



WEST HIGHLAND HOUSING ASSOCIATION LIMITED
Report and Financial Statements

For the year ended 31 March 2021

Registered Housing Association Number HEP 163
Financial Conduct Authority Number 1691R(S)
Charity Number SC017357

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INFORMATION

Registered Office

Crannog Lane, Oban, Argyll, PA34 4HB

Registration Numbers

Financial Conduct Authority number	1691RS
The Scottish Housing Regulator reference	HEP 163
Scottish Charity number	SC017357

Management Board

Gerry Boyle	Chair
Linda Houston	Vice Chair
Donald Harrison	Secretary
David Bittleston	
Jack Degnan	
Mark Feinmann	
Douglas Mackie	
Kirsteen MacKenzie	
Sine MacVicar	
David Sloss	
Torquil Telfer	
James Tolmie	

Councillor Andrew Vennard	council nominee - resigned February 2021
Councillor Anne Horn	council nominee

Key Management Personnel

Lesley McInnes	Chief Executive
Graeme Bruce	Operations Manager

Auditor

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

Accountant

David Smith, Chartered Accountant
Keppoch
Croft Road
Oban
PA34 5JN

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INFORMATION

Internal Auditor

Azets
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

Bankers

Santander
Corporate and Commercial
250 Stanley Road
Bootle
Merseyside
L20 3PQ

Clydesdale Bank
6 Argyll Square
Oban
PA34 4AZ

Royal Bank of Scotland
Corporate Banking
Glasgow & West of Scotland
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Nationwide Building Society
Commercial Division
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PE

Bank of Scotland
Station Road
Oban
PA34 4LL

CAF Bank
25 Kingshill avenue
West Malling
Kent
ME19 4JQ

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2021

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

Legal Status

West Highland Housing Association (the Association) is a registered non-profit making body organisation under the Co-operative and Community Benefit Societies Act 2014 No. 1681R(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

Our principal activity is the provision of affordable, well maintained, high quality housing in the Oban, Lorn and Island area. In doing this we support fragile communities within our local area.

Mission, Objectives and Values

At the start of 2018 the Association's Board reviewed our Mission, Objectives and Values. There was some change in part to reflect that we are part of the wider Link Group whose objectives are:

- Providing Homes
- Building Communities
- Valuing People
- Working Together

Our Mission

Supporting our communities by providing and maintaining quality neighbourhoods and homes for life.

Strategic Objectives

The Association plans activities around the following strategic objectives:

- Provision of high-quality homes
- Deliver excellent services
- Keep the organisation safe and secure
- Value our people
- Promote positive partnerships

Values

1. Approachable
2. Fair
3. Honest
4. Listening
5. Supportive
6. Collaborative and

We will make a positive difference

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

31 March 2021

Management Board and Executive Officers

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

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

Corporate Structure

West Highland Housing Association is a subsidiary of Link Group Ltd (the Group), a Registered Social Landlord. Ultimate responsibility for the conduct and the control of the Group and its subsidiaries rests with the Link Group Board, while an Independence and Responsibilities Agreement sets out conditions for the autonomous operation of the Association within the Group.

Corporate Governance

Link submitted the second Group assurance statement to the Regulator in October 2020 confirming compliance with:

- All relevant regulatory requirements set out in Chapter 3 of the Regulatory Framework
- All relevant standards and outcomes in the Scottish Social Housing Charter
- All relevant legislative duties
- The Standards of Governance and Financial Management

David Bittlestone, Board Member, sits on Link Group Board as part of the Group structure approach. Our new Chair – Gerry Boyle – is part of the Link Convenor's Group that meets regularly during the year.

Management Board

On an operational day to day basis the Association is managed by a CEO who reports to the Management Board. Board Meetings are held approximately every 6 weeks and there are separate Corporate Services, Strategic Risk and Health and Safety Committees.

The Board sets the strategic direction of the organisation and monitors the operational activities. There are 12 places for Board Members and as at the year end, we have 1 co-optee, and 11 Board Members. The Council may appoint 2 people to the Board and they have appointed elected members to the Board, Councillor Andrew Vennard and Councillor Anne Horn. Councillor Andrew Vennard resigned in February 2021 and we are awaiting the Council nominating a person in his place.

In September 2020 we held a virtual Annual General Meeting and the Chair – Douglas Mackie's term of office ended. The Board elected Gerry Boyle as Chair and Linda Houston as Vice Chair.

The Board held a virtual away day in November where a number of themes were discussed. One of the Board's priorities over the coming years will be tenant engagement and we will be working with the Tenant Participation Advisory Service [TPAS] over the coming years to develop this.

The members of the Board during the last year have been detailed on page 1 of these financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

31 March 2021

Covid-19 Pandemic

This year has been difficult for all our stakeholders. The pandemic has meant that whilst some of our work, most notably, allocating houses, has carried on as normal other important parts of our work have not been able to be delivered due to the Government restrictions and to the two "lockdowns". In particular, our repairs and maintenance service has been affected with planned improvement works delayed. Reactive repairs have only been able to be carried out at the time restrictions were lifted although we were able to do external work and emergency repairs.

