

ORKNEY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2020

RSL No	HAL 164
Charity No	SC 031734

ORKNEY HOUSING ASSOCIATION

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2020

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ORKNEY HOUSING ASSOCIATION

MEMBERS, EXECUTIVE AND ADVISORS

Management Committee

Wendy Baikie
Philip Cook
David Dawson
Linda Forbes
Elaine Grieve
Fiona Lettice (Vice Chair to 18.9.19, Chair from 18.9.19)
John Rodwell (Chair to 18.9.19)
John Stockan (resigned 18.9.19)
Jason Taylor (co-opted 27.3.19, elected 18.9.19)
William Wallace (Vice Chair from 18.9.19)
John White (elected 18.9.19)
Roella Wilson

Registered Office

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

Registered Auditors

Wyllie & Bisset LLP
168 Bath Street,
Glasgow
G2 4TP

Bankers

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

Chief Executive

Craig Spence

Company Secretary

Mhairi Hughes

Company Registration

2201RS

Scottish Charity Number

SC031734

Solicitors

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

TC Young
7 West George Street,
Glasgow
G2 1BA

REPORT OF THE MANAGEMENT COMMITTEE

for the year ended 31 March 2020

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2020.

Principal Activity

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

Review of Business and Future Developments

The Association has the following corporate objectives for 2019/20 and beyond:

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

During the year we continued to build new properties, completing 8 rented properties at Walliwall. We had no live developments at 31 March 2020 but are actively working up new schemes in Orphir, Kirkwall and Stromness. We have continued to partner with other agencies to encourage energy efficiency amongst our residents. In order to develop our business and improve our services we will continue to focus on:

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

Changes in Fixed Assets

Details of fixed assets are set out in Note 10.

Going Concern

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

The Management Committee and Chief Executive

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

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

Related Party Transactions

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

REPORT OF THE MANAGEMENT COMMITTEE (continued)

for the year ended 31 March 2020

Charitable Status

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

Statement of Management Committee's Responsibilities

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

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

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

The Management Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on Internal Financial Controls

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

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

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

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

REPORT OF THE MANAGEMENT COMMITTEE (continued)

for the year ended 31 March 2020

Statement on Internal Financial Controls (continued)

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

Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020 and until 26 August 2020. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

In so far as the Committee are aware:

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

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

Auditors

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

By order of Management Committee



Fiona Lettice
Chairperson

26 August 2020

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Orkney Housing Association (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2014.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION (continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Committees' Report. We have nothing to report in respect of the following matters where The Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Responsibilities of The Management Committee

As explained more fully in the Report of the Management Committee set out on pages 3 to 5, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION (continued)

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


Wylie & Bisset (Audit) Limited
Chartered Accountants
Statutory Auditor
Glasgow

Date: 26 August 2020

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed your statement on pages 4 and 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

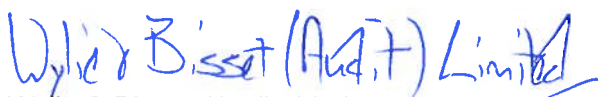
Basis of opinion

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

Opinion

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

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



Wylie & Bisset (Audit) Limited
Chartered Accountants
Statutory Auditors
Glasgow

26 August 2020

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

		2020	2019
	Notes	£	£
Turnover - continuing activities	2	5,213,126	5,262,428
Less: Operating costs	2	(3,765,646)	(3,945,481)
Operating surplus - continuing activities		1,447,480	1,316,947
Gain on disposal of fixed assets	24	9,746	82,503
Interest receivable		12,812	9,550
Interest payable and financing costs	8	(671,783)	(681,279)
Surplus before tax		798,255	727,721
Taxation	9	0	0
Surplus for the year		798,255	727,721
Initial recognition of multi-employer defined benefit Scheme liability		-	(163,115)
Actuarial gain/(loss) in respect of pensions schemes	22	645,370	(221,759)
Total comprehensive income for the year		1,443,625	342,847

In each of the years ended 31 March 2019 and 31 March 2020 the only gain or loss recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities, and the reported surplus or deficit was determined under the historical cost convention.

The notes on pages 14 to 30 form part of these financial statements.

