

ORKNEY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2021

RSL No	HAL 164
Charity No	SC 031734

ORKNEY HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 March 2021

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Management Committee

Wendy Baikie
Philip Cook
David Dawson
Linda Forbes
Elaine Grieve (Resigned 16.9.20)
Fiona Lettice (Chair)
John Rodwell
Jason Taylor
William Wallace (Vice Chair)
John White
Roella Wilson

Registered Office

39a Victoria Street,
Kirkwall,
Orkney.
KW15 1DN

Registered Auditors

Wylie & Bisset (Audit) Limited
168 Bath Street,
Glasgow
G2 4TP

Bankers

Royal Bank of Scotland,
1 Victoria Street,
Kirkwall.
KW15 1DP

Chief Executive

Craig Spence

Company Secretary

Mhairi Hughes

Company Registration

2201RS

Scottish Charity Number

SC031734

Solicitors

TC Young
7 West George Street,
Glasgow.
G2 1BA

J.E.P. Robertson
26 Victoria Street,
Stromness.
KW16 3AA

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

Principal Activity

The principal activity of the Association is the provision of rented and low cost home ownership accommodation.

Review of Business and Future Developments

The Association has the following corporate objectives for 2020/21 and beyond:

- Great place to work,
- Great customer service, and
- Great contribution to community and society.

During the year we began construction of 20 rented properties at The Crafty and Kirk Park, Orphir, and acquired the land for a further 14 rented and 6 New Supply Shared Equity properties at Walliwall. We have continued to partner with other agencies to encourage energy efficiency amongst our residents. In order to develop our business and improve our services we will continue to focus on:

- Continuing a sustainable development programme
- Keeping our rents affordable
- Supporting and developing our staff
- Providing quality services to our residents

Changes in Fixed Assets

Details of fixed assets are set out in Note 10.

Going Concern

After reviewing detailed Income and Expenditure and Business Plan projections, and taking account of available bank facilities as well as making such further enquiries as they consider appropriate, the Management Committee is satisfied that the Association has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Management Committee and Chief Executive

The Management Committee and Chief Executive of the Association are listed on page 2.

Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of director acts as an executive within the authority delegated by Management Committee.

Related Party Transactions

Any tenant who sits on the Management Committee enters into a tenancy on the Association's normal terms and conditions and cannot use this position to their advantage. The same position applies to any sharing owner in respect of their exclusive occupancy agreement.

Charitable Status

Orkney Housing Association Limited was recognised by the Inland Revenue as a Scottish Charity from 30 May 2001.

Statement of Management Committee's Responsibilities

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

- * Select suitable accounting policies and then apply them consistently;
- * Make judgements and estimates that are reasonable and prudent;
- * State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- * Comply with the disclosures required by the Scottish Housing Regulator's Regulatory Framework;
- * Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The Management Committee 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.

Statement on Internal Financial Controls

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

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

It is the Management Committee'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 include ensuring that:

- (i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions.

Statement on Internal Financial Controls (continued)

- (iii) Forecasts and budgets are prepared which allow Management Committee and Executive Officers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, and significant variances from budgets are investigated as appropriate.
- (iv) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee.
- (v) The Management Committee reviews reports from the Audit and Risk Management Sub-Committee, from internal management and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- (vi) The Audit and Risk Management Sub-Committee reviews internal audit reports based on an internal audit needs assessment and an agreed programme undertaken by an external provider.
- (vii) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021 and until 25 August 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.

In so far as the Committee are aware:

There is no relevant audit information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware.

The Committee have taken all the steps that they ought to have taken to make themselves aware of such information.

Auditors

Wylie and Bisset have expressed their willingness to continue as the auditors of the Association.

