



**PENTLAND**  
**HOUSING ASSOCIATION**

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**Report and Financial Statements**  
**For the year ended 31 March 2021**

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Registered Housing Association Number 273  
Financial Conduct Authority Number 2449R(S)  
Charity Number SC037286

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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# PENTLAND HOUSING ASSOCIATION LIMITED

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## INFORMATION

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### Registered Office

37/39 Traill Street, Thurso, Caithness, KW14 8EG

### Registration Numbers

Financial Conduct Authority number	2449RS
The Scottish Housing Regulator reference	273
Scottish Charity number	SC037286

### Board of Directors

James Hair	Chair
Colin MacDonald	Vice-chair (resigned 29/06/20)
William Dunbar	(resigned 25/02/21)
Colin Earnshaw	(resigned 5/10/20)
Elaine Forbes	
Kenny Green	Vice-chair
Anita Jamieson	
Ian McElroy	(resigned 24/08/20)
Gavin Powell	(resigned 29/10/20)
Mark Whale	
Martin Johnston	(appointed 13/10/20)
Gordon Campbell	(appointed 13/10/20)
Caroline O'Donnell	(appointed 13/10/20)
Alister Steele	(appointed 13/10/20)

### Secretary

Rachel Harness

### Chief Executive (not a member of the Board of Directors)

Corrine Mackay (acting CEO)

### Auditor

Findlays  
11 Dudhope Terrace  
Chartered Accountants  
Dundee  
DD3 6TS

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **INFORMATION**

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### **Accountant**

David Smith, Chartered Accountant  
Keppoch  
Croft Road  
Oban

### **Internal Auditor**

Findlays  
Chartered Accountants  
11 Dudhope Terrace  
Dundee  
DD3 6TS

### **Principal Bankers**

Bank of Scotland  
25 Orlig Street  
Thurso  
Caithness  
KW14 7HQ

### **Solicitors**

T C Young  
7 West George Street  
Glasgow

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS 31 March 2021**

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

### **Legal Status**

Pentland Housing Association (the Association) is a registered non-profit making body organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2449R(S).

The Association is governed under its Rule Book and registered with the Financial Conduct Authority, the Scottish Housing Regulator as a Registered Social Landlord and with the Office of the Scottish Charities Regulator as a charity.

### **Principal Activity**

The Association's principal activity is the provision of housing solutions to meet the need of local communities in the County of Caithness and to serve the interests of our current and future tenants.

### **Strategic Objectives**

The Association's Board of Directors have set strategic objectives based on the key themes from their mission statement and on an annual basis these objectives are reviewed and updated.

Pentland Housing Association is reviewing the way in which it operates internally and this will address improvements to:

- our service to our customers
- our performance
- our staff satisfaction

The Association is structured into staff teams as follows:

- Customer Services
- Housing
- Maintenance
- Finance & Corporate Services

We have continued to develop operational and job processes, and performance reporting processes, with training tailored to individual requirements. During the year we have continued to make improvements in our rent collection figures.

We have improved our knowledge of our stock by carrying out surveys during 2019/20 and implementation of SAP guidance in place as our basis for rating the energy efficiencies of our properties.

In line with energy efficiency we have a contract in place to address the upgrade of our electrical storage systems commencing in 2021/22.

We also have in place a programme for the replacement of Heat/Smoke Detectors in line with government legislation which is due for completion in July 21.

All of these changes are delivering the improvements in line with our strategic objectives.

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS 31 March 2021**

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### **Board of Directors and Executive Officers**

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

Each member of the Board of Directors 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 Directors. The members of the Board of Directors are also Trustees of the Charity. Members of the Board of Directors are appointed by the members at the Association's Annual General Meeting.

### **Governance**

On an operational day to day basis the Association is managed by the acting Chief Executive, who, together with the Estates Manager and the Housing Manager form the senior management team. The senior management team reports to the Board of Directors.

The Board sets the strategic direction of the organisation and monitors the operational activities.

Currently governance operates through the Board of Directors which consists of current and former tenants of the Association and other interested individuals. This is supplemented by Audit, Staffing and Health and Safety Committees complemented with Staffing Committee and Health and Safety Working Groups. Other short-term working groups are set up as required to deal with any specific matters as delegated by the Board.

### **Risk Management**

The Board has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the critical success factors for the Association and then analysing the types of risks it faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks.

The Board has set policies on internal controls which cover the following:

- Consideration of the type of risks the Association faces
- The level of risks which they regard as acceptable
- The likelihood of the risks concerned materialising
- The Association's ability to reduce the incidence and impact on the business of risks that do materialise
- Management of the costs of operating particular controls relative to the benefit obtained.

In order to ensure that these policies are adhered to, management has:

- clarified the responsibility of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives
- embedded the control system in the organisation's operations so that it becomes part of the culture
- developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment
- included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS 31 March 2021**

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### **Covid 19**

It is important that the Association continue to respond to the evolving and significant challenges in line with guidance as a result of the coronavirus outbreak. The impact on the business plan of a major change in one or more variables will have a detrimental effect to business operations.

It is impossible to predict the full impact of the pandemic, however, it will be important to continue to update and monitor the financial plans on a monthly basis.

The Association has protected their financial position in the short term by reducing overheads and reprofiling maintenance costs to protect the viability of the Association and the interest of our tenants.

### **Partnership Proposal**

Due to Covid 19 there was a break in the partnership process however Pentland Housing Association and Cairn Housing Association resumed their partnership discussions in October 2020, with a view to effecting a transfer of engagements.