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2020

		2020	2019
	Notes	£	£
Tangible Fixed Assets			
Housing properties	10	85,757,423	86,176,333
Other assets	10	1,425,160	1,435,303
		<u>87,182,583</u>	<u>87,611,636</u>
Fixed Asset Investments			
Investments	11	200,001	200,001
Shared equity costs	11	1,871,369	1,871,369
Shared equity grants	11	(1,871,369)	(1,871,369)
		<u>200,001</u>	<u>200,001</u>
Current Assets			
Investments	12	0	501,762
Trade and other debtors	13	308,290	331,395
Stock		39,170	41,031
Cash at bank and in hand		2,448,973	1,654,382
		<u>2,796,433</u>	<u>2,528,570</u>
Creditors: amounts falling due within one year	15	<u>(1,830,404)</u>	<u>(1,701,619)</u>
Net current assets		<u>966,029</u>	<u>826,951</u>
Total assets less current liabilities		88,348,613	88,638,588
Creditors: amounts falling due after more than one year			
Long term loans	16	(18,191,379)	(18,549,572)
Deferred income – capital grants	17	(60,879,894)	(61,492,228)
Pension - defined benefit liability	22	(26,492)	(789,509)
		<u>9,250,848</u>	<u>7,807,279</u>
Net assets		<u>9,250,848</u>	<u>7,807,279</u>
Capital and Reserves			
Share capital	18	78	134
Revenue reserve	19	9,250,770	7,807,145
		<u>9,250,848</u>	<u>7,807,279</u>

The financial statements on pages 10 to 30 were approved by the Management Committee on 26 August 2020 and were signed on its behalf by:

 Chairperson
 Committee member
 Secretary

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2020

	Share Capital	Income & Expenditure Reserve	Revaluation Reserve	Total
	£	£	£	£
At 1 April 2019	134	7,807,145	0	7,807,279
Surplus for the year	0	1,443,625	0	1,443,625
Revaluation of tangible fixed assets	0	0	0	0
Total comprehensive income	134	9,250,770	0	9,250,904
Share capital cancelled	(58)	0	0	(58)
Share capital issued	2	0	0	2
At 31 March 2020	78	9,250,770	0	9,250,848

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CASHFLOWS

for the year ended 31 March 2020

	Notes	2020 £	2019 Re-stated £
Net cash generated from operating activities (see below)		1,597,112	1,071,273
Cash flow from investing activities			
Purchase of tangible fixed assets		(1,573,716)	(1,263,279)
Proceeds from sale of tangible fixed assets		657,541	609,441
Grants received (net)		480,507	265,056
Interest received		10,892	14,671
Cash flow from financing activities			
Interest paid		(599,814)	(586,977)
New secured loans		370,750	300,884
Repayment of borrowings		(650,443)	(746,011)
Net change in cash and cash equivalents		292,829	(334,942)
Cash and cash equivalents at beginning of year		2,156,144	2,491,086
Cash and cash equivalents at end of year		2,448,973	2,156,144
Cash inflow from operating activities			
Surplus for the year		1,443,625	342,847
Adjustments for non-cash items:			
Depreciation/amortisation charges		304,970	302,640
(Increase)/Decrease in stock		1,861	(6,585)
(Increase)/Decrease in trade debtors		25,025	(61,915)
Increase/(Decrease) in trade and other creditors		16,778	(156,362)
Pension costs less contributions payable		(763,017)	254,592
Carrying amount of fixed asset disposals		570,254	414,462
Proceeds from sale of fixed assets		(580,000)	(496,965)
HAG abated/written down to revenue		(95,196)	(196,403)
Share capital written off		(56)	0
Interest payable		671,783	681,279
Interest receivable		(12,812)	(9,550)
Services equalisation account		17,117	11,243
Charge to service provisions		(3,220)	(8,010)
Net cash inflow from operating activities		1,597,112	1,071,273

1. Principal Accounting Policies

The Financial Statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for social housing providers 2018 (SORP 2018) and the Scottish Housing Regulator's Determination of Accounting Requirements 2014.

Basis of Accounting

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

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

Turnover

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

Mortgages - Housing Properties

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

Housing Association Grant

For schemes developed under Scottish Government approval, AHSP (previously HAG) is paid directly to the Association as required, to meet its liabilities during the development process. AHSP/HAG is repayable under certain circumstances, primarily following the sale of property. Although HAG was abolished from 31 March 2011 the Association continued to receive HAG on schemes approved prior to that date.