By order of Management Committee

Fiona Lettice
Chairperson

25 August 2021

Opinion

We have audited the financial statements of Orkney Housing Association (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 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 Management Committee'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 which, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Management Committee are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Committee's Report. 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:

- The information given in the Report of the Management Committee is inconsistent with the Financial Statements;
- Proper books of accounts have not been kept by the Association in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirement of the legislation;
- The financial statements are not in agreement with the books of accounts; or
- We have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Responsibilities of the Management Committee

As explained more fully in the Report of the Management Committee set out on pages 3 to 5, the Management Committee are 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 Management Committee 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 Management Committee are 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 Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

Explanation as to what extent the audit was considered capable of detecting irregularities including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures in response to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing the risks of material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations we considered the following:

- *The nature of the association and the industry, control environment and business performance including performance targets; and*
- *Our enquiries of management about their identification and assessment of the risks of irregularities.*

Based on our understanding of the association and the industry we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to;

- *Regulations and legislation pertinent to the company's industry operations including compliance with the Scottish Housing Regulator; and*
- *UK tax legislation.*

We considered the extent to which non-compliance might have a material impact on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements, such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to;

- *Posting inappropriate journal entries; and*
- *Management bias in accounting estimates.*

Audit response to the risks identified;

Our procedures to respond to the risks identified included the following:

- *Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates including the requirements of the Scottish Housing Regulator;*
- *Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;*
- *Enquiring of management and legal advisors concerning actual and potential litigation and claims;*
- *Reviewing correspondence with HMRC;*
- *In addressing the risk of fraud as a result of management override of controls, testing the appropriateness of journal entries and other adjustments' assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and, evaluating business rationale of any significant transactions that are unusual or outside the normal course of business.*

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION (continued)

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would be to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Communities 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.

Wylie & Bisset (Audit) Limited
Statutory Auditor
Chartered Accountants
168 Bath Street,
Glasgow G2 4TP

Date: 25 August 2021

In addition to our audit of the financial statements, we have reviewed your statement on pages 4 and 5 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 issued by the Scottish Housing Regulator.

Basis of opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 4 and 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Wylie & Bisset (Audit) Limited
Statutory Auditor
Chartered Accountants
168 Bath Street,
Glasgow G2 4TP

25 August 2021

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

		2021	2020
	Notes	£	£
Turnover - continuing activities	2	5,553,302	5,213,126
Less: Operating costs	2	<u>(3,437,183)</u>	<u>(3,765,646)</u>
Operating surplus - continuing activities		2,116,119	1,447,480
Gain on disposal of fixed assets	24	62,590	9,746
Interest receivable		5,283	12,812
Interest payable and financing costs	8	<u>(605,451)</u>	<u>(671,783)</u>
Surplus before tax		1,578,541	798,255
Taxation	9	<u>0</u>	<u>0</u>
Surplus for the year		<u>1,578,541</u>	<u>798,255</u>
Actuarial gain/(loss) in respect of pensions schemes	23	(623,431)	645,370
Total comprehensive income for the year		<u><u>955,110</u></u>	<u><u>1,443,625</u></u>

In each of the years ended 31 March 2021 and 31 March 2020 the only gain or loss recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities, and the reported surplus or deficit was determined under the historical cost convention.

The notes on pages 15 to 32 form part of these financial statements.

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2021

		2021	2020
	Notes	£	£
Tangible Fixed Assets			
Housing properties	10	85,705,482	85,757,423
Other assets	10	1,383,268	1,425,160
		<u>87,088,750</u>	<u>87,182,583</u>
Fixed Asset Investments			
Investments	11	200,001	200,001
Shared equity costs	11	1,871,369	1,871,369
Shared equity grants	11	(1,871,369)	(1,871,369)
		<u>200,001</u>	<u>200,001</u>
Current Assets			
Investments	12	1,020,000	0
Work-in-progress	13	217,320	0
Trade and other debtors	14	1,064,222	308,290
Stock		38,930	39,170
Cash at bank and in hand		4,087,045	2,448,973
		<u>6,427,517</u>	<u>2,796,433</u>
Creditors: amounts falling due within one year	16	<u>(2,434,848)</u>	<u>(1,830,404)</u>
Net current assets		<u>3,992,669</u>	<u>966,029</u>
Total assets less current liabilities		91,281,420	88,348,613
Creditors: amounts falling due after more than one year			
Long term loans	17	(19,345,621)	(18,191,379)
Deferred income – capital grants	18	(61,214,381)	(60,879,894)
Pension - defined benefit liability	23	(515,464)	(26,492)
Net assets		<u>10,205,954</u>	<u>9,250,848</u>
Capital and Reserves			
Share capital	19	74	78
Revenue reserve	20	10,205,880	9,250,770
		<u>10,205,954</u>	<u>9,250,848</u>

