



KEY HOUSING ASSOCIATION LIMITED
CONSOLIDATED ACCOUNTS
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

KEY HOUSING ASSOCIATION LIMITED

LEGAL AND ADMINISTRATIVE DETAILS

Scottish Charity registration number SC006652

Financial Conduct Authority registration number 1938R (S)

Scottish Housing Regulator registration number HEP141

Registered office 70 Renton Street
Glasgow
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Members of the Board

John Paterson (Chairperson)
Joanna Pearson (Vice Chairperson)
Sheenagh Simpson (Vice Chairperson)
Angus Turner (Vice Chairperson - Appeals)
William Mooney
David Meechan
David Le Sage
Gillian Anderson
Bob Parry
Jack Crombie
Anne McGuigan
Rebecca O'Donnell
Karen Jamieson

Executive Officers

Andrea Wood, Chief Executive
Alison Wood, Head of Finance
Gordon Anderson, Head of Housing
Jean Ramsay, Head of Support
Grace Semple, Head of HR

Secretary

James Kearns (resigned 23 June 2021)
Andrea Wood (appointed 23 June 2021)

Bankers

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Bank of Scotland plc
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Solicitors

BTO Solicitors
48 St Vincent Street
Glasgow
G2 5HS

Naftalin Duncan & Co
534 Sauchiehall Street
Glasgow
G2 3LX

External Auditor

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Internal Auditor

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Unit 53-55 Gosport Business Centre
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KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

The Board has pleasure in presenting its report together with the audited consolidated financial statements for the year ended 31 March 2021.

Structure, Governance and Management

Background

Key Housing Association Limited (hereafter referred to as "the Association") is a Registered Social Landlord incorporated under the Co-operative and Community Benefit Societies Act 2014, which provides housing and support to people with disabilities. The Group refers to Key Housing Association Limited (KEY), Community Lifestyles Limited (Community Lifestyles) and KHA Developments Limited (KHA).

Community Lifestyles provides individualised home and community support services to people with disabilities mainly in housing not provided by the Association. Support services provided by KEY and Community Lifestyles are funded through contracts with local authorities. Community Lifestyles is a registered charity and is limited by guarantee. It remains under control of Key Housing Association Limited.

The principal activity of KHA is the redevelopment of housing which is used for the support of adults with disabilities. KHA is a limited company. It remains under control of Key Housing Association Limited, which holds 100% of the share capital of KHA.

Employee issues

The Group has an equal opportunities policy which seeks to ensure that, in its role as employer, landlord and service provider, it does not discriminate against people on the grounds of sex, marital status, religion, sexual orientation, age, disability, colour, race, nationality or ethnic or national origins.

In respect of health and safety and welfare at work, the Group has a health and safety policy and a training programme covering a comprehensive range of relevant health and safety issues, including emergency aid and moving and handling. The Group has a health and safety advisor as well as a health and safety committee for all office based health and safety issues.

In employee relations, the Group recognises Trade Union representation for support service based and office based employees and senior management meet regularly with Union representatives to discuss, and where appropriate negotiate, relevant matters relating to the activities of the Group.

Objectives and activities

The Group's Board agrees objectives and strategies for the Group normally within a 5-year strategic plan timescale. The strategic plan incorporates the long-term funding of the Group. During the year ended 31 March 2021, we updated our Strategic Plan for the period 2021-2026, which includes a Group Strategic Plan.

Our plan is designed to reflect our longer-term ambitions and allow for regular review and adaptation of our objectives in line with the ever-changing environment. It has been reviewed this year to take into account the impact of Covid-19 on our work now, and in the next 6-12 months. The plan consists of two main parts, reflecting Support Activity and Housing Activity, each containing a range of strategies and targets designed to meet Key's objectives, and a Risk Analysis. These are reviewed and updated regularly.

Covid-19 has had a profound impact on the outcomes for our work, and in the way that we do things. Many of the people we support, like everyone in society, have been isolated from family and friends and experienced increased levels of anxiety. As a result of lockdown, our provision of social, leisure, educational and employment support reduced significantly in line with Public Health guidance and families have taken on additional responsibilities without the support that would previously been available to them.

As we move through and out of the pandemic crisis our immediate attention has been, and will remain, on the re-mobilisation of our support and services and delivering assistance to families and individuals through a range of creative means. We have been increasing support gradually and safely, using more technology and digital solutions in the delivery of our services and keeping a focus on health and wellbeing.

**REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2021**

Objectives and activities (continued)

To support our activities the Group operates a policy manual which is reviewed and updated on an annual basis. Areas of policy include Board control and responsibility, housing management, maintenance, development, finance and HR. These include the following specific policies:

Governance - Board Control and Accountability - Standing Orders and Code of Conduct, Policy on Gifts and Hospitality, Policy on Payments, Benefits and Corporate Accountability, Policy on Disclosure of Interest, Policy for Payment of Board Member Expenses, Delegation of Authority from the Board, Complaints Procedure, Membership Policy, Risk Management Strategy, Equal Opportunities Policy, Participation Policy, Health and Safety Policy, Whistleblowing, Openness & Confidentiality, Sustainability, Information and Communication Technologies, IT Strategy, Data Protection, Insurances, Anti-fraud and Corruption, Media Guidelines, Performance Measurements and Business Continuity Planning.

Housing Management - Allocations Policies, Rent Policy, Arrears Policy, Estate Management Policy, Harassment Policy, Voids Management Policy, Recovery of Charges, Sub-letting, Lodgers, Assignment, Charging for Services, Legal Action, Abandonment, Furnished Lets and Anti-Social behaviour.

Maintenance - Maintenance Standards, Tenant Feedback on Repairs and Maintenance, Monitoring of Emergency Repairs and Pre and Post inspections.

Development - Development Procurement, CDM Regulations and Building Defects.

Finance - Treasury Management Policy, Internal Audit, Charging for Services, Reserves and Purchasing and Procurement.

Human Resources - Training, Staff Retirals, Criminal Convictions, Salaries, Support Through Illness, Staff Welfare, No Smoking, Redundancy and Grievance Policy.

The treasury management policy aims to ensure that the Group's funds are safeguarded and wisely invested, and that loan finance is negotiated within parameters agreed by the Board.

The rent policy aims to achieve a committed rental income that enables the Association to offer a high quality management and maintenance service to all tenants. The policy ensures that rents are viable, affordable and sustainable in the local housing context.

The long-term stock maintenance and repair policy aims to maintain a cost effective, responsive and reactive repair service to all tenants within the parameters of a 10 year strategic and 3 year implementation programme for planned and major repairs. This is within a longer term 60 year major repair profile.

Achievements and performance

The profile for our services remains dominated by a strong commitment to SDS, despite the limited implementation, and we have continued to work closely with a number of local authorities on increasingly individualised approaches to support. We see this as a very positive commitment to ensuring people who need support can have as much control and choice as possible, and that support remains flexible and responsive to their outcomes.

Our strategic plan for 2020-2025 sets out our intention to continue to deliver flexible, responsive, individual support and to promote, develop and extend this approach in order to meet increased demand and complexity of need.

This year, despite Covid-19, we have continued to extend our approach to people with dementia, autism, mental ill health and long-term conditions as well as younger and older people. We have been very successful in several frameworks to develop these services and it is anticipated that there will be further growth over the next few years in these areas of need.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

Achievements and performance (continued)

The overall position across KEY for the year to 31 March 2021 shows a large increase in support hours provided of 12.49%. However, this increase is from a position of reduced support (13%) in April 2020 because of Covid-19. In December 2019 (pre-covid) we were delivering 51,650 hours per week and at 31 March 2021 we are delivering 50,724 with a Covid related reduction/suspension of services of 7%. If this support is reinstated, our overall position will show an increase of 4% from pre-covid levels. This includes new service developments in two existing local authorities as well as incremental growth in other existing local authority areas.

At 31 March 2021, KEY supported 1,635 people in 16 local authority areas. In the course of the year, new support arrangements were established for 232 people. This compared to 173 new arrangements in the previous financial year.

At 31 March 2021, the Association employed 1,921 contracted staff (310 full time and 1,611 part-time) and on average a further 367 on a relief basis. This compares to 1,846 contracted staff (304 full-time and 1,542 part-time) and on average a further 483 on a relief basis as at 31 March 2020. Details regarding the average number of staff employed during the year is included in note 9 of the financial statements.

During the year to 31 March 2021, additional funding was made available to Social Care providers from local authorities to ensure that all social care staff were being paid at least the Scottish Living Wage per hour. This resulted in increases to funding across all local authority areas which in turn allowed a salary increase for all staff backdated to 1 April 2020.

Despite Covid-19, a focus on staff training was maintained through remote and virtual means with some face-to-face essential inputs. KEY also continued to develop its work as an accredited SVQ centre, to progress accreditation in accordance with the requirements of the Scottish Social Services Council, and retained a 'High Confidence' rating from the SQA gain this year.

