.9%
No. of stage 2 complaints responded within timescale (Indicator 3)	100%	N/A – none in year	95.2%
Tenants satisfied with quality of home (Indicator 7)	100%	94.22%	89.0%
Reactive Repairs "right first time" (Indicator 10)	95%	94.59%	92.7%
Satisfaction with Repairs Service (Indicator 12)	90%	100%	94.0%
Satisfied with contribution to management of neighbourhood (Indicator 13)		82.67%	88%
Average time to complete Emergency Repair (Indicator 8)	Less than 4 hrs	1.81 hrs	3 hrs
Average time to complete non-emergency repairs (Indicator 9)	Urgent 2 days Normal 10 days	3.77 days	5 days
No. of times gas safety requirements not met (Indicator 11)	0	0	N/A
Anti-Social Behaviour cases resolved in target (Indicator 15)	80% within 20 working days	100%	89.4%
SHQS Compliance	100%	99.41%	93.8%
EESSH Compliance	100%	100%	88.5%

The most recent tri-annual tenant satisfaction survey was completed in December 2019.

As part of our interaction with tenants, the Association has developed a tenant's scrutiny panel and ensures that the customer is at the heart of what we do.

Principal Risks & Uncertainties

The Association recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

Principal Risks & Uncertainties (Continued)

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

The principal risks facing the Association and their mitigating actions are as follows:

- ***COVID-19***. Staff provide the Board with a regular update of the impact of COVID-19 on finances, KPIs, service delivery, health & safety, staff wellbeing, tenants, governance and regulatory compliance etc. Staff utilise support from SFHA, follow official guidance from Scottish Government, NHS, and other sources.
- ***Government policy – National and local***. Board and staff attend relevant conferences and training to ensure knowledge and information is attained of current and future developments. Membership of bodies such as SFHA also provides regular updates and awareness. The Association are at information gathering stage in relation to Energy Efficiency Standard for Social Housing (EESSH2) and how we plan, fund and implement the works to comply with this guidance and future climate change targets of the Scottish Government.
- ***Risk to income including welfare reform.*** Housing management staff, as well as all staff, have received and continue to receive appropriate training (particularly on Universal Credit) to support tenants as well as reduce the level of income lost by the Association due to the impact of welfare reform. The services of a Financial Inclusion officer and an energy advisor have also been outsourced to provide additional support over the last year. Tenants are kept informed of relevant changes either individually or via newsletters, social media postings.
- ***Business continuity and disaster recovery.*** The risk of the loss of information, or access to the office, is managed by having adequate IT support in place, back-ups and anti-virus controls. The business continuity plan has been prepared to put in place procedures to manage against the impact of any potential disasters.
- ***Development and growth***. Opportunities for growth when identified are robustly appraised to ensure the values of the Association are met as well as consideration of the financial implications. Whilst the subsidiary Muirhouse Homes Limited has been successful since incorporation, the relationship between parent and subsidiary is regularly monitored by Board and staff to mitigate the risk of major issues or failure.
- ***Financial risk management and governance.*** The Association is currently refinancing the full loan portfolio which is expected to reduce future costs and mitigate interest rate and refinancing risks. Procedures and policies in place, as well as recent strategies developed that have mitigated the risk of governance failures. Project plans and deadlines are in place for current and future requirements. Board and staff have agreed a plan for the upcoming self-assessment, and annual assurance statement, which were discussed at the annual strategy day. Independent validation, through regular internal & external audit, is also utilised to assess various strategic and operational matters.
- ***Impact of Brexit.*** Board and staff have received various information updates throughout the Brexit process, and the impact of Brexit is considered when making strategic/operational decisions such as the potential impact on contractor's costs/labour, staff, etc.
- ***UK economy and risk of recession.*** Financial management, including treasury management, procedures are in place to identify opportunities for efficiency savings. Annual budgets are prepared, and any significant long-term downturn in the UK economy would result in a review of costs and future developments etc. Sensitivity analysis is prepared when preparing 30-year financial projections, and the impact of recession is considered when these are prepared.
- ***Risk to governance.*** The Association appointed 6 new Board members in 2020-21, however the risk of reducing numbers of Board members and the loss of experience/knowledge on the Board as well as the additional difficulties of recruitment during COVID-19 crisis remains. Succession planning (postponed from 2020-21) has been included in the annual Board Members' appraisals and has been included as a topic for the Internal Audit programme for 2021-22. The Association will also utilise the experience of recently appointed Board support consultants.