The financial statements on pages 11 to 32 were approved by the Management Committee on 25 August 2021 and were signed on its behalf by:

..... Chairperson

..... Committee member

..... Secretary

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2021

	Share Capital	Income & Expenditure Reserve	Revaluation Reserve	Total
	£	£	£	£
At 1 April 2020	78	9,250,770	0	9,250,848
Surplus for the year	0	955,110	0	955,110
Revaluation of tangible fixed assets	0	0	0	0
Total comprehensive income	78	10,205,880	0	10,205,958
Share capital cancelled	(5)	0	0	(5)
Share capital issued	1	0	0	1
At 31 March 2021	74	10,205,880	0	10,205,954

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CASHFLOWS

for the year ended 31 March 2021

	Notes	2021 £	2020 Re-stated £
Net cash generated from operating activities (see below)		2,279,888	1,722,384
Cash flow from investing activities			
Purchase of tangible fixed assets		(1,385,238)	(1,605,889)
Proceeds from sale of tangible fixed assets		672,202	564,442
Grants received (net)		339,477	480,507
Interest received		3,277	10,892
Cash flow from financing activities			
Interest paid		(531,218)	(599,814)
New secured loans		2,000,000	370,750
Repayment of borrowings		(720,316)	(650,443)
Net change in cash and cash equivalents		2,658,072	292,829
Cash and cash equivalents at beginning of year		2,448,973	2,156,144
Cash and cash equivalents at end of year		5,107,045	2,448,973
Cash inflow from operating activities			
Surplus for the year		955,110	1,443,625
Adjustments for non-cash items:			
Depreciation/amortisation charges		340,793	335,046
(Increase)/Decrease in stock		240	1,861
(Increase)/Decrease in trade debtors		11,255	25,025
Increase/(Decrease) in trade and other creditors		(85,876)	16,778
Pension costs less contributions payable		488,972	(763,017)
Carrying amount of fixed asset disposals (net)		616,160	570,254
Proceeds from sale of fixed assets		(678,750)	(580,000)
Share capital written off		(4)	(56)
Interest payable		605,461	671,783
Interest receivable		(5,283)	(12,812)
Services equalisation account		17,649	17,117
Charge to service provisions		14,161	(3,220)
Net cash inflow from operating activities		2,279,888	1,722,384

1. **Principal Accounting Policies**

The Financial Statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for social housing providers 2018 (SORP 2018) and the Scottish Housing Regulator's Determination of Accounting Requirements 2019. The financial statements are prepared in sterling, which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest £.

Basis of Accounting

Orkney Housing Association Limited meets the definition of a public benefit entity under FRS 102.

A summary of the more important accounting policies, which have been applied consistently is set out below:

Turnover

Turnover represents rental and service charge income, revenue grants receivable from Scottish Ministers and first tranche sales of low cost home ownership properties.

Mortgages - Housing Properties

Mortgage loans are advanced by private lenders under the terms of mortgages secured over the Association's housing properties. A programme funding agreement will be secured with a lender to provide loan facilities for future developments. Advances will be drawn down on this facility only in respect of those developments which have been given approval for Affordable Housing Supply Programme (AHSP) grant (previously Housing Association Grant (HAG)) or other funding by the Scottish Government.

Housing Association Grant

For schemes developed under Scottish Government approval, AHSP (previously HAG) is paid directly to the Association as required, to meet its liabilities during the development process. AHSP/HAG is repayable under certain circumstances, primarily following the sale of property.

Grants for capital expenditure are disclosed as deferred income and amortised over the useful lives of the components to which they relate (see below). Grants for revenue expenditure are credited to the Statement of Comprehensive Income as they become receivable.

Grants attributed to individual components are written off to the Statement of Comprehensive Income when these components are replaced. Component replacement is not deemed to create a relevant event for repayment or recycling purposes. Upon disposal of the associated property, the Association will be required to repay or recycle the grant, and to reflect this, a contingent liability has been disclosed.

Tangible Fixed Assets - Housing Properties (Note 10)

Housing properties are stated at cost. The development costs of housing properties funded with AHSP, traditional HAG or under earlier funding arrangements include the following:

- i) Cost of acquiring land and buildings
- ii) Development expenditure
- iii) Interest charged on the development loan funds drawn to finance construction, up to the date of completion.