Pentland and Cairn HA's aim is to have a Business Case in the best interests of tenants in place for approval by both Housing Association boards in July 2021. Following approval of the Business Case PHA/Cairn will move onto the consultation process with our tenants and stakeholders with the formal voting ballot scheduled to take place in October 2021. If successful, the proposed transfer will take place on 1 April 2022. The proposal has been disclosed as a potential Post Balance Sheet Event within note 28 of the financial statements and current progress of the partnership process can be found on the Pentland Housing Association website – [www.pentlandhousing.co.uk](http://www.pentlandhousing.co.uk)

### **Financial Performance**

The financial statements reflect the requirements of the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2018.

The financial statements show a total surplus on ordinary activities for the year of £1,018,456 (2020: £2,664,146). The increase in total comprehensive income assisted by a gain on revaluation of housing properties amounting to £544,831 (2020: £2,440,529).

Turnover reduced slightly in the year to £2,659,357 from £2,682,517 in 2020. The decrease is due to a reduction in the income from other activities.

The Association's core income from property rents increased by 2.35% to £2,332,288 from £2,278,785, reflecting rent increases, which took effect in April 2020.

The Association had a total comprehensive income for the year of £493,843 compared to a surplus in 2020 of £3,239,547. The overall surplus has been reduced by an actuarial loss on the association's pension liability of £(505,000) compared to a gain in the previous year of £632,000.

At 31 March 2021 the Association's reserves stood at £12,190,090 (2020: £11,676,634).

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS**

**31 March 2021**

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### **Budgetary Process**

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

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board. In line with our Treasury Policy, the Association as dictated, will manage its borrowing arrangements to ensure that it is always in a position to meet financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

### **Financing and Liquidity**

The Association manages its borrowings and cash investments in accordance with the Treasury Management Policy approved by the Board of Directors. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association does not enter into transactions of a speculative nature. At 31 March 2021, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time. This is constantly under review and is considered alongside potential interest rate increases.

### **Properties in Management**

The Association had 494 properties, including 1 shared ownership together with a further 2 properties that are managed on behalf of the Communities Highland Trust.

### **Operational Review**

#### **Rents and Arrears**

Pentland Housing Association have a current rent policy that allows us to increase our rent on an annual basis of RPIx plus one percent. This is agreed by the management board after a consultation is carried out with all tenants and their feedback has been considered.

As rent is by far the largest and therefore most important area of income that Pentland Housing receives it is important that we collect as much of the due rent as promptly as possible. This year we collected 101.57% of current and former rent due which is slightly up from last year. Arrears are always a concern and are closely monitored by the regulator, this year the level of arrears has reduced to 4.51 % from the figure last year of 5.95%. however arrears are an area where we are continuously looking for improvement.

The continued role out of universal credit is having a negative impact on the arrears levels so we are working with our partner housing providers and the DWP to try to ensure we minimise the impact on our tenants.

Pentland Housing Association has also with these partners provided funding to help with financial advice, benefit advice and money management advice.



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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS 31 March 2021**

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### **Allocations and voids**

Another area impacted during 2020/21 due to Covid 19 that has affected the length of time it takes to relet a property once it becomes vacant. While properties are empty we are not receiving rent, which impacts the money available to invest on our other properties.

Caithness is deemed as Low Demand Area and has an oversupply of properties which does have an effect on property turnaround times. We believe however that the Choice Based Lettings scheme which was introduced a few years ago has helped to keep the property turnaround times down.

### **Anti-Social Behaviour**

Pentland Housing Association, although recording all reports of anti-social behaviour, still have significantly less reports of anti-social behaviour than our peers. This year we have completed all Category 3 (these are reported on the regulator annual return) reports of anti-social behaviour within our local response targets and are therefore looking to maintain this level in coming year.

### **Tenant involvement**

Tenant involvement means tenants taking part in the decision-making process and influencing our housing policies, conditions and other housing related services. Involvement or “taking part” can mean different things to different people. Therefore, Pentland Housing Association offer lots of ways tenants can get involved in the management of their homes and neighbourhood. This could be from putting their name on our interested tenants list, becoming a member of the tenant review group or a member of the board, this means tenants can be involved as much or as little as they choose.

The Association engaged a consultant to carry out a full tenant survey and from the information gathered we produced an action plan to address any concerns raised by our tenants and to look at how we can improve our services in the areas where satisfaction has raised concerns.

### **Maintenance**

The key aim is to prolong the useful life of its housing stock, provide a comfortable environment for the tenants, maximise expenditure on planned maintenance, (thereby reducing expenditure on daytoday repairs ) to maintain our housing stock to the highest standards possible and ensure that adequate funding is available to achieve this. The repairs and maintenance provided by the Association must be responsive, efficient and cost effective

Due to Covid 19 our investment in our properties to 31 March 2021 has been less than originally budgeted for. In 2020/21 the Association spent £626k on major repairs and improvements to its properties of which £136k was capitalised as component replacements and improvements.

### **Sustainability and Asset Management**

Pentland has a Sustainability Strategy, with a focus on sustaining Pentland as a business whilst helping improve the quality of life for the residents in our communities. This Strategy is supported by an Asset Management Plan which identifies initiatives for sustaining / improving the performance of our property assets.

In addition, Pentland has a long-term programme of major repairs to cover work which has become necessary, including works required for subsequent legislative changes such as SHQS and EESSH.

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS 31 March 2021**

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### **Development**

Statistics show, the local area is experiencing a change in housing needs along with an ageing and decreasing population. Local regeneration strategies are at the forefront in creating further development opportunities. This is making it increasingly difficult to implement a successful development programme until such times as economic opportunities within the local economy create a further need for social housing.

### **Component accounting**

In accordance with the SORP, Pentland Housing Association operates component accounting. The accounting treatment ensures that the major components of the Housing Association's housing stock are identified and depreciated over their economic life. The cost of any subsequent replacement of a major component is capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. The cost of these repairs will be capitalised as required by the SORP.

### **Performance Management**

Whilst we are making good progress in improving our performance, we recognise there is further improvement required.