Principal Risks & Uncertainties (Continued)

Risk Management comes under the remit of the Association's Audit & Risk Committee. The risk register, developed and maintained by staff, is reviewed by the Committee on a quarterly basis and significant changes/developments are highlighted to the Board of Management. Risk is assessed by considering how likely it is that an event will occur and what the impact of this would be. The likelihood and severity of each event are multiplied together to identify a rating for each risk. Risks with a score of 17 and above (maximum of 25) are highlighted in Red. A red risk is defined as an unacceptable level of risk exposure which requires constant monitoring and measures to be put in place to reduce exposure.

The Association mitigates the risk by having current controls and measures in place as well as identifying planned controls (i.e. staff training, informing tenants, reviewing policies, investing in technology, internal audit programmes etc.) and timescales for implementation to reduce exposure.

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

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management. The members of the Board of Management are also Trustees of the Charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

Statement of Board of Management's Responsibilities
The Co-operative and Community Benefit Societies Act 2014 requires the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 the going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on Internal Financial Control.

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

The Board of Management must, in determining how amounts are presented within items in the Statement of Comprehensive Income and the Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Members of the Board of Management are aware:

- there is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and

- the Members of the Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

REPORT of the BOARD OF MANAGEMENT (Continued)

For the year ended 31 March 2021

Statement on Internal Financial Control

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

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

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

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

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

By Order of the Board of Management

[redacted]

BARRY ALLAN
Secretary

9 AUGUST 2021

REPORT BY THE AUDITORS TO THE MEMBERS OF

MUIRHOUSE HOUSING ASSOCIATION LIMITED

ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

[redacted]

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Statutory Auditor
Chartered Accountants
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139 Fountainbridge
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06 SEPTEMBER 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MUIRHOUSE HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Muirhouse Housing Association (the 'Association') for the year ended 31 March 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in reserves, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Board of Management in respect of a previous year of account for Muirhouse Homes Limited to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Board/Committee for that reason.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Board of Management's responsibilities statement set out on page 7, the Board of Management 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 of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;

- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, the Co-operative and Community Benefit Societies Act 2014 and Scottish Housing Regulator's Regulatory Framework (published 2019). We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations and inspected correspondence with regulatory authorities including mandatory submissions to the Regulator.

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

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

Use of our report

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

[redacted]

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

Date 06 SEPTEMBER 2021

MUIRHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021	2021	2020	2020
		£	£	£	£
Turnover	2		3,296,802		3,243,533
Operating expenditure	2		(2,301,406)		(2,717,212)
Loss on disposal of fixed assets			(739)		(6,629)
Operating surplus	8		994,657		519,692
Interest receivable and other income		761		3,642	
Interest payable and similar charges	7	(321,560)		(355,741)	
Other finance costs		(2,000)		(11,000)	
			(322,799)		(363,099)
Surplus before taxation			671,858		156,593
Taxation	9		-		-
Surplus for the year			671,858		156,593
Actuarial (loss)/gain in respect of pension schemes	18		(267,228)		437,332
Total comprehensive income for the year			404,630		593,925

There were no discontinued operations during the year. As a consequence, the results relate wholly to continuing activities.

The notes on pages 16 to 36 form part of these financial statements.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

As at 31 March 2021

	Share Capital £	Revenue Reserve £	Total Unrestricted Funds £
Balance at 1 April 2020	56	5,999,512	5,999,568
Movement in share capital	5	-	5
Surplus from statement of total comprehensive income	-	404,630	404,630
Balance at 31 March 2021	61	6,404,142	6,404,203
Balance at 1 April 2019	56	5,405,587	5,405,643
Movement in share capital	-	-	-
Surplus from statement of total comprehensive income	-	593,925	593,925
Balance at 31 March 2020	56	5,999,512	5,999,568

The notes on pages 16 to 36 form part of these financial statements.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021	2021	2020	2020
		£	£	£	£
Fixed assets					
Housing properties	10a		27,382,709		28,290,049
Other tangible fixed assets	10b		93,295		105,218
Intangible fixed assets	10c		15,818		12,294
			27,491,822		28,407,561
Investment	11		1		1
Current assets					
Debtors	15	161,266		152,060	
Cash at bank and in hand	20	2,035,256		1,448,203	
		2,196,522		1,600,263	
Creditors: amounts falling due within one year	16	(1,054,253)		(1,192,282)	
Net current assets			1,142,269		407,981
Total assets less current liabilities			28,634,092		28,815,543
Creditors: amounts falling due after more than one year	17		(22,015,889)		(22,815,975)
Provisions for liabilities					
SHAPS defined benefit obligation	18		(214,000)		-
Net assets			6,404,203		5,999,568
Capital and reserves					
Share capital	21		61		56
Revenue reserves	22		6,404,142		5,999,512
			6,404,203		5,999,568

The financial statements were approved and authorised for issue by the Board of Management and signed on its behalf on 9 August 2021.