Note 1 (continued)

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Works to Existing Properties

Works to existing properties which replace a component which has been treated separately for depreciation purposes, and those works which result in an increase in net rental income over the lives of the properties (thereby enhancing the economic benefits of the assets), are capitalised as improvements. Works to existing properties which do not result in the enhancement of economic benefits are charged to the Statement of Comprehensive Income.

Work in Progress/Shared Equity Properties

New Supply Shared Equity scheme

Grants are received from Scottish Ministers for the construction of properties under the New Supply Shared Equity scheme. Whilst under construction, the cost is recorded within current assets and corresponding grants shown in current liabilities. Once sales are made, the sales proceeds and related cost will be released to the Statement of Comprehensive Income.

Shared Ownership

Properties constructed for shared ownership are part funded by the Scottish Government. Prior to completion and sale, the estimated cost element relating to the first tranche sales is included in current assets as work-in-progress. When the first tranche is sold this cost element is taken to cost of sales within the Statement of Comprehensive Income, along with any adjustment required relating to the actual percentage sold. Income from first tranche sales is included within turnover.

Depreciation

No depreciation is charged on housing properties held under shared ownership because it is felt that the residual values of the properties are sufficiently high that any depreciation charged would be immaterial.

The major components of rented housing properties are depreciated over their useful lives as follows:

Kitchens	-	20 years
Windows	-	33 $\frac{1}{3}$ years
Roofs	-	50 years
Structure (new build)	-	100 years
Structure (rehabilitated properties)	-	80 years

Other fixed assets are depreciated as follows:

Furniture & Equipment	-	25% per annum reducing balance method
Fixtures & Fittings	-	25% per annum reducing balance method
Handyman Van	-	25% per annum reducing balance method
Handyman Tools	-	25% per annum reducing balance method
Computers Hardware	-	25% per annum straight line method
Aareon Software	-	5% per annum straight line method
Other Software	-	25% per annum straight line method
Workshop Improvements	-	21% per annum straight line method
Office Buildings	-	1 $\frac{1}{4}$ % per annum straight line method

Note 1 (continued)

A full year's depreciation is charged on these assets in the year of purchase and none in the year of disposal.

Pensions

The Association is a member of the SHAPS multi-employer defined benefit pension scheme. Although contributions to the defined benefit scheme were discontinued on 31 March 2017, the Association still has a share of the scheme assets and liabilities. As sufficient information about the Association's share of these assets and liabilities became available from 1 April 2018, it is now possible for the Association to disclose its share of the fair value of the scheme's net assets, the present value of its defined benefit liability and its net defined benefit pension liability. From 1 April 2017 the Association only offers membership of the SHAPS defined contribution pension scheme.

Subsidiary

The subsidiary OHAL Enterprises CIC is still a dormant company as at 31 March 2021 and accordingly the Association has not prepared consolidated financial accounts.

Judgements in applying policy and key sources of estimation uncertainty

Useful lives of property, plant, and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management 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 considered.
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.

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

	Turnover	Cost of sales	Operating costs	2021 Operating surplus/ (deficit)	2020 Operating surplus/ (deficit)
	£	£	£	£	£
Social lettings (note 3)	5,197,101	0	3,077,645	2,119,456	1,451,486
Other activities (note 4)	356,201	0	359,538	(3,337)	(4,006)
Total	5,553,302	0	3,437,183	2,116,119	1,447,480
Total for previous period of account	5,213,126	(1,067)	3,766,713		1,447,480

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

	General Needs	Shared Ownership	Supported Housing	2021 Total	2020 Total
	£	£	£	£	£
Rent receivable net of service charges	3,566,567	347,689	42,982	3,957,238	3,853,605
Service charges	180,088	0	1,636	181,724	179,522
Gross income from rents and service charges	3,746,655	347,689	44,618	4,138,962	4,033,127
Less voids	(5,507)	0	0	(5,507)	(5,833)
Net income from rents and service charges	3,741,148	347,689	44,618	4,133,455	4,027,294
Grants from Scottish Ministers	8,588	0	2,492	11,080	19,466
Grants released from deferred income	757,125	0	5,266	762,391	753,078
Other grants and miscellaneous income	243,614	44,158	2,403	290,175	17,329
Total income from social lettings	4,750,475	391,847	54,779	5,197,101	4,817,167