Moving forward, we are working to instil a more corporate approach to performance management where responsibility is shared across all employees and staff feel empowered to take immediate and appropriate action to improve performance. There are performance dashboards in place to provide the senior management team with accurate, comprehensive and realtime performance data, allowing them to take early action and redirect resources as required.

### **Future**

The operating and financial environment continues to be challenging but the Association continues to be aware and proactive in making important decisions on finance and strategy.

The Association's financial projections centre on ensuring the Pentland remains financially viable.

The Board of Directors are confident about the future and are focussing on business operations. The Association will continue its commitment to modernise to change as required – including exploration of Digital Services and working strategies to operate the business interests of current and future customers in our community.

### **Information for auditor**

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

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS 31 March 2021**

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### **Going Concern**

The Board of Directors has reviewed the results for this year and has also reviewed the projections for the coming years. Although there are some uncertainties arising as a result of the Covid-19 pandemic, these are not considered to be material and the Board, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

### **Auditor**

The auditors, Findlays, have expressed their willingness to continue in office. A resolution to re-appoint the auditors will be proposed at the annual general meeting.

This report was approved by the board on 25 August 2021

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## **PENTLAND HOUSING ASSOCIATION LIMITED**

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### **STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES in respect of the Report of the Board of Directors and the Financial Statements 31 March 2021**

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The Board of Directors is responsible for preparing the report of the Board of Directors and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board of Directors to prepare financial statements for each financial year. Under those regulations the Board of Directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Directors is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Board of Directors has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

This statement was approved by the board on 25 August 2021 and signed on its behalf.

Board Member

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **BOARD OF DIRECTORS STATEMENT ON INTERNAL FINANCIAL CONTROL**

**31 March 2021**

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The Board of Directors 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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Directors' responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of 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 Directors 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 Directors;
- the Board of Directors 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 Directors has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the independent auditor's report on the financial statements.

This statement was approved by the board on 25 August 2021 and signed on its behalf.

Board Member

# **PENTLAND HOUSING ASSOCIATION LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO PENTLAND HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Pentland Housing Association Limited for the year ended 31 March 2021 which comprise statements of comprehensive income financial position, cash flows, changes in equity 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the 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 requirements of the Co-operative and Community 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 Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### **Emphasis of matter**

We draw attention to Note 28 of the financial statements, which describes a potential post balance sheet event. Our opinion is not modified in respect of this matter

### **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 are responsible for the other information contained within the annual report. 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. 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

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# **PENTLAND HOUSING ASSOCIATION LIMITED**

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## **INDEPENDENT AUDITOR'S REPORT TO PENTLAND HOUSING ASSOCIATION LIMITED (continued)**

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### **Other information (continued)**

otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

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

- the Association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the Statement of Comprehensive Income and Statement of Financial Position and any other statements to which our report relates are not in agreement with the Association's books of account; or
- we have not obtained all the information and explanations necessary for the purposes our audit.

### **Responsibilities of the Board**

As explained more fully in the Board's responsibilities statement set out on page 4, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

# PENTLAND HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO PENTLAND HOUSING ASSOCIATION LIMITED (continued)

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Association through discussions with directors and other management, and from our knowledge and experience of the social housing sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, SHR regulatory requirements, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting relevant correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the SHR, Health and Safety Executive, and the company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.



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## **PENTLAND HOUSING ASSOCIATION LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO PENTLAND HOUSING ASSOCIATION LIMITED (continued)**

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#### **The extent to which the audit was considered capable of detecting irregularities including fraud (continued)**

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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 section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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.

**Joan Williamson, CA (Senior Statutory Auditor)**  
**For and on Behalf of Findlays,**  
Chartered Accountants and Statutory Auditor,  
11 Dudhope Terrace  
Dundee  
DD3 6TS

Date: 25 August 2021

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## **PENTLAND HOUSING ASSOCIATION LIMITED**

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### **REPORT OF THE AUDITORS ON CORPORATE GOVERNANCE MATTERS**

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In addition to our audit of the financial statements, we have reviewed your statement on page 11 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 page 10 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 and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Directors 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.

Joan Williamson, CA (Senior Statutory Auditor)  
For and on Behalf of Findlays,  
Chartered Accountants and Statutory Auditor,  
11 Dudhope Terrace  
Dundee  
DD3 6TS

25 August 2021

# PENTLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2021

	Notes	£	2021 £	£	As restated 2020 £
<b>Turnover</b>	2		2,659,357		2,682,517
Operating costs	2		<u>(2,178,973)</u>		<u>(2,401,083)</u>
<b>Operating surplus</b>	2		480,384		281,434
Interest receivable and other income	8	13,868		20,654	
Interest and financing costs	9	(41,240)		(69,061)	
Other Interest and financing costs	9	20,613		(9,410)	
Revaluation on housing properties		<u>544,831</u>		<u>2,440,529</u>	
			<u>538,072</u>		<u>2,382,712</u>
<b>Surplus on ordinary activities before tax</b>			1,018,456		2,664,146
Taxation	10		<u>-</u>		<u>-</u>
<b>Surplus for the year</b>			1,018,456		2,664,146
Actuarial gains/(losses) on defined benefit pension plan	22	<u>(505,000)</u>		<u>632,000</u>	
			<u>(505,000)</u>		<u>632,000</u>
<b>Total comprehensive income for the year</b>			<u><u>513,456</u></u>		<u><u>3,296,146</u></u>

The notes on pages 21 to 43 form part of the financial statements.

# PENTLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION as at 31 March 2021

	Notes	£	2021 £	£	As restated 2020 £
<b>Non-Current Assets</b>					
Housing property	11		15,508,973		15,318,973
Other non-current assets	12		<u>24,556</u>		<u>6,284</u>
			15,533,529		15,325,257
<b>Investments</b>					
Investment in subsidiaries	13		100,002		100,002
Investment in property	14		<u>-</u>		<u>-</u>
			15,633,531		15,425,259
<b>Current Assets</b>					
Receivables	15	581,187		597,129	
Cash at bank and in hand		<u>1,039,359</u>		<u>767,752</u>	
		1,620,546		1,364,881	
<b>Creditors: amounts falling due within one year</b>	16	<u>(459,840)</u>		<u>(662,886)</u>	
<b>Net Current Assets</b>			<u>1,160,706</u>		<u>701,995</u>
<b>Total Assets less Current Liabilities</b>			16,794,237		16,127,254
<b>Creditors due after one year</b>	17		(3,740,225)		(3,991,700)
<b>Deferred income</b>	18		(437,772)		(437,772)
<b>Pension liability</b>	22		<u>(426,000)</u>		<u>(21,000)</u>
<b>Net Assets</b>			<u>12,190,240</u>		<u>11,676,782</u>
<b>Equity</b>					
Share capital	19		150		148
Revenue reserve	20		<u>12,190,090</u>		<u>11,676,634</u>
			<u>12,190,240</u>		<u>11,676,782</u>

These financial statements were approved by the Board of Directors on 25 August 2021 and signed on its behalf by:

Board Member

Board Member

Secretary

The notes on pages 21 to 43 form part of the financial statements.

# PENTLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS for the year ended 31 March 2021

	£	2021 £	£	2020 £
<b>Surplus for the year</b>		1,018,456		2,664,146
<i>Adjustments for non cash items</i>				
Depreciation	452,304		359,906	
Loss on disposal of components	2,077		14,066	
Revaluation of housing properties	(544,831)		(2,440,529)	
Gain on disposal of properties	(13,868)		(20,654)	
Share capital written off	-		-	
Adjustments to pensions	(100,000)		(87,000)	
		(204,318)		(2,174,211)
Interest received		(13,868)		(20,654)
Interest paid		41,240		69,061
<b>Operating cash flows before movements in working capital</b>		841,510		538,342
Change in debtors	15,942		96,382	
Change in creditors	(200,743)		30,677	
		(184,801)		127,059
<b>Net cash inflow from operating activities</b>		656,709		665,401
<b>Investing activities</b>				
Acquisition and construction of properties	(84,228)		(402,329)	
Proceeds of disposal of properties	-		-	
Interest received on cash	13,868		20,654	
Purchase of other fixed assets	(33,594)		(4,707)	
<b>Net cash outflow from investing</b>		(103,954)		(386,382)
<b>Financing activities</b>				
Interest paid on loans	(41,240)		(69,061)	
Loan principal repayments	(253,778)		(239,309)	
Share capital issued	2		1	
<b>Net cash inflow on financing</b>		(295,016)		(308,369)
<b>(Decrease)/Increase in cash</b>		271,607		(29,350)
<b>Opening cash and cash equivalents</b>		767,752		783,038
<b>Closing cash and cash equivalents</b>		1,039,359		767,752
<b>Cash and cash equivalents at 31 March 2021</b>		1,039,359		767,752

The notes on pages 21 to 43 form part of the financial statements.

# PENTLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2021

	Share capital	Revenue reserve	Total
<b>Balance as at 1 April 2020</b>	148	11,676,634	11,676,782
Issue of shares	2	-	2
Cancellation of shares	-	-	-
Surplus for financial year	-	1,018,456	1,018,456
Remeasurement of the defined benefit pension liability	<u>-</u>	<u>(505,000)</u>	<u>(505,000)</u>
<b>Balance as at 31 March 2021</b>	<u><u>150</u></u>	<u><u>12,190,090</u></u>	<u><u>12,190,240</u></u>

The notes on pages 21 to 43 form part of the financial statements.

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 1.1 Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below.

### 1.2 Going concern

On the basis that the Management Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements. There are some uncertainties arising as a result of the Covid-19 pandemic, however these are not considered to be material.

### 1.3 Group accounts

The Association is not required to prepare group accounts as an exemption has been granted by the FCA on the grounds that the cost and time involved in preparing these would outweigh any potential benefits to the user of the accounts. Details of the subsidiary are disclosed in note 28 to the accounts.

### 1.4 Turnover

Turnover is recognised in the year to which it relates. Turnover represents income from lettings and property management, revenue grants and other income together with the amounts amortised on deferred government grants, which are released to income over the expected useful life of the assets to which they relate.

### 1.5 Social Housing Grants

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards a capital cost, it is recognised as income using the performance model in accordance with the SORP 2018. Prior to satisfying the performance conditions such grants are held as deferred income on the Statement of Financial Position.

### 1.6 Non-government grants

Non-government grants are accounted for using the performance method as outlined in section 34 of FRS 102 and the SORP 2018. Non-government grants are recognised as income when the performance conditions have been met.

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 1.7 Pensions

The Association participates in the SHAPS Defined Contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives with the Association.

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

### 1.8 Depreciation

#### (i) Housing properties

Housing Properties are stated at cost or valuation less accumulated depreciation. Housing under construction is not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Structure	70 years
Roof	60 years
Heating	15 years
Windows	25 years
Bathroom	20 years
Kitchen	15 years

#### (ii) Other Non-current assets

The Association's assets other than land are written off at rates calculated to write off the cost of each asset less any grant received evenly over their expected useful economic lives as follows:

Computer equipment	33% straight-line
Office equipment-	20% straight-line

### 1.9 Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.



# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 1.10 Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- a) an increase in rental income or
- b) a material reduction in future maintenance costs or
- c) a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

### 1.11 Investments – subsidiaries

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently they are measured at fair value through the statement of comprehensive income if shares are publicly traded or if their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

### 1.12 Stock and work in progress

Completed properties and property under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

Shared equity transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary.