Risk

As part of the Link Group, we share their risk approach. The Group risks are discussed at the Link Group Senior Management Group. The Association provides the Board with a risk register which is similar to that of Link Group.

The Association has identified the following key risks

- Development - the Association undertakes small rural developments and recognises that there are always risks attached to development. The risk is mitigated by modelling cashflows from proposed developments and by taking a conservative approach to the amount of borrowing such developments can sustain.
- Failure to sell new supply shared equity properties - the Association uses demand information from the strategic agencies (HIE and Argyll and Bute Council) and we work alongside local groups to minimise this risk.
- The Association is not integrated into Link Group's finance system - there is a risk in that the Association is dependent on the availability of key staff. We are part of Link's financial management project work and the intention is to move the Association onto the group financial system.
- Staff capacity - we recognise that the current small staff team has limited capacity to cope with the additional workload as the Association expands. We have embarked on a plan to reshape the organisation and build in additional management capacity

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 total comprehensive income for the year of £2,077,081 (2020: £1,062,202). The increase in total comprehensive income was after taking account of a loss on the Association's pension liability of £283,000 compared to a gain of £217,000 in 2020.

Turnover increased in the year to £7,823,850 from £6,148,835 in 2020. The increase is mainly due to the recognition of additional income from the release of deferred grant creditors. There was no cash benefit in respect of this release of grant but it did result in a reduction in creditors. Turnover also included income from the sale of shared equity properties which amounted to £770,750 for 2021 compared to £693,375 for 2020.

The Association's core income from property rents increased by 3.5% to £4,007,785 from £3,873,369, reflecting rent increases, which took effect in April 2020, together with new rental income from the properties completed in the year.

At 31 March 2021 the Association's capital and reserves stood at £10,579,533 (2020: £8,502,455).

The Management Board consider that these reserves are necessary to fund the cost of future major repairs and improvements to the Association's housing properties.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2021

Financing and Liquidity

The Association manages its borrowings and cash investments in accordance with the Treasury Management Policy approved by the Management Board. 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 815 properties as of 31st March 2021 including 14 shared ownership properties. It has a further 81 properties which it manages on behalf of Link and a further 177 that are factored.

Performance

The Board monitors performance in terms of finance, operations, business services and asset management. A range of financial and non-financial ratios and indicators are produced on a quarterly basis which are used to monitor how the organisation is performing and, more importantly, initiate corrective action in underperforming areas.

The Association reports to the Scottish Housing Regulator each year on performance that is required for the Annual Return on Charter. To ensure the Board has some external assurance regarding the data an external validator is used. This provides some additional assurance for the Board but also provides the staff team with challenge around their understanding of ARC definitions and their collection of data. This year our performance, on the whole, has either improved or remained at a similar level to last year. However comparisons, particularly in relation to repairs and maintenance, are difficult due to the Covid-19 restrictions that have probably had a major impact for April to June 2020 and December 2020 to March 2021.

Information on our Key Performance Indicators is given in the table below.

Key Performance Indicator	Achieved 2019/20	Target 2020/21	Achieved 2020/21	SHR 2019/20 National Average
Average length of time taken to re-let properties in the last year (days)	6.98	8	28.9	31.8
Average length of time taken to complete emergency repairs (hours)	4.20	12	3.03	3.64
Average length of time taken to complete non-emergency repairs (days)	6.18	6.5	6.11	6.43
Homelessness - of properties available to let (and where there was demand from homeless people) what % went to homeless applicants	N/A	25	70	Not a Charter Indicator
% of stock meeting the Scottish Housing Quality Standard (SHQS)	96.2	99	96.9	94.4
% of properties meeting the EESSH	96.8	97	96.9	87.3

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2021

Rents

At present we know our rents are higher than other Argyll RSLs. There are a number of reasons for this to do with build date, type of stock and size of house. We know that our new build rents are set at a similar level to other RSLs. As part of our tenant engagement work we are utilising a new rent tool developed by consultants. This tool will help us have a deeper understanding of the issues around affordability. We want to use this to provide tenants with more options when we do our annual rent consultation.

Maintenance

The Association has taken a prudent approach in terms of its planned maintenance both in the short/medium term and over the 30 years of the Business Plan. There are a number of legislative changes/good practice issues that will increase our maintenance costs in the coming years, these include the new fire detection legislation, the new energy requirements and potentially changes to electrical testing. We have plans in place to meet the new fire detection requirement by February 2021. In relation to the new energy requirements we are in the process of modelling this across our stock but the Association was successful in receiving Scottish Government funding for decarbonisation and this will help us change older electrical heating systems to modern controllable storage "heat pump" systems. This will impact on 170 properties.

Development

This year we were delighted to take delivery of 10 new properties at Barcaldine. 6 of those were for social rent and 4 were for shared equity. Presently the Association and its parent, Link Group, are the only RSLs providing shared equity housing in Argyll. There is specific Scottish Government grant for this initiative and we have found it is helping a number of people enter the housing market in a way that they would not have been able to without this initiative.

Later in 2021 another 10 properties will be completed for social rent. These will be on Jura.

Information for auditor

As far as the Management Board is aware, there is no relevant audit information of which the auditor is unaware and the Management Board has taken all the steps it ought to have taken to make itself aware of any relevant audit information and to ensure that the auditor is aware of any such information.