[redacted]

Iain Strachan
Chair

James R Douglas
Board Member

Barry Allan
Secretary

The notes on pages 16 to 36 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 £	2020 £
Total cash generated from operating activities	19	1,263,807	886,920
Cash flows (used in) investing activities			
Purchase of tangible fixed assets		(16,168)	(529,021)
Purchase of intangible fixed assets		(8,838)	(14,562)
Interest received		761	3,642
Total cash flows (used in) investing activities		(24,245)	(539,941)
Cash flows (used in) financing activities			
Interest paid		(321,560)	(355,741)
New loans received		-	217,937
Repayment of borrowings		(330,954)	(274,764)
Share capital issued		5	-
Total cash flows (used in) financing activities		(652,509)	(412,568)
Cash and cash equivalents			
Total movement			
Operating activities		1,263,807	886,920
Investing activities		(24,245)	(539,941)
Financing activities		(652,509)	(412,568)
Net decrease in cash and cash equivalents		587,053	(65,589)
Cash and cash equivalents at the start of the year		1,448,203	1,513,792
Cash and cash equivalents at the end of the year	20	2,035,256	1,448,203

The notes on pages 16 to 36 form part of these financial statements.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice for social housing providers "Housing SORP 2018" and the Determination of Accounting Requirements 2019.

The financial statements are prepared in Sterling (£) and are rounded to the nearest whole £.

Legal Status

Muirhouse Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 No. 2414R(S) and is a registered Scottish charity No.SC040979. Muirhouse Housing Association Limited is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The principal activity of the Association is the provision of social housing and thus the Association is considered a public benefit entity.

The registered office is 11 Muirhouse Medway, Edinburgh, EH4 4RW.

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

The Association's principal place of business is Edinburgh, Scotland.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing properties in Edinburgh, Scotland.

1. Principal accounting policies

Going Concern
The Association has a healthy cash position and growing reserves. The Board of Management reviewed budgets and cashflow projections as part of the annual budget discussion for 2021/22, the development and approval of the three-year business plan and the submission to the Scottish Housing Regulator of the five-year financial projections. The Board has also taken account of the impact of COVID-19 by reviewing sensitivity analysis provided by staff which includes updated forecasts, cashflow projections, stress testing of financial covenants. No significant long-term impact on the Association's financial position and no material uncertainties have been identified at this time. On that basis, the Board of Management has a reasonable expectation that the Association has adequate resources to continue for the foreseeable future, which is defined as 12 months after signing the financial statements, and that it continues to be appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Consolidation
As the parent of Muirhouse Homes Limited (note 11), Muirhouse Housing Association Limited has been exempted from the preparation of consolidated accounts, as granted by the Financial Conduct Authority, on the basis that the amounts involved are not material.

Turnover
Turnover represents rental and service charge income receivable less voids, fees receivable and revenue grants receivable and is recognised as it falls due.

Scottish Housing Association Pension Scheme (SHAPS)
From the year ended 31 March 2019, the Association was able to identify its share of the scheme assets and scheme liabilities and therefore has applied defined benefit accounting. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

As at the year ended 31 March 2021, the net defined benefit pension deficit liability was £214,000 (2020: £nil), which has been included within the provisions for pensions liability in the financial statements.

1. Principal accounting policies (continued)

Scottish Housing Association Pension Scheme (SHAPS) (continued)

In the year ended 31 March 2021, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 18 for more details.

Fixed Assets – Housing Properties

Housing Properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent. Housing properties are stated at cost less accumulated depreciation.

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

(i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

(ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

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

The major components of housing properties are detailed below. Each component has a substantially different economic life and is depreciated over this individual life.

Depreciation is charged on a straight line basis over the expected useful life of each major component, to its estimated residual value, that makes up the housing property as follows:

Component	*Useful Economic Life*
Land	N/A
Structure	50 years
Roof	50 years
Render	50 years
Windows	30 years
External doors	25 years
Bathrooms	25 years
Electrics	25 years
Heating systems	20 years
Kitchen	15 years
Boiler	15 years

Capitalised Development and Development Interest

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties cost. Directly attributable costs include direct labour cost of the Association and incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development costs are written off to the Statement of Comprehensive Income in the period in which it occurs.

1. Principal accounting policies (continued)

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the Statement of Comprehensive Income.

Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist Muirhouse Housing Association Limited estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Other Fixed Assets

Other fixed assets are stated a cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Office premises	50 years
Furniture and fittings	Between 5 - 10 years
Computer equipment	Between 3 - 5 years
Office equipment	Between 5 - 15 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Leases/Leased Assets

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

Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Intangibles

All intangible assets shall be considered to have finite useful life of five years on a straight line basis. The useful life of an intangible assets that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but maybe shorter depending on the period over which the entity expects to use the asset. Amortisation of intangible assets is shown within operating costs.

1. Principal accounting policies (continued)

Financial Instruments

Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

Loans And Borrowings

Bank loans provided by Private Lenders are also classed as basic under the requirements of FRS 102, and are therefore also measured at amortised cost.

Payment Arrangements With Tenants

In the case of payment arrangements that exist with tenants, these are deemed to constitute financing transactions and, where material, are measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments.

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 of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or asset component and in determining the appropriate level of bad debt provision for rental arrears and in determining the appropriate level of the pension liability.

Defined Benefit Obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 18). The net defined benefit pension liability at 31 March 2021 was £214,000 (2020: £nil).

Housing Property Disposals

Disposals of both components and properties are regarded as part of the Association's standard operating activities and therefore losses on disposals recorded in the Statement of Comprehensive Income as forming part of the Operating Surplus.

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover £	Operating Costs £	2021 Operating Surplus/ (Deficit) £	2020 Operating Surplus/ (Deficit) £
Affordable lettings activities (Note 3)	2,942,438	2,280,999	661,439	218,253
Loss on disposal of fixed assets	-	739	(739)	(6,629)
Other activities (Note 4)	354,364	20,407	333,957	308,068
Total	3,296,802	2,302,145	994,657	519,692
Total for previous reporting period	3,243,533	2,723,841	519,692	

3. Particulars of turnover, operating costs, and operating surplus from affordable letting activities

	General Needs Housing £	Supported Housing £	2021 Total £	2020 Total £
Turnover				
Rent receivable net of service charges	2,356,793	-	2,356,793	2,312,854
Service charges receivable	121,205	-	121,205	132,984
Gross income from rents and service charges	2,477,998	-	2,477,998	2,445,838
Less: Voids	(8,530)	-	(8,530)	(2,293)
Net income from rents and service charges	2,469,468	-	2,469,468	2,443,545
Grants released from deferred income	458,470	-	458,470	458,470
Revenue grants from Scottish Ministers	14,500	-	14,500	10,633
Total turnover from affordable letting activities	2,942,438	-	2,942,438	2,912,648
Management and maintenance administration costs	870,472		870,472	933,878
Service costs	119,683	-	119,683	135,111
Planned and cyclical maintenance including major repair costs	184,180	-	184,180	472,281
Reactive maintenance costs	174,102	-	174,102	189,947
Bad debts – rents and service charges	9,794	-	9,794	14,699
Depreciation of affordable let properties	922,768	-	922,768	948,479
Operating costs for affordable letting activities	2,280,999	-	2,280,999	2,694,395
Operating surplus for affordable letting activities	661,439	-	661,439	218,253
Operating surplus for affordable letting activities for previous reporting period	218,253	-	218,253	

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit 2021 £	Operating surplus or deficit 2020 £
Mid-market rent lease charge	-	-	-	318,096	318,096	-	1,986	316,110	306,277
Mid-market rent management charge	-	-	-	15,120	15,120	-	18,421	(3,301)	(3,635)
Gift aid received from subsidiary	-	-	-	20,978	20,978	-	-	20,978	-
Other activities	-	-	-	170	170	-	-	170	5,426
Total from other activities	-	-	-	354,364	354,364	-	20,407	333,957	308,068
Total from other activities for the previous reporting period	-	-	-	330,885	330,885	-	22,817	308,068	

There were no other activities other than the activities shown above.

5. Officers' emoluments

The officers are defined in Section 149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers or servants of the Association.

	2021 £	2020 £
Emoluments payable to Chief Executive (excluding pension contributions)	64,944	64,710
Employer's pension contributions	4,615	6,471
Total emoluments payable	69,559	71,181

Key management personnel, in the current and previous year, are considered to be the Chief Executive and the Interim Chief Executive/Finance & Corporate Services Manager.

	2021 £	2020 £
Emoluments payable to key management personnel (excluding pension contributions)	125,341	118,581
Employer's pension contributions	9,447	10,781
Total emoluments payable	134,788	129,362

The number of key management personnel whose emoluments, excluding pension contributions, were above £60,000 for the year was:

	2021 No.	2020 No.
£60,001 to £70,000	2	1

6. Employee information

	2021 No.	2020 No.
The average monthly number of full-time equivalent persons employed during the year was	10	11
The average total number of employees employed during the year was	10	11

	£	£
Staff costs were:		
Wages and salaries	392,688	401,857
Social security costs	36,926	38,063
Other pension costs	37,769	40,346
	467,383	480,266

7. Interest payable

	2021 £	2020 £
On bank loans and overdrafts	321,560	355,741

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2020: £Nil).