### 1.13 Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of FRS 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

### 1.14 Apportionment of management expenses

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

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 1.15 Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. First tranche shared ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account, in accordance with the SORP.

Disposals under shared equity schemes are accounted for in the income and expenditure account.

### 1.16 Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

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

The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

### 1.17 Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Directors to exercise judgement in applying Pentland Housing Association's accounting policies. The areas requiring a higher degree of judgement, or complexity and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

#### Rent arrears - bad debt provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action.

#### Life cycle of components

The Association estimates the useful lives of major components of its housing property with reference to experience within the housing association sector and to expected design life for components

#### Useful life of properties plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge for depreciation based on this.

#### Pension scheme liabilities

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

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

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

			2021	2020
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable letting activities (note 3)	2,314,332	(1,864,644)	449,688	246,794
Other activities (note 4)	<u>345,025</u>	<u>(314,329)</u>	<u>30,696</u>	<u>34,640</u>
Total for 2021	<u>2,659,357</u>	<u>(2,178,973)</u>	<u>480,384</u>	<u>281,434</u>
Total for 2020	<u>2,682,517</u>	<u>(2,401,083)</u>	<u>281,434</u>	

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

<b>3</b>	<b>Particulars of turnover, operating costs and operating surplus or deficit from affordable lettings activities</b>			
	<b>General Needs Housing</b>	<b>Shared Ownership Housing</b>	<b>2021 Total</b>	<b>2020 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Revenue from lettings</b>				
Rent receivable net of service charges	<u>2,329,722</u>	<u>2,566</u>	<u>2,332,288</u>	<u>2,278,785</u>
Gross income from rent and service charges	2,329,722	2,566	2,332,288	2,278,785
Less: Rent losses from voids	<u>(31,052)</u>	<u>-</u>	<u>(31,052)</u>	<u>(18,105)</u>
<b>Net income from rents and service charges</b>	2,298,670	2,566	2,301,236	2,260,680
Grants released from deferred income	-	-	-	-
Revenue grants from Scottish Ministers	<u>13,096</u>	<u>-</u>	<u>13,096</u>	<u>20,000</u>
<b>Total turnover from affordable letting activities</b>	<u>2,311,766</u>	<u>2,566</u>	<u>2,314,332</u>	<u>2,280,680</u>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	877,224	974	878,198	822,593
Service costs	-	-	-	-
Planned and cyclical maintenance including major repair costs	260,307	-	260,307	431,351
Reactive maintenance costs	288,107	-	288,107	326,478
Bad debts - rents and service charges	(1,027)	-	(1,027)	84,491
Depreciation of affordable let properties	436,982	-	436,982	354,907
Loss on disposal of components	<u>2,077</u>	<u>-</u>	<u>2,077</u>	<u>14,066</u>
<b>Operating costs of affordable letting activities</b>	<u>1,863,670</u>	<u>974</u>	<u>1,864,644</u>	<u>2,033,886</u>
<b>Operating surplus for affordable letting activities</b>	<u>448,096</u>	<u>1,592</u>	<u>449,688</u>	<u>246,794</u>
<b>Operating surplus for affordable letting activities for previous year</b>	<u>245,182</u>	<u>1,612</u>	<u>246,794</u>	

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

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

	Grants from Scottish Ministers	Other revenue grants	Other income	Total turnover	Other operating costs	2021 Operating surplus / (deficit)	2020 Operating surplus / (deficit)
	£	£	£	£	£	£	£
Wider role activities	-	138,276	20,777	159,053	(138,080)	20,973	7,821
Care and Repair	-	51,166	82,297	133,463	(123,741)	9,722	22,734
Commercial property income	-	-	-	-	-	-	-
Agency/management services for other housing associations	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Other income	-	38,515	13,994	52,509	(52,508)	1	4,085
	<u>-</u>	<u>227,957</u>	<u>117,068</u>	<u>345,025</u>	<u>(314,329)</u>	<u>30,696</u>	<u>34,640</u>
Total from other activities for the previous year	<u>-</u>	<u>189,443</u>	<u>212,394</u>	<u>401,837</u>	<u>367,197</u>	<u>34,640</u>	

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 5 EMPLOYEE INFORMATION

	2021 £	2020 £
Staff costs during year		
Wages and salaries	478,001	445,213
Social security costs	32,897	32,725
Other pension costs	36,900	36,281
	<u>547,798</u>	<u>514,219</u>
The average number of persons employed by the Association during the year were as follows:		
Full time equivalent	<u>14</u>	<u>16</u>

### 6 KEY MANAGEMENT PERSONNEL

The key management personnel include the acting Chief Executive, the Estates Manager and the Housing Manager who form the Management Team.

Aggregate emoluments payable to employees with emoluments greater than £60,000 (excluding pension contributions) were:

	2021	2020
Emoluments (excluding pension contributions)	<u>70,375</u>	<u>69,241</u>
Total emoluments	<u>-</u>	<u>1</u>
The number of key management personnel whose emoluments exceed £60,000 are shown within the following band		
£60,001 to £70,000	<u>-</u>	<u>1</u>
£70,001 to £80,000	<u>1</u>	<u>-</u>
	£	£

#### Emoluments payable to Acting Chief Executive

Emoluments excluding pension contributions	70,375	69,241
Employer's pension contributions	6,960	6,865
	<u>77,335</u>	<u>76,106</u>

<b>Total emoluments paid to key management personnel</b>	<u>152,842</u>	<u>138,708</u>
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#### Board of Directors member emoluments

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

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 7 SURPLUS FOR FINANCIAL YEAR

	2021 £	2020 £
Surplus is stated after charging:-		
Depreciation - tangible owned fixed assets	452,303	359,907
Loss on disposal of components	2,077	14,066
Remuneration of auditor for audit services	12,004	18,855
Remuneration of auditor for non-audit services	6,912	25,538
Operating lease rentals - other	<u>11,053</u>	<u>11,701</u>

### 8 INTEREST AND OTHER FINANCE INCOME

	2021 £	2020 £
Bank interest receivable	943	3,904
Interest receivable from subsidiary	<u>12,925</u>	<u>16,500</u>
	<u>13,868</u>	<u>20,654</u>

### 9 INTEREST PAYABLE AND OTHER INTEREST AND FINANCING COSTS

	2021 £	2020 £
Loan interest payable	41,240	69,061
Unwinding of discount on loan	(19,613)	(6,590)
Net interest on defined benefit pension liability	<u>(1,000)</u>	<u>16,000</u>
	<u>20,627</u>	<u>78,471</u>

No interest has been capitalised.