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

Going Concern

The Management Board has reviewed the results for this year and has also reviewed the projections for the next five years. Although there are some uncertainties arising as a result of the Covid-19 pandemic, these are not considered to be material and the Management 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.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2021

Auditor

A resolution to re-appoint the Auditor, RSM UK Audit LLP, will be proposed at the Annual General Meeting.

This report was approved by the board on 9 July 2021.

Board Member

DocuSigned by:

11 August 2021

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES under the Co-operative and Community Benefit Societies Act 2014 for a registered social landlord 31 March 2021

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Board 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 surplus or deficit for that period. In preparing these financial statements, the Management Board is required to:

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

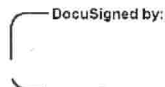
The Management Board is responsible for instituting adequate systems of internal control and for:

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

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

This statement was approved by the board on 9 July 2021 and signed on its behalf.

Board Member

DocuSigned by:


11 August 2021

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

MANAGEMENT BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL 31 March 2021

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Board;
- the Management Board 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 Management Board 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 9 July 2021 and signed on its behalf.

Board Member

DocuSigned by:


11 August 2021

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST HIGHLAND HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of West Highland Housing Association Limited (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

Other information (continued)

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 9, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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

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

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

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

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

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

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

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

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

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

Use of our report

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

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

Date 23 August 2021

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on page 10 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 10 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2021

	Notes	£	2021 £	£	2020 £
Turnover	2		7,823,850		6,148,835
Operating costs	2		<u>(5,084,722)</u>		<u>(4,849,694)</u>
Operating surplus	2		2,739,128		1,299,141
Interest receivable and other income		18,025		47,344	
Interest and financing costs		(396,072)		(493,283)	
Other finance charges		<u>(1,000)</u>		<u>(8,000)</u>	
			<u>(379,047)</u>		<u>(453,939)</u>
Surplus on ordinary activities before tax			2,360,081		845,202
Taxation			<u>-</u>		<u>-</u>
Surplus for the year			2,360,081		845,202
Actuarial gains/(losses) on defined benefit pension plan			<u>(283,000)</u>		<u>217,000</u>
Total comprehensive income for the year			<u><u>2,077,081</u></u>		<u><u>1,062,202</u></u>

The notes on pages 20 to 42 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 March 2021

	Notes	£	2021 £	£	2020 £
Non-Current Assets					
Housing property - depreciated cost	11		67,788,747		67,639,285
Other non-current assets	12		<u>1,244,332</u>		<u>1,311,146</u>
			69,033,079		68,950,431
Investments					
Investment in subsidiaries	13		<u>1</u>		<u>1</u>
			69,033,080		68,950,432
Current Assets					
Development cost of housing property	14	206,610		676,629	
Receivables	15	1,232,164		697,227	
Investments		3,035,207		4,069,093	
Cash at bank and in hand		<u>2,894,531</u>		<u>1,918,802</u>	
		7,368,512		7,361,751	
Creditors: amounts falling due within one year					
	16	<u>(2,375,276)</u>		<u>(4,671,185)</u>	
Net Current Assets					
			<u>4,993,236</u>		<u>2,690,566</u>
Total Assets less Current Liabilities					
			74,026,316		71,640,998
Creditors due after one year					
	17		(12,248,164)		(12,934,080)
Deferred income					
	18		(50,914,619)		(50,141,463)
Pension liability					
	21		<u>(284,000)</u>		<u>(63,000)</u>
Net Assets					
			<u>10,579,533</u>		<u>8,502,455</u>
Equity					
Share capital	19		104		107
Revenue reserve	20		<u>10,579,429</u>		<u>8,502,348</u>
			<u>10,579,533</u>		<u>8,502,455</u>

These financial statements were approved by the Management Board on 9 July 2021 and signed on its behalf by:

Board Member DocuSigned by:
11 August 2021

Board Member DocuSigned by:
11 August 2021

Secretary DocuSigned by:
11 August 2021

The notes on pages 20 to 22 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 March 2021

	£	2021 £	£	2020 £
Surplus for the year		2,360,081		845,202
<i>Adjustments for non cash items</i>				
Depreciation	2,131,762		2,057,942	
Loss on disposal of components	38,706		34,446	
Amortisation of capital grants	(1,246,241)		(1,307,970)	
Gain on disposal of properties	(262,373)		(288,694)	
Share capital written off	(4)		(13)	
Non cash adjustments to pensions	(62,000)		(48,000)	
		599,850		447,711
Interest received		(18,025)		(47,344)
Interest paid		397,072		501,283
Operating cash flows before movements in working capital		3,338,978		1,746,852
Decrease/(increase) in properties developed for sale	470,019		(108,568)	
(Increase)/decrease in debtors	(534,937)		603,360	
(Decrease)/increase in creditors	(1,277,864)		(421,883)	
		(1,342,782)		72,909
Net cash inflow from operating activities		1,996,196		1,819,761
Investing activities				
Acquisition and construction of properties	(2,295,086)		(2,403,778)	
Social Housing Grant received	2,032,082		172,256	
Other grant received	68,617		598,569	
Proceeds of disposal of properties	312,253		449,377	
Social Housing Grant repaid	(81,302)		(73,646)	
Interest received on cash	18,025		47,344	
Movement in short-term investment	1,033,886		(27,920)	
Purchase of other fixed asset	(7,910)		(31,000)	
Net cash inflow/(outflow) from investing		1,080,565		(1,268,798)
Financing activities				
Interest paid on loans	(397,072)		(501,283)	
Loan principal repayments	(1,703,961)		(666,608)	
Share capital issued	1		5	
Net cash outflow on financing		(2,101,032)		(1,167,886)
(Decrease)/Increase in cash		975,729		(616,923)
Opening cash and cash equivalents		1,918,802		2,535,725
Closing cash and cash equivalents		2,894,531		1,918,802
Cash and cash equivalents at 31 March 2021		2,894,531		1,918,802