8. Operating surplus before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

		2021 £	2020 £
Depreciation	- tangible owned fixed assets	934,690	961,579
Amortisation	- intangible fixed assets	5,314	3,772
Amortisation	- housing association grant	(458,470)	(458,470)
Auditors' remuneration	- audit services	13,200	11,640
Operating lease rentals	- other	1,685	1,128

9. Tax on surplus on ordinary

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

10. Fixed assets

(a) Housing properties

	Housing Properties held for letting £
Cost	
As at 1 April 2020	42,396,160
Additions	16,168
Disposals	(3,736)
As at 31 March 2021	42,408,591
Depreciation	
As at 1 April 2020	14,106,111
Charge for year	922,767
On disposals	(2,996)
As at 31 March 2021	15,025,882
Depreciated cost	27,382,709
Net book value	
As at 31 March 2021	27,382,709
As at 31 March 2020	28,290,049

Expenditure on works to existing properties	2021 £	2020 £
Replacement component spend capitalised	16,168	523,385
Amounts charged to income and expenditure	68,561	349,549
Total major repairs spend	84,728	872,934

There were no capitalised interest or development administration costs.

All land and housing properties are freehold. The cost of land included in housing properties is £2,948,774 (2020: £2,948,774).

The net book value of properties held as security is £18,014,940 (2020: £18,611,874).

10. Fixed assets (continued)

Housing stock	2021 No.	2020 No.
The number of units of accommodation in management at the year end was:		
General needs - new build	513	513
- rehabilitation	57	57
	570	570

The table below shows the property we own:

Managed Property Numbers	2021	2020
Tenanted Property	506	506
Properties leased as HMOs	4	4
Properties leased to Muirhouse Homes Limited for Mid-Market Rent	60	60
Total	570	570

(b) Other tangible assets

	Computer Equipment £	Office Premises £	Office F&F and Equip £	Total £
Cost				
As at 1 April 2020	53,666	130,761	28,118	212,545
Additions	-	-	-	-
As at 31 March 2021	53,666	130,761	28,118	212,545
Aggregate depreciation				
As at 1 April 2020	37,028	46,808	23,491	107,327
Charge for year	8,381	2,347	1,195	11,923
As at 31 March 2021	45,409	49,155	24,686	119,250
Net book value				
As at 31 March 2021	8,257	81,606	3,432	93,295
As at 31 March 2020	16,638	83,953	4,627	105,218

10. Fixed assets (continued)

(c) Intangible assets

	Computer Software £	Total £
Cost		
As at 1 April 2020	42,123	42,123
Additions	8,838	8,838
As at 31 March 2021	50,961	50,961
Aggregate amortisation		
As at 1 April 2020	29,829	29,829
Charge for year	5,314	5,314
As at 31 March 2021	35,143	35,143
Net book value		
As at 31 March 2021	15,818	15,818
As at 31 March 2020	12,294	12,294

11. Investments

	2021 £	2020 £
Cost		
As at 1 April 2020 and 31 March 2021	1	1

In 2014, Muirhouse Housing Association Limited set up a subsidiary called Muirhouse Homes Limited to collect the rent of properties which are on a mid market basis. It owns one share which is 100% of the share capital. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

	2021 £	2020 £
Aggregate capital and reserves		
Muirhouse Homes Limited	83,984	87,504
Profit for the year		
Muirhouse Homes Limited	17,458	25,978

In the opinion of the Board of Management the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's Statement of Financial Position.

12. Capital commitments

	2021 £	2020 £
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	-	-

13. Contingent liabilities

Housing Association Grant received to assist in the funding of the development housing properties is recognised as deferred income and released to the Statement of Comprehensive Income on a systematic basis (as detailed in note 17); nonetheless this grant remains repayable should the associated property be disposed of and therefore a contingent liability exists in respect of the amortised amounts. At 31 March 2021, £8,720,660 (2020: £8,262,190) of grant had been amortised.

As the Association is a member of the Scottish Housing Association Pension Scheme (SHAPS), there is a potential debt on the employer of £1,629,697 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.