### 10 TAXATION

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

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 11 NON-CURRENT ASSETS HOUSING PROPERTY

	Letting properties		Shared	Total
	Complete	Under construction	ownership	
	£	£	£	£
<b>Valuation</b>				
As at 1 April 2020	14,630,000	653,973	35,000	15,318,973
Additions during the year	84,228	-	-	84,228
Disposals during the year	(67,730)	-	-	(67,730)
Revaluation	173,502	-	-	173,502
As at 31 March 2021	<u>14,820,000</u>	<u>653,973</u>	<u>35,000</u>	<u>15,508,973</u>
<b>Depreciation</b>				
As at 1 April 2020	-	-	-	-
Provided for year	436,391	-	591	436,982
Eliminated on disposals	(65,653)	-	-	(65,653)
Eliminated on revaluation	(370,738)	-	(591)	(371,329)
As at 31 March 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Book Value</b>				
As at 31 March 2021	<u>14,820,000</u>	<u>653,973</u>	<u>35,000</u>	<u>15,508,973</u>
As at 1 April 2020	<u>14,630,000</u>	<u>653,973</u>	<u>35,000</u>	<u>15,318,973</u>

Total works expenditure on existing housing properties amounted to £84,228 (2020: £402,329) of which £84,228 (2020: £374,897) was capitalised in respect of component replacements. The amount capitalised in respect of improvements was £nil (2020: £27,432).

There were no amounts capitalised, during the year, in respect of loan interest (2020: nil)

The Association's lenders have standard securities over Housing Property with a carrying value of £12,528,845 (2020: £12,571,000).



# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 12. NON-CURRENT ASSETS

#### HOUSING PROPERTY (continued)

The housing properties held for letting were revalued in March 2021 by an independent professional external valuer, Jones Lang LaSalle. The valuation was carried out on the basis of Existing Use Value for Social Housing ("EUV-SH") and the aggregate valuation amounted to £14,855,000.

Royal Institute of Chartered Surveyors use a discounted cash flow method. The key assumptions made were as follows:-

- Discount rate – 6% - 6.25%
- Rent increase – Inflation + 0.5%

The directors consider that the value of the properties 31 March 2021 will not be materially different from the figure stated above.

#### Historical Cost Basis

If housing properties held for letting had not been revalued they would have appeared in the balance sheet as:

	2021 £	2020 £
Cost	23,470,786	23,454,287
Accumulated depreciation	<u>(7,250,111)</u>	<u>(6,823,053)</u>
	<u>16,220,675</u>	<u>16,631,234</u>

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 12 NON-CURRENT ASSETS OTHER TANGIBLE FIXED ASSETS

	Office equipment £	Computer equipment £	Total £
<b>Cost</b>			
As at 1 April 2020	2,679	13,390	16,069
Additions	<u>287</u>	<u>33,307</u>	<u>33,594</u>
As at 31 March 2021	<u><u>2,966</u></u>	<u><u>46,697</u></u>	<u><u>49,663</u></u>
<b>Depreciation</b>			
As at 1 April 2020	1,628	8,157	9,785
Charge for year	<u>559</u>	<u>14,763</u>	<u>15,322</u>
As at 31 March 2021	<u><u>2,187</u></u>	<u><u>22,920</u></u>	<u><u>25,107</u></u>
<b>Net book value</b>			
As at 31 March 2021	<u><u>779</u></u>	<u><u>23,777</u></u>	<u><u>24,556</u></u>
As at 1 April 2020	<u><u>1,051</u></u>	<u><u>5,233</u></u>	<u><u>6,284</u></u>

### 13 INVESTMENTS

	2021 £	2020 £
<b>Cost</b>		
As at 1 April and 31 March	<u><u>100,002</u></u>	<u><u>100,002</u></u>
<b>Net Book Value</b>		
As at 31 March	<u><u>100,002</u></u>	<u><u>100,002</u></u>
As at 1 April	<u><u>100,002</u></u>	<u><u>100,002</u></u>

Pentland Community Enterprises Limited is a wholly owned subsidiary of the Association. During the year Pentland Community Enterprises Limited made a profit of £8,375 (2020: loss of £32,338), which was carried forward to reserves, bringing total aggregate capital and reserves to £145,045 (2020: £136,670).

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

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 14 INVESTMENT SHARED EQUITY PROPERTY

	2021 £	2020 £
Cost of properties	559,925	559,925
Social housing and other grant received	<u>(559,925)</u>	<u>(559,925)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

### 15 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	As restated 2020 £
Arrears of rent and service charges	130,902	173,200
Bad debt provision	<u>(89,120)</u>	<u>(99,449)</u>
	41,782	73,751
Social Housing Grant	-	-
Other receivables	74,689	67,159
Amounts due from group undertakings	406,668	387,055
Prepayments and accrued income	<u>58,047</u>	<u>69,164</u>
	<u><u>581,186</u></u>	<u><u>597,129</u></u>

### 16 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Housing loans	260,511	262,814
Trade payables	106,371	171,509
Rent in advance	18,904	19,563
Social Housing Grant repayable	-	-
Other taxation and social security	9,455	10,681
Other creditors	11,402	7,422
Accruals and deferred income	<u>53,198</u>	<u>190,897</u>
	<u><u>459,841</u></u>	<u><u>662,886</u></u>