The notes on pages 20 to 42 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

	Share capital	Revenue reserve	Total
Balance as at 1 April 2020	107	8,502,348	8,502,455
Issue of shares	1	-	1
Cancellation of shares	(4)	-	(4)
Surplus for financial year	-	2,360,081	2,360,081
Remeasurement of the defined benefit pension liability	-	(283,000)	(283,000)
Balance as at 31 March 2021	<u>104</u>	<u>10,579,429</u>	<u>10,579,533</u>

The notes on pages 20 to 42 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

1.1 Legal Status

West Highland Housing Association (the Association) is a registered non-profit making body organisation under the Co-operative and Community Benefit Societies Act 2014 No. 1681R(S). The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102. The principal activities of the Association are detailed in the Report of the Management Board on page 3. These accounts are presented in Pounds Sterling (£) which is the functional currency of the Association.

The Association's registered office is Crannog Lane, Oban, Argyll, PA34 4HB.

1.2 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 registered social housing providers 2018. The principal accounting policies of the Association are set out in the paragraphs below.

1.3 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.

1.4 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

Social Housing Grants and Other Capital Grants are accounted for using the accrual method as outlined in section 24 of FRS102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the structure of the property to which it relates.

Social Housing Grant received in respect of revenue expenditure is credited as income in the same period as the expenditure to which it relates.

1.6 Non-government grants

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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, which is closed to new entrants, 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 Non-Current assets and depreciation

(i) Housing properties

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

Component	Useful Economic Life
Land	Not depreciated
Structure	50 years
Roof	45 years
Render	20 years
Heating	15 years
Hot water cylinder	30 years
External doors	20 years
Windows	30 years
Bathroom	30 years
Kitchen	15 years

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

(ii) Works to existing properties

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

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

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

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

(iii) Other Non-current assets

Other non-current assets are stated at cost less accumulated depreciation and impairment. The other non-current 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:

Land	Not depreciated
Office Property	Over 50 years
Plant and equipment	5% straight line
Furniture & equipment	20% reducing balance
Motor vehicles	25% reducing balance

1.9 Impairment of fixed assets

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

1.10 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. In respect of mixed tenure developments the allocation of costs and the related grant is based on the amounts included in the original grant application.

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.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

1.11 Financial instruments

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

Financial instruments are recognised when the Association becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Association transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, and amounts owed to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

1.12 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. The allocation of management costs between rented and shared ownership properties has been calculated in proportion to the amount of rental income received.

1.13 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.

1.14 Lease obligations

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

1.15 Value added tax

The Association is VAT registered and is included within the Link VAT Group. As the major part of the Association's income is exempt, expenditure is shown inclusive of VAT.

1.16 Estimation Uncertainty and key judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board to exercise judgement in applying West Highland 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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

1.16 Estimation Uncertainty and key judgements (continued)

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.

Development cost of housing property

The Association assesses the value of the work in progress in respect of the development cost of shared equity properties for sale against the expected sale proceeds to establish whether any impairment charge is required.

Classification of commercial properties

The Association has reviewed the classification of its surplus office accommodation properties and concluded that, on the basis that these are used for social benefit, they are correctly included within its property plant and equipment assets rather than as investment properties.

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 Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation and discount rates. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi-employer pension scheme.

WEST HIGHLAND 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)	6,853,821	(4,079,934)	2,773,887	1,370,526
Other activities (note 4)	<u>970,029</u>	<u>(1,004,788)</u>	<u>(34,759)</u>	<u>(71,385)</u>
Total for 2021	<u>7,823,850</u>	<u>(5,084,722)</u>	<u>2,739,128</u>	<u>1,299,141</u>
Total for 2020	<u>6,148,835</u>	<u>(4,849,694)</u>	<u>1,299,141</u>	