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

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

Tangible Fixed Assets - Housing Properties (Note 10)

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

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

Note 1 (continued)

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

Works to Existing Properties

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

Work in Progress/Shared Equity Properties

New Supply Shared Equity scheme

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

Shared Ownership

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

Depreciation

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

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

Kitchens	-	20 years
Windows	-	33½ years
Roofs	-	50 years
Structure (new build)	-	100 years
Structure (rehabilitated properties)	-	80 years

Other fixed assets are depreciated as follows:

Furniture & Equipment	-	25% per annum reducing balance method
Fixtures & Fittings	-	25% per annum reducing balance method
Handyman Van	-	25% per annum reducing balance method
Handyman Tools	-	25% per annum reducing balance method
Computers Hardware	-	25% per annum straight line method
Aareon Software	-	5% per annum straight line method
Other Software	-	25% per annum straight line method
Workshop Improvements	-	21% per annum straight line method
Office Buildings	-	1¼% per annum straight line method

Note 1 (continued)

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

Pensions

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

Subsidiary

The subsidiary OHAL Enterprises CIC is still a dormant company as at 31 March 2020 and accordingly the Association has not prepared consolidated financial accounts.

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

	Turnover	Cost of sales	Operating costs	2020 Operating surplus/ (deficit)	2019 Operating surplus/ (deficit)
	£	£	£	£	£
Social lettings (note 3)	4,817,167	0	3,365,681	1,451,486	1,321,324
Other activities (note 4)	395,959	(1,067)	401,032	(4,006)	(4,377)
Total	5,213,126	(1,067)	3,766,713	1,447,480	1,316,947
Total for previous period of account	5,262,428	382,380	3,563,101		1,316,947

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

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

	General Needs	Shared Ownership	Supported Housing	2020 Total	2019 Total
	£	£	£	£	£
Rent receivable net of service charges	3,454,593	357,037	41,975	3,853,605	3,647,142
Service charges	177,636	0	1,886	179,522	157,922
Gross income from rents and service charges	3,632,229	357,037	43,861	4,033,127	3,805,064
Less voids	(5,833)	0	0	(5,833)	(10,705)
Net income from rents and service charges	3,626,396	357,037	43,861	4,027,294	3,794,359
Grants from Scottish Ministers	19,466	0	0	19,466	19,890
Grants released from deferred income	747,813	0	5,265	753,078	689,966
Other grants and miscellaneous income	14,811	2,393	125	17,329	8,048
Total income from social lettings	4,408,486	359,430	49,251	4,817,167	4,512,263
Operating costs on social letting activities					
Service costs	177,963	0	1,559	179,522	157,922
Management administration costs	721,500	133,049	7,139	861,688	791,264
Maintenance administration costs	531,369	0	5,238	536,607	525,488
Reactive maintenance costs	353,078	199	2,712	355,989	427,399
Planned and cyclical maintenance costs	310,244	593	180	311,017	298,100
Property improvements & adaptations	100,330	0	0	100,330	30,405
Bad debts – rents and service charges	10,608	159	8	10,775	11,711
Depreciation of social housing	1,001,072	0	8,681	1,009,753	948,650
Total operating costs on social lettings	3,206,164	134,000	25,517	3,365,681	3,190,939
Operating surplus on social lettings	1,202,322	225,430	23,734	1,451,486	1,321,324
Operating surplus on social lettings for previous period of account	1,026,516	274,949	19,859		1,321,324

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

	Grants from Scottish Ministers	Other Income	Total Turnover	Other operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit) for previous period of account
	£	£	£	£	£	£
Wider role	0	59,944	59,944	68,706	(8,762)	(3,378)
Factoring	0	35,582	35,582	36,307	(725)	(577)
Care and Repair Services	0	286,994	286,994	286,994	0	0
Development and construction of property	0	0	0	(1,067)	1,067	(1,880)
Development administration	0	865	865	3,708	(2,843)	(6,026)
Other agency/ management services	0	3,834	3,834	3,834	0	(109)
Other activities	0	8,740	8,740	1,483	7,257	7,593
Total from other activities	0	395,959	395,959	399,965	(4,006)	(4,377)
Total from other activities for the previous period of account	0	750,165	750,165	754,542	(4,377)	

5. Key Management Personnel Emoluments

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

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

There were no officers with emoluments of £60,000 or more excluding employer's pension contributions during the period of account.