Operating costs on social letting activities

Service costs	180,173	0	1,551	181,724	179,522
Management administration costs	690,937	117,336	6,460	814,733	861,688
Maintenance administration costs	488,034	0	4,687	492,721	536,607
Reactive maintenance costs	371,376	132	3,665	375,173	355,989
Planned and cyclical maintenance costs	74,614	13	403	75,030	311,017
Property improvements & adaptations	101,390	0	2,265	103,655	100,330
Bad debts – rents and service charges	6,405	(306)	(17)	6,082	10,775
Depreciation of social housing	1,019,846	0	8,681	1,028,527	1,009,753
Total operating costs on social lettings	2,932,775	117,175	27,695	3,077,645	3,365,681

Operating surplus on social lettings	1,817,700	274,672	27,084	2,119,456	1,451,486
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Operating surplus on social lettings for previous period of account	1,202,322	225,430	23,734		1,451,486
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4. **Particulars of turnover, operating costs and operating deficit from other activities**

	Grants from Scottish Ministers	Other Income	Total Turnover	Other operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit) for previous period of account
	£	£	£	£	£	£
Wider role	0	15,946	15,946	24,221	(8,275)	(8,762)
Factoring	0	38,612	38,612	38,904	(292)	(725)
Care and Repair Services	0	292,381	292,381	292,381	0	0
Development and construction of property	0	0	0	0	0	1,067
Development administration	0	312	312	2,039	(1,727)	(2,843)
Other agency/ management services	0	0	0	0	0	0
Other activities	0	8,950	8,950	1,993	6,957	7,257
Total from other activities	0	356,201	356,201	359,538	(3,337)	(4,006)
Total from other activities for the previous period of account	0	395,959	395,959	399,965	(4,006)	

5. **Key Management Personnel Emoluments**

As per the Scottish Housing Regulator's Determination of Accounting Requirements 2014, disclosure of key management personnel's emoluments exceeding £60,000 per annum is required.

The key management personnel are defined as (a) the Management Committee, who can only receive expenses and, in certain circumstances, compensation for loss of earnings, and (b) the members of the Association's Leadership Team.

There were two officers with emoluments of £60,000 or more excluding employer's pension contributions during the period of account:

The Chief Executive	£	74,733
The Director of Finance and Asset Management		60,966
	2021	2020
The emoluments of the Chief Executive:	£	£
Excluding pension contributions	74,733	36,977
Employer's Pension contributions	<u>7,337</u>	<u>39,920</u>
Total emoluments payable	<u>82,070</u>	<u>76,897</u>

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

6. Employee Information

The average monthly number of persons employed during the year was:

	2021	2020
Office Staff	34	35
Cleaners	1	1
	<hr/>	<hr/>
	35	36
	<hr/>	<hr/>
Full-time equivalent	33	33

	2021	2020
	£	£
Staff costs (including directors' emoluments);		
Wages and salaries	1,137,647	991,692
Social security costs	116,720	91,734
Pension costs (Note 23)	254,981	405,785
Temporary staff	6,832	13,784
	<hr/>	<hr/>
	1,516,180	1,502,995

Pension costs in 2020/21 includes £134,453 (2020 - £134,520) lump sum contributions towards past service deficit.

7. Operating Surplus

	2021	2020
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation	1,107,001	1,091,810
Amortisation	(762,391)	(753,078)
Direct repair costs: reactive, planned and cyclical	287,840	566,988
Auditor's remuneration		
- In their capacity as auditors (including expenses)	9,000	9,168
- In their capacity as financial advisers	660	0

8. Interest payable and financing costs

	2021	2020
	£	£
On loans repayable wholly or partly in more than 5 years	593,654	638,744
Non-utilisation fees	11,797	15,039
Interest expense on defined benefit pension	0	16,873
Administration fees on interest-free loans	0	1,127
	<hr/>	<hr/>
	605,451	671,783

9. **Taxation**

The Association was granted charitable status for taxation purposes with effect from 30 May 2001.