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2021

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable lettings activities

	General Needs Housing	Shared Ownership Housing	2021 Total	2020 Total
	£	£	£	£
Revenue from lettings				
Rent receivable net of service charges	<u>4,003,472</u>	<u>43,943</u>	<u>4,047,415</u>	<u>3,898,192</u>
Gross income from rent and service charges	4,003,472	43,943	4,047,415	3,898,192
Less: Rent losses from voids	<u>(39,630)</u>	<u>-</u>	<u>(39,630)</u>	<u>(24,823)</u>
Net income from rents and service charges	3,963,842	43,943	4,007,785	3,873,369
Grants released from deferred income	1,272,357	(26,116)	1,246,241	1,251,857
Revenue grants from Scottish Ministers	163,405	-	163,405	45,072
Release of deferred income	<u>1,436,390</u>	<u>-</u>	<u>1,436,390</u>	<u>-</u>
Total turnover from affordable letting activities	<u>6,835,994</u>	<u>17,827</u>	<u>6,853,821</u>	<u>5,170,298</u>
Expenditure on affordable letting activities				
Management and maintenance administration costs	1,019,685	5,440	1,025,125	972,013
Service costs	-	-	-	2,733
Planned and cyclical maintenance including major repair costs	816,276	-	816,276	586,610
Reactive maintenance costs	412,741	-	412,741	492,784
Bad debts - rents and service charges	(7,579)	-	(7,579)	17,596
Depreciation of affordable let properties	2,042,714	14,324	2,057,038	1,982,284
Loss on disposal of components	38,706	-	38,706	34,446
Loss/(gain) on disposal of housing properties	<u>-</u>	<u>(262,373)</u>	<u>(262,373)</u>	<u>(288,694)</u>
Operating costs of affordable letting activities	<u>4,322,543</u>	<u>(242,609)</u>	<u>4,079,934</u>	<u>3,799,772</u>
Operating surplus for affordable letting activities	<u>2,513,451</u>	<u>260,436</u>	<u>2,773,887</u>	<u>1,370,526</u>
Operating surplus for affordable letting activities for previous year	<u>1,022,746</u>	<u>347,780</u>	<u>1,370,526</u>	

WEST HIGHLAND 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 income £	Total turnover £	Other operating costs £	2021 Operating surplus / (deficit) £	2020 Operating surplus / (deficit) £
	Wider role activities	-	-	-	(8,160)	(8,160)	(49,364)
	Development and construction of property activities (see note below)	-	770,750	770,750	(805,948)	(35,198)	(29,439)
	Energy supply	54,567	42,723	97,290	(97,290)	-	-
	Other rental income	-	15,747	15,747	(2,362)	13,385	23,291
	Agency/management services for other housing associations	-	35,420	35,420	(35,420)	-	-
	Donations	-	-	-	(4,787)	(4,787)	(15,875)
	Other income	-	50,822	50,822	(50,821)	1	2
		<u>54,567</u>	<u>915,462</u>	<u>970,029</u>	<u>(1,004,788)</u>	<u>(34,759)</u>	<u>(71,385)</u>
	Total from other activities for the previous year	<u>107,135</u>	<u>871,402</u>	<u>978,537</u>	<u>1,049,922</u>	<u>(71,385)</u>	

Note - Development and construction of property activities consisted of the development and sale of shared equity properties.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

5 EMPLOYEE INFORMATION

	2021	2020
	£	£
Staff costs during year		
Wages and salaries	656,506	631,984
Social security costs	64,626	57,812
Other pension costs	<u>43,672</u>	<u>42,108</u>
	<u>764,804</u>	<u>731,904</u>
The average number of persons employed by the Association during the year were as follows:		
	No.	No.
Full time equivalent	<u>19</u>	<u>20</u>

6 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the
 Chief Executive Lesley McInnes
 Operations Manager Graeme Bruce

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

	2021	2020
	£	£
Emoluments (excluding pension contributions)	<u>130,193</u>	<u>68,826</u>
Total emoluments	<u>141,072</u>	<u>74,560</u>
The number of key management personnel whose emoluments exceed £60,000 are shown within the following band:		
	No.	No.
£60,001 to £70,000	<u>2</u>	<u>1</u>
	£	£
Emoluments payable to Chief Executive		
Emoluments excluding pension contributions	69,927	68,826
Employer's pension contributions	<u>5,904</u>	<u>5,734</u>
	<u>75,831</u>	<u>74,560</u>
Total emoluments paid to key management personnel	<u>141,072</u>	<u>138,708</u>

Management Board member emoluments

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

7	SURPLUS FOR FINANCIAL YEAR	2021	2020
		£	£
	Surplus is stated after charging/(crediting):-		
	Depreciation - tangible owned fixed assets	2,131,762	2,057,943
	Loss on disposal of components	38,706	34,446
	Remuneration of auditor for audit services	12,600	12,000
	Remuneration to auditor for tax compliance services	1,500	-
	Operating lease rentals - other	8,956	6,584
	(Gain)/Loss on disposal of housing property	<u>(262,373)</u>	<u>(288,694)</u>
8	GAIN/(LOSS) ON SALE OF HOUSING STOCK	2021	2020
		£	£
	Sale proceeds	312,253	449,377
	Cost of sales	<u>(49,880)</u>	<u>(160,683)</u>
	Gain/(Loss) on sale of housing stock	<u>262,373</u>	<u>288,694</u>
9	INTEREST PAYABLE	2021	2020
		£	£
	Loan interest payable	<u>396,072</u>	<u>493,283</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.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