14. Commitments under operating leases

The company as a lessee:
The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	**2020**
	£	£
Within 1 year	1,685	1,128
Between 1 and 2 years	1,685	-
Between 2 and 5 years	1,264	-
	=======	=======

The company as a lessor:
At the year end, the Association had contracted with its subsidiary Muirhouse Homes Limited, under non-cancellable operating leases, for the following future minimum lease payments:

	2021	**2020**
	£	£
Within 1 year	319,741	318,097
Between 2 and 5 years	980,181	1,272,388
	1,299,922	1,590,485
	=======	=======

The operating leases represent leases of 60 properties to Muirhouse Homes Limited. The leases are negotiated over terms of 5 years with 4 years remaining of the current lease (2020: 5 years) and the lease charge is subject to an annual increase.

15. Debtors	**2021**	**2020**
	£	£
Arrears of rent and service charges	79,369	87,066
Less: Provision for doubtful debts	(16,689)	(27,495)
	62,680	59,571
Prepayments and accrued income	82,003	74,283
Amounts owed by group undertakings	16,583	18,206
	161,266	152,060
	=======	=======

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Housing loans (Note 17)	341,618	330,955
Trade creditors	42,206	124,441
Rent in advance	122,852	105,577
Other taxation and social security	7,643	10,785
Other creditors	9,815	10,882
Accruals and deferred income	71,649	151,172
Deferred Housing Association Grant (Note 17)	458,470	458,470
	1,054,253	1,192,282

At the balance sheet date there were pension contributions outstanding of £8,601 (2020: £9,669).

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

	2021 £	2020 £
Housing loans	8,271,504	8,613,120
Deferred Housing Association Grant	13,744,385	14,202,855
	22,015,889	22,815,975

Housing loans are secured by specific charges on the Association's housing properties and repayable at varying rates of interest in instalments due as follows:

	2021 £	2020 £
Within one year	341,618	330,955
Between one and two years	355,807	341,618
Between two and five years	3,221,228	1,461,742
In five years or more	4,694,469	6,809,760
	8,613,122	8,944,075
Less: Amount shown in current liabilities	(341,618)	(330,955)
	8,271,504	8,613,120

All of the Association's bank borrowings are repayable on a monthly, quarterly or annual basis with the principal being amortised over the term of the loan. All loans are amortised over a maximum of 25 years.

Interest is charged at fixed rates on loans totalling £4,728,768 (2020: £4,930,775) with rates varying between 0.0% and 6.3% (2020: 0.0% and 6.3%). The remainder of the loans are charged at variable rate interest with margins ranging between 1.10% and 2.50% (2020: 1.10% and 2.85%). The average rate of interest paid in the year is 4.18% (2020: 4.49%).

17. Creditors: Amounts falling due after more than one year *(continued)*

	2021	2020
	£	£
Deferred Housing Association Grant		
Balance b/fwd	14,661,325	15,119,795
Released in year	(458,470)	(458,470)
Balance c/fwd	14,202,855	14,661,325

Analysis of the Deferred Housing Association Grant is as follows:-

	2021	2020
Within one year	458,470	458,470
Between one and two years	458,470	458,470
Between two and five years	1,375,410	1,375,410
In five years or more	11,910,505	12,368,975
	14,202,855	14,661,325
Less: Amount shown in current liabilities	(458,470)	(458,470)
	13,744,385	14,202,855

18. Retirement Benefit Obligations

General

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

The Scheme 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 earning with a 1/120th accrual rate, contracted in
- Defined contribution (DC) option

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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Muirhouse Housing Association Limited elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2012 and the final salary with a 1/80th benefit structure for new entrants from 1 April 2012. From 1 April 2015, the Association has also elected to operate the Defined Contribution option for new entrants. From 1 April 2017, all active members of the final salary scheme were transferred to the Defined Contribution scheme.

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 actuarial valuation of the Scheme's assets at the valuation date is likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

18. Retirement Benefit Obligations (continued)

During the accounting period, Muirhouse Housing Association Limited paid no contributions to the final salary Defined Benefit Scheme and there were no members' contributions. Muirhouse Housing Association paid a maximum of 10% contribution to the Defined Contribution scheme and members' chose to contribute from 3% to 5%.

The Scheme is subject to 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 schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs 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.