10. **Tangible Fixed Assets**

Housing Properties

	Completed		Under Construction		
	Rented	SO	Rented	SO	Total
	£	£	£	£	£
Gross Cost					
At 1 April 2020	81,975,597	14,191,183	2,376,434	0	98,543,214
Additions	6,360	0	1,671,102	0	1,677,462
Disposals	(3,734)	(700,876)	0	0	(704,610)
At 31 March 2021	81,978,223	13,490,307	4,047,536	0	99,516,066
Depreciation					
At 1 April 2020	12,785,791	0	0	0	12,785,791
Charge for year	1,028,527	0	0	0	1,028,527
Adjustment re disposals	(3,734)	0	0	0	(3,734)
At 31 March 2021	13,810,584	0	0	0	13,810,584
Net book value at:					
31 March 2021	68,167,639	13,490,307	4,047,536	0	85,705,482
31 March 2020	69,189,806	14,191,183	2,376,434	0	85,757,423

10. **Tangible Fixed Assets** (continued)

Development administration costs capitalised amounted to £25,517 (2020 - £31,712). Interest costs capitalised amounted to £0 (2020 - £0).

Total expenditure on works to existing properties amounted to £291,693 during the year (2020 - £754,770), of which £3,853 was capitalised (2020 - £87,453).

	Office Buildings	Office fixtures, fittings, furniture & equipment	Handymen vans and tools etc	Total
	£	£	£	£
Cost				
At 1 April 2020	1,229,536	493,133	180,901	1,903,570
Additions	3,160	35,485	553	39,198
Disposals	0	(51,551)	0	(51,551)
At 31 March 2021	1,232,696	477,067	181,454	1,891,217
Depreciation				
At 1 April 2020	124,052	243,712	110,316	478,080
Charge for year	13,221	47,411	17,842	78,474
Adjustment re disposals	0	(48,852)	0	(48,852)
At 31 March 2021	137,273	242,271	128,158	507,702
Grants				
At 1 April 2020	0	121	209	330
Amortisation	0	(31)	(52)	(83)
Adjustment re disposals	0	0	0	0
At 31 March 2021	0	90	157	247
Net book value				
At 31 March 2021	1,095,423	234,706	53,139	1,383,268
At 31 March 2020	1,105,484	249,300	70,376	1,425,160

11. **Fixed Asset Investments**

	Subsidiary	Shared Equity	Investment Property	Total
Cost	£	£	£	£
At 1 April 2020	1	1,871,369	200,000	2,071,370
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 March 2021	1	1,871,369	200,000	2,071,370
Grants				
At 1 April 2020	0	1,871,369	0	1,871,369
Additions	0	0	0	0
At 31 March 2021	0	1,871,369	0	1,871,369
Net book value				
At 31 March 2021	1	0	200,000	200,001
At 31 March 2020	1	0	200,000	200,001

The wholly owned subsidiary OHAL Enterprises CIC was dormant during the year to 31 March 2021.

12. **Investments**

Investment at 31 March 2021 (2020 - Nil) consisted of twelve £85,000 fixed term deposit and notice accounts at various rates and terms invested on the Flagstone deposit platform.

13. **Work-in-progress**

	Shared Ownership	Shared Equity etc	Total
	£	£	£
Opening WIP	0	0	0
Additions	0	217,320	217,320
Disposals	0	0	0
	0	217,320	217,320

14. **Debtors**

	2021	2020
	£	£
Rent arrears	128,084	164,800
Interest receivable	4,452	2,446
Capital grants	765,181	0
Other debtors and prepayments	166,505	141,044
	<u>1,064,222</u>	<u>308,290</u>

Other debtors are stated net of a provision for bad debts of £6,000 (2020 - £5,000).

15. **Rents**

	2021	2020
	£	£
Gross arrears	143,084	181,800
Provision for bad debts	(15,000)	(17,000)
Net arrears	<u>128,084</u>	<u>164,800</u>

16. **Creditors: amounts falling due within one year**

	2021	2020
	£	£
Rent in advance	52,658	41,300
HAG repayable	61,201	362,382
Loan instalments due and payable - housing	848,952	649,267
Loan instalments due and payable – other loans	90,036	90,036
Capital expenditure	614,294	69,286
Capital grants received in advance	319,279	104,281
Taxation and social security creditor	61,220	41,385
Care and Repair working capital	23,298	37,891
Shared ownership factoring sinking fund	163,758	146,109
Services equalisation accounts	21,584	7,423
Other creditors and accruals	178,568	281,044
	<u>2,434,848</u>	<u>1,830,404</u>