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 17 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2021 £	2020 £
Housing loans	<u>3,740,225</u>	<u>3,991,700</u>
In respect of loans above:		
within one year	260,511	262,814
within one to two years	262,533	267,006
within two to five years	864,958	891,917
in five years or more	<u>2,612,734</u>	<u>2,832,777</u>
	4,000,736	4,254,514
Less amounts shown in current payables	<u>(260,511)</u>	<u>(262,814)</u>
	<u>3,740,225</u>	<u>3,991,700</u>

Included above are loan arrangement fees deferred of £7,258 (2020: £7,820). The fees are deferred in accordance with and released to the Income and Expenditure Account over the term of the loan. During the year £522 (2020 :£500) was released to interest payable and other charges

Loans of £65,000 from the local authority are secured by standard security over land acquired. The land bank loan was originally for a five year term, however, the loan is currently being rolled over from year to year pending a decision to develop the land. The loan is interest free.

Housing Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest from Libor +0.47% to Libor +1.75% with redemption dates in 2034.

### 18 DEFERRED INCOME

	2021 £	2020 £
<b>Social Housing Grants</b>		
Balance as at 1 April 2020	437,772	437,772
Additions in year	-	-
Released as a result of land and property disposal	-	-
Amortisation during year	-	-
Balance as at 31 March 2021	<u>437,772</u>	<u>437,772</u>

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 19 SHARE CAPITAL

	2021 £	2020 £
Shares of £1 fully paid and issued		
As at 1 April	148	147
Issued in year	2	1
Cancelled in year	-	-
As at 31 March	<u>150</u>	<u>148</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on 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 RESERVES

Revenue reserve

	2021 £	As restated 2020 £
As at 1 April	11,676,634	8,380,488
Surplus for the financial year	1,018,456	2,664,146
Other comprehensive income for the financial year	(505,000)	632,000
As at 31 March	<u>12,190,090</u>	<u>11,676,634</u>

### 21 HOUSING STOCK

The number of units in management at 31 March 2021 was as follows:-

	2021 No.	2020 No.
Property for rent	491	491
Shared ownership	1	1
Property for rent managed for HSCHT	<u>2</u>	<u>2</u>
	<u>494</u>	<u>494</u>

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 22 PENSIONS

#### Defined Contribution Scheme

The Association offers all staff membership a Defined Contribution Scheme, with employer contribution rates of up to 10% of pensionable salaries.

As at the year end, there were 12 active members (2020: 15) of the Defined Contribution Scheme employed by the Association. Employer contributions during the year amounted £36,280 (2020: £36,280)

As at the year end there were unpaid pension contributions of £nil (2020: £nil)

#### Defined Benefit Scheme - Past Service Liability

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, Pentland Housing 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.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company 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 company 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 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting years from 31 March 2020 to 28 February 2021 inclusive.

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 22 PENSIONS - (continued)

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

#### Fair value of plan assets, present value of defined benefit obligation and defined benefit asset (liability)

	2021 £'000	2020 £'000
Fair value of scheme assets	4,246	3,725
Present value of benefit obligation	<u>(4,672)</u>	<u>(3,746)</u>
Deficit in the scheme	(426)	(21)
Other amounts recognised	<u>-</u>	<u>-</u>
Net pension liability	<u><u>(426)</u></u>	<u><u>(21)</u></u>

#### Reconciliation of opening and closing balances of the defined benefit obligation

	2021 £'000
Opening Defined Benefit Obligation	3,746
Expenses	3
Interest Expense	88
Actuarial (Gains)/Losses due to scheme experience	63
Actuarial (Gains)/Losses due to changes in demographic assumptions	-
Actuarial (Gains)/Losses due to changes in financial assumptions	814
Benefits Paid and expenses	<u>(42)</u>
Closing Defined Benefit Obligation	<u><u>4,672</u></u>

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

	2021 £'000
Opening Fair Value of Scheme Assets	3,725
Interest income	89
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	372
Employer Contributions	102
Benefits Paid and expenses	<u>(42)</u>
Administration costs	<u>-</u>
Closing Fair Value of Scheme Assets	<u><u>4,246</u></u>

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 22 PENSIONS - (continued)

#### Amounts recognised in Statement of Comprehensive Income

	2021 £'000
Administration costs	3
Net interest on net defined benefit obligation	<u>(1)</u>
Costs recognised in Statement of Comprehensive Income	<u><u>2</u></u>

#### Defined benefit costs recognised in Other Comprehensive Income

	2021 £'000
Experience on plan assets (excluding amounts included in net interest costs) - gain / (loss)	372
Experience gains and losses arising on the plan liabilities - gain / (loss)	(63)
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 - gains / (loss)	<u>(814)</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss) Actuarial gains / (losses)	(505)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss) Actuarial gains / (losses)	<u>-</u>
Total amount recognised in Other Comprehensive Income – gain (loss)	<u><u>(505)</u></u>



# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 22 PENSIONS - (continued)

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

	2021	2020
Global Equity	657	512
Absolute Return	209	229
Distressed Opportunities	145	68
Credit Relative Value	122	90
Alternative Risk Premia	170	298
Fund of Hedge Funds	-	-
Emerging Market Debt	171	132
Risk Sharing	152	118
Insurance linked securities	89	100
Property	76	69
Infrastructure	237	220
Private Debt	100	74
Opportunistic Illiquid Credit	109	91
High Yield	111	-
Opportunistic Credit	116	-
Cash	2	-
Corporate Bond Fund	320	272
Liquid Credit	73	98
Long Lease Property	99	91
Secured Income	233	207
Over 15 Year Gilts	2	47
Index Linked All Stock Gilts	-	-
Liability Driven Investments	1,021	981
Net Current Assets	32	28
Total	<u>4,246</u>	<u>3,725</u>

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.