Present values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset/(Liability)

	2021 £	2020 £
Fair value of the plan of assets	2,110,000	1,916,000
Present value of defined benefit obligation	2,324,000	1,904,000
Surplus/(deficit) in plan	(214,000)	12,000
Unrecognised surplus	-	(12,000)
Defined benefit asset/(liability) to be recognised	(214,000)	-
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	(214,000)	-

18. Retirement Benefit Obligations (continued)

Present values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset/(Liability) (continued)

Reconciliation of the impact of the Asset Ceiling

	Period from 31 March 2020 to 31 March 2021 £
Impact of asset ceiling at start of period	12,000
Effect of the asset ceiling included in the net interest cost	-
Actuarial losses/(gains) on asset ceiling	(12,000)
Impact of asset ceiling at end of period	-

Reconciliation of opening and closing balances of the defined benefit obligation

	Period from 31 March 2020 to 31 March 2021 £
Defined benefit obligation at start of period	1,904,000
Current service cost	-
Expenses	2,000
Interest expense	45,000
Contributions by plan participants	-
Actuarial losses/(gains) due to scheme experience	(26,000)
Actuarial losses/(gains) due to changes in demographic assumptions	-
Actuarial losses/(gains) due to changes in financial assumptions	418,000
Benefits paid and expenses	(19,000)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	**2,324,000**

18. Retirement benefit obligations (continued)

Present values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset/(Liability) (continued)

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

	Period from 31 March 2020 to 31 March 2021 £
Fair value of plan assets at start of period	1,916,000
Interest income	45,000
Experience on plan assets (excluding amounts included in interest income) – gain/(loss)	112,000
Contributions by the employer	56,000
Contributions by plan participants	-
Benefits paid and expenses	(19,000)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of the period	2,110,000

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £157,000.

Defined benefit costs recognised in statement of comprehensive income (SOCI)

	Period From 31 March 2020 to 31 March 2021 £
Current service cost	-
Expenses	2,000
Net interest expense	-
Losses/(gains) on business combinations	-
Losses/(gains) on settlements	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	2,000

Defined benefit costs recognised in other comprehensive income

	Period From 31 March 2020 to 31 March 2021 £
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	112,000
Experience gains and losses arising on the plan liabilities – gain/(loss)	26,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	-
Effects of the changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(418,000)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	(280,000)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain/(loss)	12,000
Total amount recognised in other comprehensive income – gain/(loss)	(268,000)

18. Retirement benefit obligations (continued)

Present values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset/(Liability) (continued)

Assets	**2021**	**2020**
	£	£
Global Equity	326,000	263,000
Absolute Return	104,000	118,000
Distressed Opportunities	72,000	35,000
Credit Relative Value	61,000	46,000
Alternative Risk Premia	85,000	154,000
Fund of Hedge Funds	-	-
Emerging Markets Debt	85,000	68,000
Risk Sharing	75,000	61,000
Insurance-Linked Securities	44,000	51,000
Property	38,000	36,000
Infrastructure	118,000	113,000
Private Debt	50,000	38,000
Opportunistic Illiquid Credit	54,000	47,000
High Yield	55,000	-
Opportunistic Credit	58,000	-
Cash	1,000	-
Corporate Bond Fund	159,000	140,000
Liquid Credit	36,000	50,000
Long Lease Property	49,000	47,000
Secured Income	116,000	106,000
Over 15 Year Gilts	1,000	24,000
Index Linked All Stock Gilts	-	-
Liability Driven Investment	507,000	504,000
Net Current Assets	16,000	15,000
Total assets	2,110,000	1,916,000

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

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions at the year-end were as follows:

	31 March 2021	**31 March 2020**
	%	%
Discount rate	2.20	2.35
Inflation (RPI)	3.25	2.56
Inflation (CPI)	2.87	1.56
Salary Growth	3.87	2.56
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:
Life expectancy at age 65

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

18. Retirement benefit obligations (continued)

Growth Plan

Muirhouse Housing Association participates in the Pension Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits of this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

The Association paid regular contributions of £nil during the accounting period. Members paid contributions of £nil during the accounting period.

As at the Balance Sheet date there were no active members of the Plan employed by the Association. The Association continues to offer membership of the plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2020 were completed in 2021 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £799 million and the Plan's Technical Provisions (i.e. past service liabilities) were £832 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £33.3 million, equivalent to a past service funding level of 96%. The funding deficit has decreased from £131.5m at 30 September 2017 to £33.3m at 30 September 2020, a decrease of approximately 74.7%.

18. Retirement benefit obligations (continued)

Growth Plan (continued)
The Plan's funding level and deficit has seen a positive improvement since the 2017 valuation. The main reasons for the positive change in the funding level since 30 September 2020 are:

- the payment of deficit contributions and withdrawing employer debts paid over the period, resulting in a reduction in the deficit;
- the significant projection provided by the Plan's hedging strategy which ahs protected the Plan from falling gilt yields and minimised the impact on funding; and
- a change to how the "Orphan liabilities" are valued for those employers that have withdrawn from the Plan to align with Technical Provisions funding basis rather than a Buy-out basis.