Financial review

Key Housing Association Limited generated a surplus of £2,626,754 (2020 - £1,825,630) and had reserves of £15,370,371 (2020 - £18,957,617). Included in other comprehensive income was £6,234,000 of an actuarial loss (2020 - £5,790,000 *actuarial gain*) to give total comprehensive income of (£3,607,246) (2020 - £7,615,630). This has been a relatively successful financial year for KEY and the surplus before other comprehensive income allows repayments to the SHAPS final salary pension scheme deficit in line with the agreed repayment plan.

In order to mitigate the risk in relation to the Scottish Housing Association Pension Scheme (SHAPS), the Association closed the defined benefit scheme on 1 April 2014 with all members transferring to the defined contribution scheme. Further details regarding SHAPS can be found in note 22 of the financial statements. The risks associated with the pension scheme, and how these are managed, are included within principal risks and uncertainties detailed below.

KEY continued to meet obligations to support staff in terms of Scottish Living Wage requirements and were able to secure additional funding during the year to enable salary increases to all staff.

**REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2021**

Financial review (continued)

Community Lifestyles has continued to focus its work in Glasgow, providing highly individualised support to people with often very complex needs. The net income for the year to 31 March 2021 for Community Lifestyles Limited was £1,068,904 (2020 - £297,938). Included in other comprehensive income was £138,000 of an actuarial loss (2020 - £134,000 of an actuarial gain) in respect of SHAPS to give total comprehensive income of £930,904 (2020 - £431,938). Community Lifestyles Limited has reserves of £7,182,867 as at 31 March 2021 (2020 - £6,251,963). As at 31 March 2021, Community Lifestyles supported 483 people with total direct support of 16,524 hours per week. As with Key however, a number of services had been reduced or suspended as of 31 March 2021 due to Covid-19.

There was no financial activity in the year for KHA Developments Limited as it was dormant from 1 April 2020.

The Group's surplus for the year was £3,696,696 (2020 - £2,120,466) with reserves of £22,533,238 (2020 - £25,208,542). Included in other comprehensive income was £6,372,000 of an actuarial loss (2020 - £5,924,000 actuarial gain) to give total comprehensive income of (£2,675,304) (2020 - £8,044,466).

Value for money

Key continue to monitor value for money across all areas of housing and support activity.

The main elements of these initiatives are described below:

Central services and costs

We undertake regular reviews of our main cost centres, such as telecommunications, insurance, cleaning services and printing and stationary. We review our procurement strategy regularly to ensure that maximum savings are achieved, and in line with regulatory requirements supplies/services over £50,000 are advertised on the Public Contracts Scotland website.

Head office costs

During Covid-19 head office savings have been made in areas including travel, subsistence, postage and staff development costs. Longer term consideration of a blended approach to office working, and further use of Kerr Street will be taken forward to ensure that both KEY and Community Lifestyles continue to benefit from expenditure reductions, efficiencies and cost savings.

Support service activity

Up to March 21, Local Authorities have broadly continued to fund services at the commissioned level of service irrespective of the short-term reductions previously described. This enabled us to meet the additional costs related to the pandemic from our funding.

The integrated management system (Evolve) has been rolled out across all of KEY local services as well as Community Lifestyles Limited. This assisted greatly with the management of Covid-19 in relation to monitoring of deployment, staffing costs and direct support delivery. Evolve continues to provide increased efficiency with direct links to payroll.

We have continued to reduce staff replacement costs related to training by providing more e-learning and remote approaches to staff development. We strive to maximise externally funded places to assist with our programme of qualifications for all support staff.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

Value for money (continued)

Support service activity (continued)

We continue to monitor and review our central and local service management structures and make efficiencies where possible. In Glasgow we continue to operate a consortium arrangement between the Association and Community Lifestyles Limited, with co-location of management teams at Kerr Street. This enables a more strategic and efficient approach to service management and development and underpins our continued success on the Glasgow Framework. This consortium are ranked highly on the Glasgow framework. KEY has also been successful in a number of other framework agreements throughout the year which cover both local authorities with existing services as well as new areas.