	2020	2019
	£	£
The emoluments of the Chief Executive:		
Excluding pension contributions	36,977	43,233
Employer's Pension contributions	39,920	39,999
Total emoluments payable	<u>76,897</u>	<u>83,232</u>

The Association operates a salary sacrifice scheme available to all members of staff.

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

6. Employee Information

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

	2020	2019
Office Staff	35	35
Cleaners	1	1
	<u>36</u>	<u>36</u>
Full-time equivalent	<u>33</u>	<u>33</u>

	2020	2019
	£	£
Staff costs (including directors' emoluments);		
Wages and salaries	991,692	963,257
Social security costs	91,734	91,479
Pension costs (Note 22)	405,785	397,980
Temporary staff	13,784	20,442
	<u>1,502,995</u>	<u>1,473,158</u>

Pension costs in 2019/20 includes £134,520 (2019 - £130,602) lump sum contributions towards past service deficit.

7. Operating Surplus

	2020	2019
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation	1,091,810	1,022,904
Amortisation	(753,078)	(689,966)
Direct repair costs: reactive, planned and cyclical	566,988	565,430
Auditor's remuneration		
- In their capacity as auditors (including expenses)	9,168	10,638
- In their capacity as financial advisers	0	0

8. Interest payable and financing costs

	2020	2019
	£	£
On loans repayable wholly or partly in more than 5 years	638,744	644,614
Non-utilisation fees	15,039	18,360
Interest expense on defined benefit pension	16,873	15,917
Administration fees on interest-free loans	1,127	2,388
	<u>671,783</u>	<u>681,279</u>

9. **Taxation**

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

10. **Tangible Fixed Assets**

Housing Properties

	Completed		Under Construction		
	Rented	SO	Rented	SO	Total
	£	£	£	£	£
Gross Cost					
At 1 April 2019	80,544,624	14,825,067	2,586,256	0	97,955,947
Schemes completed	1,373,503	-	(1,373,503)	0	0
Transfers	(10,336)	10,336	0	0	0
Additions	87,453	3,575	1,163,681	0	1,254,709
Disposals	(19,647)	(647,795)	0	0	(667,442)
At 31 March 2020	81,975,597	14,191,183	2,376,434		98,543,214

Depreciation

At 1 April 2019	11,779,614	0	0	0	11,779,614
Charge for year	1,009,753	0	0	0	1,009,753
Adjustment re disposals	(3,576)	0	0	0	(3,576)
At 31 March 2020	12,785,791	0	0	0	12,785,791

Net book value at:

31 March 2020	69,189,806	14,191,183	2,376,434	0	85,757,423
31 March 2019	68,765,010	14,825,067	2,586,256	0	86,176,333

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

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

Development administration costs capitalised amounted to £31,712 (2019 - £34,773). Interest costs capitalised amounted to £0 (2019 - £13,728).

Total expenditure on works to existing properties amounted to £754,770 during the year (2019 - £773,730), of which £87,453 was capitalised (2019 - £181,627).

	Office Buildings £	Office fixtures, fittings, furniture & equipment £	Handymen vans and tools etc £	Total £
Cost				
At 1 April 2019	1,226,300	487,930	147,612	1,861,842
Additions	3,236	25,762	44,903	73,901
Disposals	0	(20,559)	(11,614)	(32,173)
At 31 March 2020	1,229,536	493,133	180,901	1,903,570
Depreciation				
At 1 April 2019	110,875	218,479	96,745	426,099
Charge for year	13,177	44,968	23,912	82,057
Adjustment re disposals	0	(19,735)	(10,341)	(30,076)
At 31 March 2020	124,052	243,712	110,316	478,080
Grants				
At 1 April 2019	0	161	279	440
Amortisation	0	(40)	(70)	(110)
Adjustment re disposals	0	0	0	0
At 31 March 2020	0	121	209	330
Net book value				
At 31 March 2020	1,105,484	249,300	70,376	1,425,160
At 31 March 2019	1,115,425	269,290	50,588	1,435,303

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

11. Fixed Asset Investments

	Subsidiary	Shared Equity	Investment Property	Total
Cost	£	£	£	£
At 1 April 2019	1	1,871,369	200,000	2,071,370
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 March 2020	1	1,871,369	200,000	2,071,370
Grants				
At 1 April 2019	0	1,871,369	0	1,871,369
Additions	0	0	0	0
At 31 March 2020	0	1,871,369	0	1,871,369
Net book value				
At 31 March 2020	1	0	200,000	200,001
At 31 March 2019	1	0	200,000	200,001

The wholly owned subsidiary OHAL Enterprises CIC was dormant during the year to 31 March 2020.