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

	2021	2020
	£	£
Housing loans	18,895,242	17,650,964
Other loans	450,379	540,415
	<u>19,345,621</u>	<u>18,191,379</u>

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

	2021	2020
	£	£
Within one year	848,952	649,267
Between one and two years	829,208	727,754
Between two and five years	7,559,848	4,844,197
In five years or more	10,506,185	12,079,013
	<u>19,744,193</u>	<u>18,300,231</u>

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

Other loans are unsecured and repayable as follows:

	2021	2020
	£	£
Within one year	90,036	90,036
Between one and two years	90,036	90,036
Between two and five years	224,361	270,107
In five years or more	135,982	180,272
	<u>540,415</u>	<u>630,451</u>

18. **Deferred income – Capital Grants**

Scottish Government Grants

	Completed		Under Construction		Total
	Rented	SO	Rented	SO	
	£	£	£	£	
At 1 April 2020	56,927,825	10,084,196	2,240,599	0	69,252,620
Schemes completed	0	0	0	0	0
Additions	0	0	1,619,119	0	1,619,119
Disposals	0	(517,631)	0	0	(517,631)
At 31 March 2021	56,927,825	9,566,565	3,859,718	0	70,354,108

Other Grants

At 1 April 2020	1,731,428	127,042	0	0	1,858,470
Additions	0	0	0	0	0
Written down	0	0	0	0	0
Disposals	0	(4,610)	0	0	(4,610)
At 31 March 2021	1,731,428	122,432	0	0	1,853,860

Amortisation

At 1 April 2020	10,231,196	0	0	0	10,231,196
Charge for year	762,391	0	0	0	762,391
At 31 March 2021	10,993,587	0	0	0	10,993,587

Net book value at:

31 March 2021	47,665,666	9,688,997	3,859,718	0	61,214,381
31 March 2020	48,428,057	10,211,238	2,240,599	0	60,879,894

19. **Share Capital**

	2020	2020
	£	£
At 1 April 2020	78	134
Issued in year	1	2
Cancelled in year	(5)	(58)
At 31 March 2021	<u>74</u>	<u>78</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights 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. Each member has a right to vote at members' meetings.

20. **Reconciliation of movement in revenue reserve**

	2021	2020
	£	£
Revenue reserve brought forward	9,250,770	7,807,145
Surplus for the year	955,110	1,443,625
Revenue reserve carried forward	<u>10,205,880</u>	<u>9,250,770</u>

21. **Capital commitments**

	2021	2020
	£	£
Capital expenditure which has been contracted for but has not been provided for in the financial statements:	4,937,838	0
Capital expenditure which has been authorised but not contracted for or provided for in the financial statements:	<u>230,051</u>	<u>152,032</u>

22. **Contingent Liabilities**

Pension Scheme liabilities

Prior to 1 April 2017 the Association offered employees membership of a defined benefit pension scheme with the SFHA Pension Scheme. (Please see Note 23 for further details of this scheme). The Association has been advised by the Pensions Trust of the estimated employer debt on withdrawal from this scheme based on the financial position of the scheme as at 30 September 2020. As of this date, the estimated employer debt for Orkney Housing Association was £3,400,525 (2019 - £4,673,498).

The Association has no current plans to withdraw from the SHAPS Pension Scheme. It ceased to offer membership of SHAPS defined benefit schemes from 31 March 2017, thereby limiting any future increase in liability. All staff have access to a SHAPS defined contribution scheme from 1 April 2017.

22. **Contingent Liabilities** (continued)

Grants written off

At 31 March 2021, the Association has disposed of components which had received £410,457 (2020 - £410,457) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of repayment or recycling the grant (as the Association retains the property asset), it does have a potential future obligation to repay or recycle such grant once the property is disposed of.

As the timing of any future disposal is uncertain, in accordance with Financial Reporting Standard 12 – Provisions, Contingent Liabilities and Contingent Assets, no provision has been recognised in these financial statements.

23. **Pensions**

SHAPS Pension Scheme

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

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

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

The Scheme is classified as a "last-man standing arrangement". Therefore the Association is potentially liable for other participating employer's 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.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from March 2019 to 29 February 2020 inclusive.