Statement on internal financial control

The Board is responsible for keeping proper books of account with respect to the Association's and Group's transactions and its assets and liabilities, and for maintaining a satisfactory system of control over the Association's and Group's books of account and transactions. The Board is also responsible for safeguarding the assets of the Association and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

It is the 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 such systems are:

- i) Formal policies and procedures to restrict the unauthorised use of the Association's or Group's assets;
- ii) Experienced and suitably qualified staff take responsibility for important business functions;
- iii) Forecasts and budgets are prepared which allow the Members of the Board to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term. Managements accounts are prepared and significant variances from budget are investigated as appropriate;
- iv) Major business risks and the financial implications are identified and monitored;
- v) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board;
- vi) The appointment by the Board of an internal auditor to carry out a programme of internal audit of the Association's and Group's policies and control systems;
- vii) The Board reviews reports from management, the internal auditor and external auditor to provide reasonable assurance that the control procedures in place are being followed; and
- (viii) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and internal auditor.

The Members of the Board have reviewed the effectiveness of the system of internal control in existence in the Association and Group for the year ended 31 March 2021. In the opinion of the Members of the Board, no weaknesses were found in the internal controls which would result in material loss, contingencies, or uncertainties requiring disclosure in the financial statements or the auditor's report.

**REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2021**

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. The Board receive regular cash flow and financial reports during the year to enable an informed assessment to be made. For this reason, it continues to adopt the going concern basis in the financial statements.

Throughout the financial year, support and staffing levels were affected by restrictions put in place due to Covid-19 resulting in several support arrangements being reduced or suspended. A number of employees were absent from work due to short term isolation and others with longer term absences due to the restrictions in place for those shielding or being in the higher risk categories. The Board put in place a range of interim enhancements to occupational sick pay arrangements and undertook risk assessments to shape the measures and arrangements required to ensure the safety and wellbeing of the people we support and our staff. Working from home arrangements were instigated for those who could and essential Housing and Support services were delivered throughout and in line with Government guidance.

In line with COSLA guidance, most of the social care funding was maintained despite the service reductions. Due to the essential nature of the support provided by Key, the Board do not anticipate a significant direct impact on the organisation in the longer term.

Plans for future periods

This year, the Board's focus was on managing and mitigating the risks of Covid-19 and our strategic plan objectives have been progressed where these were relevant to the current operating environment and associated risks. The Risk Registers for Housing and Support activities were updated to include the main risks resulting from the pandemic and recorded the actions being taken to mitigate these risks.

The main objectives within the Strategic Plan for support activity for KEY are as follows:

- 1. To deliver high quality personalised support and innovative housing solutions**
- 2. To increase opportunities for citizenship, inclusion and participation**
- 3. To have a skilled, committed, creative and well-supported workforce**
- 4. To be a collaborative partner**

For each objective there is a range of strategies and targets detailing how the objectives are to be achieved, with timescales. The drivers of these strategies include our continued commitment to Self-directed Support, the development of more innovative and creative supports, better engagement and more opportunity for the workforce and increased collaboration with others. The recent Scottish Government commitments for the reform of Social Care will support these strategies and also recommends significant changes to the way in which social care is commissioned and procured. However, although we welcome that commitment, we also recognise that competence and effectiveness in the existing social care procurement and funding environment must be maintained and developed.

For KEY's Housing activity, the Housing Strategic Plan reflects the following objectives:

Objective 1

To achieve a housing service that meets individual needs and enables housing choice.

Objective 2

To achieve a service that provides housing that is well managed and maintained

Objective 3

To achieve a housing service that is adequately funded.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

Principal risks and uncertainties

The Group is committed to ensuring that it responds to, and manages, any challenges that may impact on the organisation, and recognises that a certain amount of risk is inevitable if the organisation is to achieve its priorities. A risk management framework is in place to assist with taking informed decisions regarding the risks that impact on Association's priorities, whether Strategic or Operational.

Principal risks identified through the Association's strategic risk register which have the potential to seriously affect the performance, future prospects or reputation of the Association are detailed below along with mitigating actions being taken by the Association. These risk areas were reassessed and updated in the light of Covid-19 during 2020/21.

In terms of Group wide risks, the main risks identified are:

Risk	Actions to mitigate
Board not equipped to control organisation	Regular review of Board profile and performance. Comprehensive delegation guidelines. Clear remits for Audit Committee System of Review Groups, and regular in-house training programme.
Board unable to guide organisation through the pandemic	Board meetings held virtually with members attending and participating via remote access Agendas audited to focus scrutiny and business on key risk areas. Adequate number of Board members to ensure quorum. Reviewed/updated delegation guidelines which allow for effective decision making during this period (including if the CEO falls ill) Regular briefings to the Board to ensure effective monitoring and oversight.
Failure to meet regulatory requirements during Covid-19	SHR requirements reviewed and measures/arrangements in place to ensure compliance Head of Housing coordinating returns and notifications as required. Operational Manager in regular contact with Care Inspectorate relationship manager and coordinating reporting and notification requirements. Health and Safety Advisor reviewing and coordinating information from the HSE.
Failure to meet regulatory requirements of SHR	New SHR Framework introduced and Board aware of requirements Comprehensive 3-year assessment of compliance against SHR Regulatory Framework with annual review Governance session training on Regulatory responsibilities provided annually
Pension scheme deficit grows; or loss of income inhibits capacity to meet deficit	Following the 2018 scheme revaluation, concessionary payments have been agreed covering payments from April 2020 to February 2025. This will however be reviewed if the recovery plan is subject to change. Assets (housing stock) revalued in 2016 to meet future liability on balance sheet.

**REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2021**

Principal risks and uncertainties (continued)

Risk	Actions to mitigate
IT systems inadequate to meet needs/system overload/ breakdown	<p>Purchase of additional laptops and telephones for Homeworking arrangements</p> <p>ICT resource/need reviewed weekly by senior management team</p> <p>Evolve support/development team in place and regular project management meetings.</p> <p>Accelerated implementation of emails accounts for the workforce</p> <p>Project team approach to systems development.</p> <p>Specialist IT staff and Network Manager in post</p> <p>Business Continuity Team includes all sections, with full IT support</p> <p>Comprehensive redevelopment of Evolve and in-house ability to host and maintain the system.</p>
Increased cyber security risks	<p>Increased access controls are in place since move to Microsoft 365</p> <p>Email protection service in place</p> <p>Staff awareness raised</p>
Failure to understand and comply with Scottish Government Guidance	<p>Planning Team in place with appointed staff monitoring and distilling advice and guidance.</p> <p>Regular communication to staff and managers</p> <p>Website signposts SG information</p>
Failure to meet requirements of SPSO Complaints Handling Procedures	<p>Regular review of compliance introduced.</p>
Failure to meet Health and Safety statutory requirements	<p>Comprehensive Health and safety Policies and Procedures to ensure risks are assessed and necessary action taken</p> <p>H&S Advisor in post</p> <p>Planning Team meets weekly to ensure risks are assessed and necessary action taken</p>

KEY HOUSING ASSOCIATION LIMITED

**REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2021**

Principal risks and uncertainties (continued)

For Support activity:

Risks	Actions to mitigate
Workforce anxiety through Covid-19	Non-support staff working remotely Flexible response to individual circumstances Fair pay arrangements for people self-isolating/unwell Local management teams providing responsive person-centred support Good communication systems Social media strategy and regular CEO communication to thank staff. Supportive management, with regular professional supervision.
Failure to meet specific requirements for the safe management of COVID-19 situation.	Enhanced cleaning in office spaces, social distancing measures where possible Meetings and group sessions cancelled or postponed Increased guidance, communication and signage to promote handwashing/ good hygiene Clear communication on use of PPE in line with SG guidance PPE team set up to coordinate regular and consistent stockpile of equipment
Overstretched services/ insufficient resources to support managers	Continual review of management resources (including admin support) in local services through deployment meetings. Daily recording system in place to identify COVID-19 related staff absence and twice weekly reports to Area Managers Clear oversight of suspended /reduced services and daily reporting of any changes Evolve reconfigured to allow managers to share staff capacity Deployment monitoring meetings happening 4-weekly Testing of key workers in place in every local authority. Comprehensive policies, procedures and training. Serious incident reporting system and follow up. Access to independent counselling. Developing quality assurance systems in line with new National Care Standards. Codes of Conduct distributed to all workers and used as a basis for initial and ongoing professional development. Covid-19 service mobilisation plans in place

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

Principal risks and uncertainties (continued)

For support activity (continued)