12. Investments

There were no investments at 31 March 2020 (2019 - £0.5m).

13. Debtors

	2020 £	2019 £
Rent arrears	164,800	179,085
Interest receivable	2,446	526
Other debtors and prepayments	141,044	151,784
	<u>308,290</u>	<u>331,395</u>

Other debtors are stated net of a provision for bad debts of £5,000 (2019 - £4,250).

14. Rents

	2020 £	2019 £
Gross arrears	181,800	195,085
Provision for bad debts	(17,000)	(16,000)
Net arrears	<u>164,800</u>	<u>179,085</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

15. Creditors: amounts falling due within one year

	2020	2019
	£	£
Rent in advance	41,300	28,980
HAG repayable	362,382	107,990
Loan instalments due and payable - housing	649,267	560,120
Loan instalments due and payable – other loans	90,036	28,714
Capital expenditure	69,286	366,212
Capital grants received in advance	104,281	114,106
Taxation and social security creditor	41,385	39,542
Care and Repair working capital	37,891	44,379
Shared ownership factoring sinking fund	146,109	126,543
Services equalisation accounts	7,423	13,093
Other creditors and accruals	281,044	271,940
	<u>1,830,404</u>	<u>1,701,619</u>

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

	2020	2019
	£	£
Housing loans	17,650,964	18,289,871
Other loans	540,415	259,701
	<u>18,191,379</u>	<u>18,549,572</u>

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

	2019	2019
	£	£
Within one year	649,267	560,120
Between one and two years	727,754	607,800
Between two and five years	4,844,197	2,116,769
In five years or more	12,079,013	15,565,302
	<u>18,300,231</u>	<u>18,849,991</u>

Other loans are unsecured and repayable as follows:

	2019	2019
	£	£
Within one year	90,036	28,714
Between one and two years	90,036	30,088
Between two and five years	270,107	90,263
In five years or more	180,272	139,350
	<u>630,451</u>	<u>288,415</u>

17. Deferred income – Capital Grants

Scottish Government Grants

	Completed		Under Construction		Total
	Rented	SO	Rented	SO	
	£	£	£	£	£
At 1 April 2019	56,119,446	10,547,031	2,507,890	0	69,174,367
Schemes completed	334,704	0	(334,704)	0	0
Additions	487,136	0	67,413	0	554,549
Disposals	(13,461)	(462,835)	0	0	(476,296)
At 31 March 2020	56,927,825	10,084,196	2,240,599	0	69,252,620

Other Grants

At 1 April 2019	1,666,472	129,507	0	0	1,795,979
Additions	67,566	1,871	0	0	69,437
Written down	(2,610)	0	0	0	(2,610)
Disposals	0	(4,336)	0	0	(4,336)
At 31 March 2020	1,731,428	127,042	0	0	1,858,470

Amortisation

At 1 April 2019	9,478,118	0	0	0	9,478,118
Charge for year	753,078	0	0	0	753,078
At 31 March 2020	10,231,196	0	0	0	10,231,196

Net book value at:

31 March 2020	48,428,057	10,211,238	2,240,599	0	60,879,894
31 March 2019	48,307,800	10,676,538	2,507,890	0	61,492,228

18. Share Capital

	2020	2019
	£	£
At 1 April 2019	134	131
Issued in year	2	10
Cancelled in year	(58)	(7)
At 31 March 2020	78	134

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distribution on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

19. Reconciliation of movement in revenue reserve

	2020	2019
	£	£
Revenue reserve brought forward	7,807,145	7,464,298
Surplus for the year	1,443,625	342,847
Revenue reserve carried forward	9,250,770	7,807,145

20. Capital commitments

	2020	2019
	£	£
Capital expenditure which has been contracted for but has not been provided for in the financial statements:	0	980,764
Capital expenditure which has been authorised but not contracted for or provided for in the financial statements:	152,032	62,000

21. Contingent Liabilities**Pension Scheme liabilities**

Prior to 1 April 2017 the Association offered employees membership of a defined benefit pension scheme with the SFHA Pension Scheme. (Please see Note 22 for further details of this scheme). The Association has been advised by the Pensions Trust of the estimated employer debt on withdrawal from this scheme based on the financial position of the scheme as at 30 September 2019. As of this date, the estimated employer debt for Orkney Housing Association was £3,514,629 (2019 - £4,673,498).