11 NON-CURRENT ASSETS HOUSING PROPERTY

	Letting properties Held for letting £	Under construction £	Shared ownership £	Total £
Cost				
As at 1 April 2020	87,680,195	4,049,375	727,935	92,457,505
Additions during the year	150,017	2,145,069	-	2,295,086
Transfers during the year	874,324	(874,324)	-	-
Disposals during the year	(230,058)	-	(95,472)	(325,530)
As at 31 March 2021	<u>88,474,478</u>	<u>5,320,120</u>	<u>632,463</u>	<u>94,427,061</u>
Depreciation				
As at 1 April 2020	24,475,198	-	343,022	24,818,220
Provided for year	2,042,714	-	14,324	2,057,038
Eliminated on disposals	(191,352)	-	(45,592)	(236,944)
As at 31 March 2021	<u>26,326,560</u>	<u>-</u>	<u>311,754</u>	<u>26,638,314</u>
Net Book Value				
As at 31 March 2021	<u>62,147,918</u>	<u>5,320,120</u>	<u>320,709</u>	<u>67,788,747</u>
As at 1 April 2020	<u>63,204,997</u>	<u>4,049,375</u>	<u>384,913</u>	<u>67,639,285</u>

Total works expenditure on existing housing properties amounted to £150,017 (2020: £1,456,870) of which £144,985 (2020: £1,378,178) was capitalised in respect of component replacements. There were no amounts capitalised in respect of improvements (2020: nil).

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 net book value of £12,447,777 (2020: £12,957,881).

The cost of land within housing property was £7,617,749 (2020: £7,545,749).

All land and buildings included above are wholly owned by the Association.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

12 NON-CURRENT ASSETS

OTHER TANGIBLE FIXED ASSETS

	Office property £	Plant & equipment £	Office equipment £	Motor vehicles £	Total £
Cost					
As at 1 April 2020	694,516	1,036,153	266,537	26,639	2,023,845
Additions	-	-	7,910	-	7,910
As at 31 March 2021	<u>694,516</u>	<u>1,036,153</u>	<u>274,447</u>	<u>26,639</u>	<u>2,031,755</u>
Depreciation					
As at 1 April 2020	201,998	262,246	230,244	18,211	712,699
Charge for year	11,968	51,808	8,841	2,107	74,724
As at 31 March 2021	<u>213,966</u>	<u>314,054</u>	<u>239,085</u>	<u>20,318</u>	<u>787,423</u>
Net book value					
As at 31 March 2021	<u>480,550</u>	<u>722,099</u>	<u>35,362</u>	<u>6,321</u>	<u>1,244,332</u>
As at 1 April 2020	<u>492,518</u>	<u>773,907</u>	<u>36,293</u>	<u>8,428</u>	<u>1,311,146</u>

13 INVESTMENTS

	2021 £	2020 £
Share in West Highland Futures Limited	<u>1</u>	<u>1</u>

West Highland Futures Limited is a wholly owned subsidiary of the Association. During the year West Highland Futures Limited made a profit of £150,119 (2020: loss of £13,883), which was carried forward to reserves, bringing total reserves to £77,609.

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

14 DEVELOPMENT COST OF HOUSING PROPERTY

	2021 £	2020 £
Development cost of properties for sale	340,479	2,098,971
Social housing and other grant received	<u>(133,869)</u>	<u>(1,422,342)</u>
	<u>206,610</u>	<u>676,629</u>

These amounts relate to the development cost and associated grant for shared equity properties which are held for sale.

15 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Arrears of rent and service charges	154,063	186,835
Bad debt provision	<u>(97,127)</u>	<u>(110,479)</u>
	56,936	76,356
Social Housing Grant	752,366	349,282
Other receivables	233,777	113,516
Amounts due from group undertakings	<u>189,085</u>	<u>158,073</u>
	<u>1,232,164</u>	<u>697,227</u>

16 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Housing loans (see note 17)	642,719	1,660,764
Trade payables	575	415,855
Rent in advance	40,796	36,709
Social Housing Grant repayable	446,865	1,801,955
Other taxation and social security	16,812	16,754
Amounts due to group undertakings	103,818	298,035
Accruals and deferred income	<u>1,123,691</u>	<u>441,113</u>
	<u>2,375,276</u>	<u>4,671,185</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

17	PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR	2021	2020
		£	£
	Housing loans	<u>12,248,164</u>	<u>12,934,080</u>
	In respect of loans above:		
	within one year	642,719	1,660,764
	within one to two years	638,387	588,597
	within two to five years	1,826,538	1,881,029
	in five years or more	<u>9,783,239</u>	<u>10,464,454</u>
		12,890,883	14,594,844
	Less amounts shown in current payables	<u>(642,719)</u>	<u>(1,660,764)</u>
		<u>12,248,164</u>	<u>12,934,080</u>

The Association has a number of long-term housing loans and the terms and conditions are as follows:

Bank	Interest rate	Redemption date	Type
Royal Bank of Scotland	0.78%	2041	variable
Royal Bank of Scotland	5.41%	2026	fixed
Royal Bank of Scotland	4.62%	2039	fixed
Royal Bank of Scotland	0.37%	2037	variable
Clydesdale Bank	1.78%	2037	variable
Clydesdale Bank	1.64%	2037	variable
Nationwide Building Society	0.38%	2028	variable
Nationwide Building Society	0.38%	2029	variable
Nationwide Building Society	0.38%	2030	variable
Nationwide Building Society	0.38%	2029	variable
Nationwide Building Society	0.38%	2029	variable
Nationwide Building Society	0.38%	2028	variable
Nationwide Building Society	0.38%	2031	variable
Nationwide Building Society	0.38%	2026	variable
Nationwide Building Society	0.38%	2031	variable
Nationwide Building Society	0.38%	2033	variable
Nationwide Building Society	0.73%	2039	variable
Nationwide Building Society	0.38%	2037	variable
Nationwide Building Society	0.78%	2038	variable
Nationwide Building Society	0.98%	2033	variable
Energy Trust	3.5%	2023	fixed
Energy Trust	3.5%	2021	fixed
Energy Trust	3.5%	2023	fixed
CAF Bank	1.95%	2042	variable
Argyll and Bute Council	2.88%	2042	fixed

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

18 DEFERRED INCOME	2021 £	2020 £
Social Housing Grants		
Balance as at 1 April	48,276,634	49,448,078
Additions in year	2,032,082	172,256
Released as a result of land and property disposal	(42,468)	(73,646)
Amortisation during year	<u>(1,245,305)</u>	<u>(1,270,053)</u>
Balance as at 31 March	<u>49,020,943</u>	<u>48,276,635</u>
Other Grants		
Balance as at 1 April	1,864,828	1,304,176
Additions in year	68,617	598,569
Amortisation during year	<u>(39,769)</u>	<u>(37,917)</u>
Balance as at 31 March	<u>1,893,676</u>	<u>1,864,828</u>
Total Deferred Income	<u>50,914,619</u>	<u>50,141,463</u>
This is expected to be released to the Statement of Comprehensive Income as follows:		
Amount due to be released within one year	1,280,193	1,307,970
Amount due to be released after one year	<u>49,634,426</u>	<u>48,833,493</u>
Total	<u>50,914,619</u>	<u>50,141,463</u>

19 SHARE CAPITAL	2021 £	2020 £
Shares of £1 fully paid and issued		
As at 1 April	107	115
Issued in year	1	5
Cancelled in year	<u>(4)</u>	<u>(13)</u>
As at 31 March	<u>104</u>	<u>107</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

The Revenue reserve represents the accumulated annual surpluses of the Association.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

21 PENSIONS

Defined Contribution Scheme

The Association offers all staff membership of the SHAPS Defined Contribution Scheme, with employer contribution rates of up to 8% of pensionable salaries.

As at the year end, there were 18 active members (2020: 19) of the Defined Contribution Scheme employed by the Association. Employer contributions during the year amounted £43,672 (2020: £42,108). As at the year end there were outstanding contributions of £12,547 (2020: £11,932) were payable to the fund and are included in creditors.

Defined Benefit Scheme - Past Service Liability

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

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

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

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

The Scheme is accounted for as a defined benefit scheme.

An actuarial valuation of the scheme was carried out as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021.

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.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

21 PENSIONS - (continued)

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

	2021 £'000	2020 £'000
Fair value of plan assets	2,218	2,096
Present value of benefit obligation	<u>(2,502)</u>	<u>(2,159)</u>
Deficit in the plan	(284)	(63)
Other amounts recognised	-	-
Defined benefit liability to be recognised	<u><u>(284)</u></u>	<u><u>(63)</u></u>

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2021 £'000	2020 £'000
Opening Defined Benefit Obligation	2,159	2,169
Expenses	2	2
Interest Expense	51	55
Actuarial Losses (Gains) due to scheme experience	(117)	69
Actuarial Losses (Gains) due to changes in demographic assumptions	-	(13)
Actuarial Losses (Gains) due to changes in financial assumptions	461	(100)
Benefits Paid	<u>(54)</u>	<u>(23)</u>
Closing Defined Benefit Obligation	<u><u>2,502</u></u>	<u><u>2,159</u></u>

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	2021 £'000	2020 £'000
Opening Fair Value of Scheme Assets	2,096	1,841
Experience on plan assets (excluding amounts included in interest income) - gain	61	173
Interest income	50	47
Employer Contributions	65	58
Benefits Paid	(54)	(23)
Administration costs	-	-
Closing Fair Value of Scheme Assets	<u><u>2,218</u></u>	<u><u>2,096</u></u>

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £111,000.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

21 PENSIONS (continued)

Defined Benefit Costs recognised in Statement of Comprehensive Income

	2021 £'000	2020 £'000
Administration costs	2	2
Net interest on net defined benefit obligation	<u>1</u>	<u>1</u>
Costs recognised in Statement of Comprehensive Income	<u><u>3</u></u>	<u><u>3</u></u>

Defined Benefit Costs recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	61	173
Experience gains and losses arising on the plan liabilities - gain (loss)	117	(69)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	-	13
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	<u>(461)</u>	<u>100</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(283)	217
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost)	<u>-</u>	<u>-</u>
Total amount recognised in Other Comprehensive Income - gain (loss)	<u><u>(283)</u></u>	<u><u>217</u></u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