Health and Safety training and audit inadequate to keep workers and service users safe	<p>Comprehensive Health & Safety policies/ procedures updated and published.</p> <p>Update Health and safety training included in management induction programme</p> <p>H & S Advisor in post with FT H&S training officer.</p> <p>Comprehensive H & S training programme embedded in ITP.</p> <p>Clear guidelines for Risk Assessment.</p> <p>Whistleblowing policy</p> <p>Serious incident analysis.</p> <p>Use of accredited Behavioural Support Strategy (BSS)</p> <p>Comprehensive Covid-19 information and guidance with planning team email used to respond to Covid-19 queries</p> <p>Dedicated team coordinating PPE</p>
Recruitment Difficulties and potential implications of Brexit	<p>Accelerated Recruitment Strategy in place</p> <p>Rigorous recruitment process with competency framework being developed.</p> <p>Competitive terms and conditions.</p> <p>Local approaches to recruitment where appropriate.</p> <p>Review of contracts and work/life balance approaches</p>
Losing financial viability	<p>Regular deployment analysis, budget review and operational reviews.</p> <p>Quarterly reports on service funding and development to Board.</p> <p>Positive attitude to controlled growth.</p> <p>Intensive Housing Management funding to be maintained.</p>
Costs associated with Covid-19 are unsustainable	<p>4-weekly deployment analysis and budget review</p> <p>Robust analysis of Covid-19 related costs against income</p> <p>Monitoring of additional SG assistance and Local Authority approaches to reconciliation/funding</p>
Losing services/not winning/missing tenders	<p>Ensuring sufficient staff resources to progress tender processes and a co-ordinated approach to tender submissions</p> <p>Regular review of service costs/profile and planning to adjust costs where required (including management structures and time)</p> <p>Registered with Public Contracts Scotland tender notification service</p>

**REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2021**

Principal risks and uncertainties (continued)

For support activity (continued)

Other areas of inherent risk that are being given particular focus in our strategic priorities are:

- Ensuring our workforce is well support, developed and rewarded
- Ensuring our support remains relevant, community based and in line with current and future expectations
- Being able to evidence improved outcomes for the people we support, for evidence based self-assessment and tendering

For Housing activity:

In our Housing activity, the main risk areas relate to compliance with the Social Housing Charter and related reporting requirements from the Scottish Housing Regulator, with which we must ensure compliance, and the introduction of welfare reform.

The main risks and actions to mitigate these are as follows:

Risks	Actions to mitigate
Poor satisfaction rating from tenants on quality of service received	Range of mechanisms in place including annual satisfaction survey, establishment of tenant engagement group and regular consultations as required (for example on rent increases) Overall focus on tenant satisfaction in all activity.
Failure to meet requirements of Social Housing Charter and associated reporting requirements	Reporting requirements now captured and routine systems in place. SHR carried out a partial data verification audit in 2017 which highlighted no issue
Failure to consider rental affordability	Rent setting policy has comparability and affordability as key factors to be considered. Majority of stock classified as supported accommodation in benefits terms
Housing stock fails to meet needs of tenants, without long term flexibility of use	Active housing remodelling programme taken forward over last 15 years but there remain a small number of larger shared properties with no active proposals to change

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2021

Principal risks and uncertainties (continued)

Statement of the Board's Responsibilities

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

Housing Association legislation requires the 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 Group at the end of the year and of the income and expenditure of the Association and Group for the year then ended.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association and Group will continue in business.

The Board is responsible for keeping and maintaining a satisfactory system of control over proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and Group and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. The Board is also responsible for safeguarding the assets of the Association and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Board at the time this report is approved:

- So far as each Board member is aware, there is no relevant audit information of which the auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Member of the Board in order to make him/her aware of any relevant audit information, and to establish that the auditor is aware of that information.

Auditor

On 7 September 2020 Group Audit Services Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name. Azets Audit Services have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

By order of the Board



Andrea Wood
Secretary

Date: 25 August 2021

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of Key Housing Association Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2021 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Capital and Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated and Association Statements of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Association's affairs as at 31 March 2021 and of the Group's and Parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

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 Group and Parent 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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.

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 12, 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 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 Board is responsible for assessing the Group's and the Parent 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 intend to liquidate the Group or the Parent 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.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

Auditor's responsibilities for the audit of the financial statements (continued)

We obtain and update our understanding of the Group and the Parent Association, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and the Parent Association are complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Group and the Association that were contrary to applicable laws and regulations, including fraud.

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the Parent Association through discussions with the Board members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the Parent Association, including the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Board and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Board and relevant sub-committees;
- enquiring of the senior management team and the Board as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Group's and Parent Association's legal advisors.

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

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

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

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

KEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Auditor's responsibilities for the audit of the financial statements (continued)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the Parent Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Parent Association's members, as a body, 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: *16 SEPTEMBER 2021*

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

KEY HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE BOARD OF KEY HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2021

In addition to our audit of the Financial Statements, we have reviewed your statements on page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control 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 on corporate governance matters within Bulletin 2009/4 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 5 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 control 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 Members of the Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board'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 control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.