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

Grants written off

At 31 March 2020, the Association has disposed of components which had received £410,457 (2019 - £394,386) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of repayment or recycling the grant (as the Association retains the property asset), it does have a potential future obligation to repay or recycle such grant once the property is disposed of.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

22. Pensions

SHAPS Pension Scheme

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

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

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

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

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

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets, to calculate the Association's net deficit or surplus.

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

	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	4,463	4,196
Present value of defined benefit obligation	4,489	4,986
Surplus (deficit) in plan	(26)	(790)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(26)	(790)

22. **Pensions** (continued)**Reconciliation of opening and closing balances of the defined benefit obligation**

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	4,986	5,259
Current service cost	-	-
Expenses	4	4
Interest expense	116	125
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	23	65
Actuarial losses (gains) due to changes in demographic assumptions	(27)	13
Actuarial losses (gains) due to changes in financial assumptions	(538)	314
Benefits paid and expenses	(75)	(794)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	4,489	4,986

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

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	4,196	4,576
Interest income	99	110
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	104	170
Contributions by the employer	139	134
Contributions by plan participants	-	-
Benefits paid and expenses	(75)	(794)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	4,463	4,196

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £203,000.

22. **Pensions (continued)**

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

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Current service cost	-	-
Expenses	4	4
Net interest expense	17	15
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	21	19

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	104	170
Experience gains and losses arising on the plan liabilities - gain (loss)	(23)	(65)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	27	(13)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	538	(314)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	646	(222)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	646	(222)

Key Assumptions

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.37	2.33
Inflation (RPI)	2.60	3.28
Inflation (CPI)	1.60	2.28
Pensionable earnings increases	2.60	3.28

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

	Employee	Employer
Default contribution rate	5%	10%

23. Legislative Provisions

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

24. Gain on Disposal of Fixed Assets

	Shared Ownership	Land	Other Assets	Total 2020	Total 2019
	£	£	£	£	£
Income	578,750	0	1,250	580,000	496,965
Legal Expenses	(5,339)	0	0	(5,339)	(6,963)
Cost of Sale	(647,795)	0	(2,097)	(649,892)	(528,708)
Grants written off/abated	86,071	0	0	86,071	122,197
Other Costs	(1,094)	0	0	(1,094)	(988)
Gain/(Loss) on disposal	10,593	0	(847)	9,746	82,503

25. Housing Stock

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

		Units under Development		Units in Management	
		2020	2019	2020	2019
Housing for Rent:	General needs housing	28	8	797	789
	Supported housing	-	-	8	8
	Communal use	-	-	2	2
		28	8	807	799
Shared Ownership accommodation		-	-	150	155
New Supply Shared Equity		-	-	-	-
Total		28	8	957	954

26. Subsidiary Information

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

27. Related Parties

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

28. Prior Period Adjustment

The prior year adjustment relates to a change in the calculation of capital grants received in the Statement of Cashflows in the year to 31.3.19. Comparative figures have been restated. The effect of this adjustment is that an amount of £196,403 HAG abated/written down to revenue has been added to the reconciliation, which has changed the decrease in creditors from £93,320 to £156,362 and reduced the cash inflow from operating activities from £1,330,718 to £1,071,273. Capital grants received have increased from (£278,151) to £265,056 and net assets purchases have increased from £370,076 to £653,838.

29. Analysis of Changes in Net Debt

	At 31 March 2019 £	Cash Flows £	At 31 March 2020 £
Cash in hand	300	0	300
Short-term investments	501,762	(501,762)	0
Bank	1,654,082	794,591	2,448,673
Debt due within 1 year	(588,834)	(150,469)	(739,303)
Debt due after 1 year	(18,549,572)	358,193	(18,191,379)
	<u>(16,982,262)</u>	<u>500,553</u>	<u>(16,481,709)</u>