23. **Pensions** (continued)

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

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

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

	31 March 2021 (£000s)	31 March 2020 (£000s)
Fair value of plan assets	4,831	4,463
Present value of defined benefit obligation	5,344	4,489
Surplus (deficit) in plan	(513)	(26)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(513)	(26)

Reconciliation of opening and closing balances of the defined benefit obligation

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	4,489	4,986
Current service cost	-	-
Expenses	4	4
Interest expense	106	116
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(134)	23
Actuarial losses (gains) due to changes in demographic assumptions	-	(27)
Actuarial losses (gains) due to changes in financial assumptions	951	(538)
Benefits paid and expenses	(72)	(75)
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	5,344	4,489

23. **Pensions** (continued)

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

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	4,463	4,196
Interest income	106	99
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	195	104
Contributions by the employer	139	139
Contributions by plan participants	-	-
Benefits paid and expenses	(72)	(75)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	4,831	4,463

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 £301,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Current service cost	-	-
Expenses	4	4
Net interest expense	-	17
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 (SoCl)	4	21

23. **Pensions** (continued)

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	194	104
Experience gains and losses arising on the plan liabilities - gain (loss)	134	(23)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-	27
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(951)	538
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(623)	646
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)		
Total amount recognised in other comprehensive income - gain (loss)	(623)	646

Key Assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.18	2.37
Inflation (RPI)	3.27	2.60
Inflation (CPI)	2.87	1.60
Pensionable earnings increases	3.87	2.60

From 1 April 2017 all staff have access to a SHAPS defined contribution pension scheme. Details of standard employee and employer contributions are as follows:

	Employee	Employer
Default contribution rate	5%	10%

24. **Gain on Disposal of Fixed Assets**

	Shared Ownership	Land	Other Assets	Total 2021	Total 2020
	£	£	£	£	£
Income	678,750	0	0	678,750	580,000
Legal Expenses	(4,368)	0	0	(4,368)	(5,339)
Cost of Sale	(700,876)	0	(2,698)	(703,574)	(649,892)
Grants written off/abated	93,963	0	0	93,963	86,071
Other Costs	(2,181)	0	0	(2,181)	(1,094)
Gain/(Loss) on disposal	65,288	0	(2,698)	62,590	9,746

25. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965, registered with the Scottish Housing Regulator and governed by the Housing (Scotland) Act 2010.

26. Housing Stock

The number of units of housing under development and in management at 31 March 2020 was:

		Units under Development		Units in Management	
		2021	2020	2021	2020
Housing for Rent:	General needs housing	34	28	797	797
	Supported housing	-	-	8	8
	Communal use	-	-	2	2
		34	28	807	807
Shared Ownership accommodation		-	-	144	150
New Supply Shared Equity		6	-	-	-
Total		40	28	951	957

27. Subsidiary Information

Details of the investment in which the Association holds more than 10% of the nominal value of any class of share capital are as follows:

Name of Company	Country of Registration or incorporation	Date of Incorporation	Proportion of Voting Rights	Nature of Business
OHAL Enterprises C.I.C.	United Kingdom	08/02/2012	Wholly Controlled	Dormant since incorporation

28. Related Parties

Any tenant who sits on the Management Committee enters into a tenancy on the Association's normal terms and conditions and cannot use this position to their advantage. The same position applies to any sharing owner in respect of their exclusive occupancy agreement.

29. Analysis of Changes in Net Debt

	At 31 March 2020 £	Cash Flows £	At 31 March 2021 £
Cash in hand	300	(100)	200
Short-term investments	0	1,020,000	1,020,000
Bank	2,448,673	1,638,172	4,086,845
Debt due within 1 year	(739,303)	(199,685)	(938,988)
Debt due after 1 year	(18,191,379)	(1,154,242)	(19,345,621)
	<u>(16,481,709)</u>	<u>1,304,145</u>	<u>(15,177,564)</u>

30. Prior Period Adjustment

The prior period adjustment relates to a change in the treatment of depreciation on assets written off and on capital grants abated or written down to revenue. Comparative figures have been re-stated. The effect of this adjustment is to increase the Net cash inflow from operating activities by £125,272, to increase the cashflow from purchase of fixed assets by £32,173, and to decrease the proceeds on sale of fixed assets by £93,099.