21 PENSIONS - (continued)

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

	2021 £'000	2020 £'000
Global Equity	343	288
Absolute Return	109	129
Distressed Opportunities	76	38
Credit Relative Value	64	50
Alternative Risk Premia	89	168
Emerging Market Debt	89	75
Risk Sharing	79	66
Insurance linked securities	46	56
Property	40	39
Infrastructure	124	124
Private Debt	52	42
Opportunistic Illiquid Credit	57	51
High Yield	58	-
Opportunistic Credit	61	-
Cash	1	-
Corporate Bond Fund	167	153
Liquid Credit	38	55
Long Lease Property	51	51
Secured Income	122	116
Over 15 Year Gilts	1	27
Liability Driven Investments	534	552
Net Current Assets	17	16
Total	<u>2,218</u>	<u>2,096</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	2.05%	2.40%
Inflation (RPI)	3.50%	2.85%
Inflation (CPI)	2.80%	1.85%
Salary Growth	2.00%	2.00%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions adopted at 31 March 2021 imply the following expectancies:

	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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

22 CASHFLOWS

Reconciliation of net cashflow to movement in net debt

	2021		2020	
	£	£	£	£
Increase in cash	975,729		(616,923)	
Change in liquid resources	(1,033,886)		27,920	
Cashflow from change in net debt	<u>1,703,961</u>		<u>666,608</u>	
Movement in net debt during the year		1,645,804		77,605
Net debt at 1 April		<u>(8,606,949)</u>		<u>(8,684,554)</u>
Net debt at 31 March		<u><u>(6,961,145)</u></u>		<u><u>(8,606,949)</u></u>

Analysis of changes in net debt	1 April 2020	Cashflows	Other changes	31 March 2021
Cash and cash equivalents	1,918,802	975,729	-	2,894,531
Liquid resources	4,069,093	(1,033,886)	-	3,035,207
Debt : due within 1 year	(1,660,764)	1,703,961	(685,916)	(642,719)
due after one year	<u>(12,934,080)</u>	-	<u>685,916</u>	<u>(12,248,164)</u>
Net debt	<u><u>(8,606,949)</u></u>	<u><u>1,645,804</u></u>	<u><u>-</u></u>	<u><u>(6,961,145)</u></u>

23 OBLIGATIONS UNDER LEASES

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

	2021 £	2020 £
Within one year	8,179	9,818
In two to five years	6,135	14,314
In over five years	-	-
	<u><u>14,314</u></u>	<u><u>24,132</u></u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

24 OPERATING LEASE ARRANGEMENTS AS LESSOR

The Association leases surplus office space. Future minimum rentals receivable under these leases are as follows:

	2021 £	2020 £
Within one year	4,933	9,625
In two to five years	-	-
	<u>4,933</u>	<u>9,625</u>

25 CAPITAL COMMITMENTS

As at the year end the Association had capital commitments in respect of amounts contracted for but not provided for in these financial statements as follows:

	2021 £	2020 £
Contracted but not provided for	<u>1,540,979</u>	<u>3,072,097</u>

This expenditure will be funded by Social Housing Grant and by loans secured on the Association's developments.

26 CONTINGENT LIABILITY

In connection with the development of 50 properties at Dunbeg, which was carried out in partnership with Link Housing Association, the Association has entered into a bond in favour of Argyll and Bute Council for the amount of £40,000. The bond relates to an obligation imposed under the development's planning conditions for the construction of a playpark for community recreation within five years of the commencement of the development. This extended period was agreed on the understanding that although the planning condition was attached to the initial development of 50 properties, the agreement with the council also relates to the additional planned development of a further 50 properties.

27 HOUSING STOCK

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

	2021 No.	2020 No.
Property for rent	801	795
Shared ownership	14	16
Property for rent managed for Link Housing Association	33	33
Rent to buy *	48	50
	<u>896</u>	<u>894</u>

* the rent to buy properties are managed by the Association on behalf of Link Housing Association

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021

28 RELATED PARTIES

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

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

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

There is one member of the Management Board, who is a tenant of the Association. During the financial year the rent charged to the Management Board member was £4,379 (2020: £4,272). As at 31 March 2021 there were no amounts due to the Association (2020: nil).

Management Board members Anne Horn and Andrew Vennard are councillors with Argyll and Bute Council. Any transactions with Argyll and Bute Council are carried out at arm's length, on normal commercial terms and none of the above councillors can use their position to their advantage. Councillors who are members of the Management Board declare their interests relating to relevant decisions taken by the Association

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited, Link House, 2C New Mart Road, Edinburgh, EH14 1RL.

29. ULTIMATE CONTROLLING PARTY

The Association's parent undertaking as at 31 March 2021 was Link Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014, registered with the Financial Conduct Authority, registration number 1481RS. Link Group Limited exercises dominant control through its ability to control the majority of the membership of the Management Board.

The accounts of West Highland Housing Association are consolidated within the consolidated accounts of Link Group Limited. The registered office of Link Group Limited and the address from which the consolidated accounts can be obtained from is:

Registered Office
2C New Mart Road
Edinburgh
EH14 1RL

Website
www.linkhousing.org.uk

Email
linkhousing@linkhousing.org.uk