Azets Audit Services

Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: *16 September 2021*

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	4	77,572,689	71,703,978
Operating expenditure	4	(73,840,341)	(69,263,950)
Operating surplus	4, 8	3,732,348	2,440,028
Interest receivable and other income	11	32,907	35,453
Interest payable and similar charges	11	(150,634)	(321,443)
Movement in market value of investments	16	82,075	(33,572)
Surplus before tax		3,696,696	2,120,466
Taxation	12	-	-
Surplus for the year		3,696,696	2,120,466
Other comprehensive income			
Actuarial (loss)/gain in respect of pension scheme	22	(6,372,000)	5,924,000
Total comprehensive income for the year		(2,675,304)	8,044,466

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £	2020 £
Turnover	5	59,720,802	56,025,387
Operating expenditure	5	(57,041,275)	(53,865,188)
Operating surplus	5, 8	2,679,527	2,160,199
Interest receivable and other income	11	15,786	16,446
Interest payable and similar charges	11	(150,634)	(317,443)
Movement in market value of investments	16	82,075	(33,572)
Surplus before tax		2,626,754	1,825,630
Taxation	12	-	-
Surplus for the year		2,626,754	1,825,630
Other comprehensive income			
Actuarial (loss)/gain in respect of pension scheme	22	(6,234,000)	5,790,000
Total comprehensive income for the year		(3,607,246)	7,615,630

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2021

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2020		287	25,208,255	25,208,542
Total comprehensive income for the year		-	(2,675,304)	(2,675,304)
Shares cancelled during the year	24a	-	-	-
Shares issued in the year	24a	-	-	-
Balance at 31 March 2021		<u>287</u>	<u>22,532,951</u>	<u>22,533,238</u>

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2020

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2019		300	17,163,789	17,164,089
Total comprehensive income for the year		-	8,044,466	8,044,466
Shares cancelled during the year	24a	(15)	-	(15)
Shares issued in the year	24a	2	-	2
Balance at 31 March 2020		<u>287</u>	<u>25,208,255</u>	<u>25,208,542</u>

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2021**

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2020		287	18,957,330	18,957,617
Total comprehensive income for the year		-	(3,607,246)	(3,607,246)
Shares cancelled during the year	24a	-	-	-
Shares issued during the year	24a	-	-	-
Balance at 31 March 2021		287	15,350,084	15,350,371

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2020**

	Note	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2019		300	11,341,700	11,342,000
Total comprehensive income for the year		-	7,615,630	7,615,630
Shares cancelled during the year	24a	(15)	-	(15)
Shares issued during the year	24a	2	-	2
Balance at 31 March 2020		287	18,957,330	18,957,617

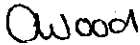
The notes form part of these financial statements.


KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	2021 £	2020 £
Tangible fixed assets			
Housing properties	13	15,514,849	15,872,108
Other fixed assets	14	4,243,121	4,241,216
		<u>19,757,970</u>	<u>20,113,324</u>
Current assets			
Debtors	15	8,868,183	7,301,741
Investments	16	1,680,302	1,592,789
Cash and cash equivalents	17	14,243,143	10,002,657
		<u>24,791,628</u>	<u>18,897,187</u>
Creditors: amounts falling due within one year	18	<u>(11,160,581)</u>	<u>(7,619,403)</u>
Net current assets		<u>13,631,047</u>	<u>11,277,784</u>
Total assets less current liabilities		33,389,017	31,391,108
Creditors: amounts falling due after more than one year	19	<u>(943,288)</u>	<u>(1,147,068)</u>
Pension – defined benefit liability	22	<u>(9,912,491)</u>	<u>(5,035,498)</u>
Net assets		<u><u>22,533,238</u></u>	<u><u>25,208,542</u></u>
Capital and reserves			
Share capital	24a	287	287
Revenue reserve	24b	<u>22,532,951</u>	<u>25,208,255</u>
		<u><u>22,533,238</u></u>	<u><u>25,208,542</u></u>

The financial statements were authorised for issue by the Members of the Board on 25 August 2021 and were signed on its behalf by:


Andrea Wood
Secretary


David Meehan
Board Member


Joanna Pearson
Vice Chairperson

Regulated number: 1938R(S)