These items have been partially offset by a decrease in the gilt yields, reducing expectations for future investment returns and a relatively small impact on funding due to the government's recent RPI reforms; both of these result in an increase in the value of the Plan liabilities. The buy-out funding deficit has decreased from £255.4m at 30 September 2014 to £187.2m at 30 September 2017, a decrease of 26.7%.

The buy-out basis is the statutory basis for calculating an employer's debt on withdrawal. The debt on withdrawal is the withdrawing employer's share of the difference between the Plan's assets and the Plan Actuary's estimate of the amount an insurance company would charge to take on responsibility for paying all of the benefits due.

Based on the new recovery plan, the Plan has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals, the Association will make annual payments of £364 from 1 April 2021. Payments are expected to increase by 3% per annum. At the balance sheet date, the present value of this obligation was £1,437 (2020: £1,702). This was calculated by reference to the terms of the provisional valuation and funding plan and discounted liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 0.56% (2020: 2.53%).

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.

The estimated cost to the Association of withdrawal from the Growth Plan is £5,943.

19. Statement of Cash Flows

Cash flows from operating activities

	2021 £	2020 £
Cash generated from operations		
Surplus for the year	404,630	593,925
Adjustment for non-cash items		
Depreciation of tangible fixed assets	940,004	965,351
Decrease/(Increase) in trade and other debtors	(9,206)	35,535
(Decrease)/Increase in trade and other creditors	(148,689)	(135,149)
(Decrease)/Increase in pension provision	214,000	(473,000)
Adjustments for investing or financing activities:		
Housing Association grants utilised in the year	(458,470)	(458,470)
Loss on sale of tangible fixed assets	739	6,629
Interest receivable	(761)	(3,642)
Interest payable	321,560	355,741
Total cash generated from operating activities	1,263,807	886,920

20. Cash and cash equivalents

	At 1 April 2020 £	Movement in year £	At 31 March 2021 £
Cash at bank and in hand	1,448,203	587,053	2,035,256

Reconciliation of net cash flow to movement in net debt

	2021 £
Cash movement in the year	(587,053)
Cash outflow from debt financing	(330,955)
Change in debt resulting from cash flows	(918,008)
Net Debt at the start of the year	7,495,873
Net Debt at the end of the year	6,577,865

Analysis of changes in net debt	At 1 April 2020 £	Cashflow Changes £	Other Non-Cashflow Changes £	At 31 March 2021 £
Cash and cash equivalents				
Cash at bank and in hand	1,448,203	587,053	-	2,035,256
Borrowings				
Debt due within one year	(330,955)	330,955	(341,618)	(341,618)
Debt due after one year	(8,613,122)	-	341,618	(8,271,503)
	(8,944,077)	330,955	-	(8,613,122)
Total	(7,495,874)	918,008	-	(6,577,866)

21. Share capital

	Ordinary Shares of £1 each issued and fully paid £
At 31 March 2020	56
Issued in the year	5
At 31 March 2021	61

Each members of Association holds one share of £1 in the Association. These shares carry no right to dividend or distribution on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Other debtors includes an amount of £8 in relation to unpaid share capital.

22. Reserves

Share capital – represents the nominal value of shares that have been issued.

Revenue reserves – includes all current and previous retained surpluses.

23. Related party transactions

Members of the Board of Management are related parties of the Association as defined by the Financial Reporting Standard 102 (FRS102).

Some members of the Board of Management are also tenants of the Association. Their tenancies are all on the same terms as for other tenants and no advantage can be gained from their position.

Governing Body members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body member has a connection with is made at arm's length and is under normal commercial terms.

The Members of the Board of Management can receive a maximum of £15 per month each for internet access and in total members received £254 (2020: £1,283) for reimbursement of expenses.

The Association leased 60 properties during the year to Muirhouse Homes Limited, a subsidiary of Muirhouse Housing Association Limited which was set up to accommodate the properties which receive rent on a mid-market basis, receiving £318,096 (2020: £310,339) in respect of these leases. In addition, it provided management services totalling £15,120 (2020: £15,120) to Muirhouse Homes Limited. Muirhouse Homes Limited agreed a gift aid distribution of £20,978 (2020: £Nil) to the Association in relation to the prior period financial results. The balance due from Muirhouse Homes Limited at 31 March 2021 was £16,583 (2020: £18,206) and is included in the Association's debtors in note 15.

4 of the Board of Management were tenants of the Association at 31 March 2021. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy. The total rental charge to the tenant Committee Members for the year was £17,739 (2020: £14,390) and the net balance outstanding as at 31 March 2021 was £nil (2020: £Nil).

Board of Management members J R Douglas, and A M Thoronka are also directors of Muirhouse Homes Limited.