#### Principal Actuarial Assumptions

	2021	2020
Discount rate	2.18%	2.37%
Salary increases	3.87%	2.60%
Inflation (RPI)	3.27%	2.60%
Inflation (CPI)	2.87%	1.6%
Allowance for cash commutation)	75% of maximum allowance	75% of maximum allowance

#### Mortality Assumptions

	Life expectancy at the age of
	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

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# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 23 OBLIGATIONS UNDER LEASES

The future minimum payments under non-cancellable operating leases are as follows:

	2021 £	2020 £
<b>Office Equipment</b>		
Within one year	10,289	10,331
In two to five years	14,170	23,838
in over five years	-	-
	<u>24,459</u>	<u>34,169</u>

	2021 £	2020 £
<b>Motor vehicles</b>		
Within one year	9,760	-
In two to five years	17,893	-
	<u>27,653</u>	<u>-</u>

As at 31 March 2021 the Association's leases for motor vehicles are on a month to month basis with no long term obligation.

	2021 £	2020 £
<b>Land and buildings</b>		
Within one year	17,506	28,008
In two to five years	-	21,006
	<u>17,506</u>	<u>49,014</u>

### 24 CAPITAL COMMITMENTS

As at the year end the Association had no capital commitments in respect of amounts contracted for but not provided for in these financial statements.

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 25 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2021		2020	
	£	£	£	£
(Decrease) in cash	271,607		(29,350)	
Cashflow from change in net debt	<u>239,309</u>		<u>239,309</u>	
		510,916		209,959
Net debt at 1 April 2020		<u>(3,486,762)</u>		<u>(3,710,785)</u>
Net debt at 31 March 2021		<u><u>(2,975,846)</u></u>		<u><u>(3,500,826)</u></u>

#### Analysis of changes in net debt

	At 1 April 2020	Cashflows	Other Changes	At 31 March 2021
Cash at bank and in hand	767,752	(15,286)	-	752,466
Bank overdrafts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	767,752	(15,286)	-	752,466
Liquid resources	-	-	-	-
Debt due within one year	(262,814)	(17,021)	-	(279,835)
Debt due after one year	<u>(3,991,700)</u>	<u>256,330</u>	<u>-</u>	<u>(3,735,370)</u>
As at 31 March 2021	<u><u>3,486,762</u></u>	<u><u>(224,023)</u></u>	<u><u>-</u></u>	<u><u>3,262,739</u></u>

### 26 CONTINGENT LIABILITY

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for the Association was £2,978,466. This is the latest available valuation. The Association has no intentions of withdrawing from the scheme and consequently no provision has been made in the financial statements.

As the Association adopts a policy of holding its housing properties at valuation, government grants are written off to the statement of comprehensive income, using the performance model, in the year in which the conditions of the grant are met. In the case of housing properties, grant conditions are considered to be fully met on completion of the development. Government grants of £16,370,906 have been accounted for under the performance model. Should the Association dispose of property in the future, this could give rise to a relevant event for the purposes of repayment or recycling such grant.

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 27 PRIOR YEAR ADJUSTMENT

The Association has reviewed its accounting policy with regard to the valuation of the loan to Pentland Community Enterprise Limited. The Association considers that this loan should be regarded as a financing transaction and valued by reference to its net present value.

The Statement of Financial Position as at 1 April 2019 has been amended to reduce the amount included under receivables by £169,535 with a corresponding decrease in reserves as at that date.

Within the Statement of Comprehensive Income for the year to 31 March 2020 there was a reduction in other interest and financing costs of £6,590 with a corresponding increase in the amount of receivables included on the Statement of Financial Position as at 31 March 2020.

The overall effect of the prior year adjustment is to decrease the Association's reserves as at 31 March 2020 by £162,945.

	As previously reported	Restatement	Restated as at 31 March 2020
Other interest and financing costs	(16,000)	6,590	(9,410)
Receivables	550,000	(162,945)	387,055
Reserves	11,839,579	162,945	11,676,634

### 28 POST BALANCE SHEET EVENT

As noted in the report of the Board of Directors on page 5, the Association is currently in negotiation with Cairn Housing Association with respect to a potential transfer of engagements. The negotiations are at an advanced stage, however have not been concluded at the date of approval of these financial statements. Should the transfer to Cairn Housing Association be successful, the intention is that it would take place on 1 April 2022.

# PENTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

### 29 RELATED PARTIES

Members of the Board of Directors are related parties of the Association as defined by Financial reporting Standard 102.

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

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

There were two (2020: two) members of the Board of Directors, who were tenants of the Association, although one of these member resigned during the year. The tenancies are on the same terms as for other tenants and no advantage is gained from the position. During the financial year, Board members were charged rent of £7,322 (2020: £6,239). As at 31 March no amounts (2020: nil) were outstanding as due to the Association.

During the period ended 31 March 2021 the Association had the following related and associated undertakings :

Name	Relationship	Status	Registered by Social Housing Regulator
Pentland Community Enterprises Limited	100% subsidiary	Limited Company	Non-regulated

Former Board members William Dunbar and Gavin Powell and current Board member Gordon Campbell have also been directors of Pentland Community Enterprises Limited, a wholly owned subsidiary of the Association.

During the year the Association incurred wages, insurance, rent and overhead costs of £23,250 (2020: £24,243) which were recharged to PCE. The Association also charged interest of £12,925 (2020: £16,750) to PCE in relation to a commercial loan of £550,000 outstanding from PCE at 31 March 2021. The term of the loan is 25 years with a commercial rate of interest applied of Bank of England Base plus current mark up of 2.25%. The Association continues to hold standard security over PCE's garage stock as part of the loan agreement.