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	2021 £	2020 £
Tangible fixed assets			
Housing properties	13	15,514,849	15,872,108
Other fixed assets	14	2,356,015	2,309,214
		<u>17,870,864</u>	<u>18,181,322</u>
Current assets			
Debtors	15	7,111,812	6,409,853
Investments	16	551,445	469,370
Cash and cash equivalents	17	8,538,795	5,289,453
		<u>16,202,052</u>	<u>12,168,676</u>
Creditors: amounts falling due within one year	18	<u>(7,990,716)</u>	<u>(5,220,753)</u>
Net current assets		<u>8,211,336</u>	<u>6,947,923</u>
Total assets less current liabilities		26,082,200	25,129,245
Creditors: amounts falling due after more than one year	19	(943,288)	(1,147,068)
Pension – defined benefit liability	22	<u>(9,788,541)</u>	<u>(5,024,560)</u>
Net assets		<u>15,350,371</u>	<u>18,957,617</u>
Capital and reserves			
Share capital	24a	287	287
Revenue reserve	24b	<u>15,350,084</u>	<u>18,957,330</u>
		<u>15,350,371</u>	<u>18,957,617</u>

The financial statements were authorised for issue by the Members of the Board on 25 August 2021 and were signed on its behalf by:



Andrea Wood
Secretary



David Meehan
Board Member



Joanna Pearson
Vice Chairperson

Regulated number: 1938R(S)

The notes form part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Net cash generated from operating activities	25a	4,811,684	2,258,372
Cash flow from investing activities			
Payments to acquire and improve housing stock		(138,639)	(554,097)
Purchase of other property, plant and equipment		(226,238)	(52,448)
Proceeds from sale of property, plant and equipment		4,372	29,118
Interest received		32,907	35,453
		(327,598)	(541,974)
Cash flow from financing activities			
Issue of share capital		-	2
Interest paid		(48,634)	(58,443)
Repayment of borrowings		(189,528)	(180,631)
(Deposit to) current asset investments		(5,438)	(17,526)
		(243,600)	(256,598)
Net change in cash and cash equivalents		4,240,486	1,459,800
Cash and cash equivalents at beginning of year		10,002,657	8,542,857
Cash and cash equivalents at end of the year		14,243,143	10,002,657

The notes form part of these financial statements.

(i) Analysis of changes in net debt

	At 1 April 2020	Cash flows	Other non- cash changes	At 31 March 2021
	£	£	£	£
Cash and cash equivalents				
Cash	10,002,657	4,240,486	-	14,243,143
	10,002,657	4,240,486	-	14,243,143
Investments -deposit accounts	1,123,420	5,438	-	1,128,858
Borrowings				
Debt due within one year	(189,527)	189,528	(197,155)	(197,154)
Debt due after one year	(849,068)	-	197,155	(651,913)
	(1,038,595)	189,528	-	(849,067)
Total	10,087,482	4,435,452	-	14,522,934

KEY HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Net cash generated from operating activities	25b	3,802,050	1,170,331
Cash flow from investing activities			
Payments to acquire and improve housing stock		(138,639)	(554,097)
Purchase of other property, plant and equipment		(196,065)	(43,447)
Proceeds from sale of property, plant and equipment		4,372	29,118
Interest received		15,786	16,446
		(314,546)	(551,980)
Cash flow from financing activities			
Issue of share capital		-	2
Interest paid		(48,634)	(58,443)
Repayment of borrowings		(189,528)	(180,631)
		(238,162)	(239,072)
Net change in cash and cash equivalents		3,249,342	379,279
Cash and cash equivalents at beginning of year		5,289,453	4,910,174
Cash and cash equivalents at end of the year		8,538,795	5,289,453

The notes form part of these financial statements.

(i) Analysis of changes in net debt

	At 1 April 2020 £	Cash flows £	Other non- cash changes £	At 31 March 2021 £
Cash and cash equivalents				
Cash	5,289,453	3,249,342	-	8,538,795
	5,289,453	3,249,342	-	8,538,795
Borrowings				
Debt due within one year	(189,527)	189,528	(197,155)	(197,154)
Debt due after one year	(849,068)	-	197,155	(651,913)
	(1,038,595)	189,528	-	(849,067)
Total	4,250,858	3,438,870	-	7,689,728

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HEP141. The registered address is available on the first page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards. However, please note that on transition to FRS 102, an existing use value was used as deemed cost for housing properties.

The effect of events relating to the year ended 31 March 2021, which occurred before the date of approval of the financial statements by the Board have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2021 and of the results for the year ended on that date.

Basis of consolidation

These financial statements consolidate those of Key Housing Association Limited and its subsidiary undertakings, Community Lifestyles Limited and KHA Developments Limited (dormant from 1 April 2020), drawn up to 31 March 2021 as obliged by statute. Surpluses or deficits on intra-group transactions are eliminated in full.

2. Principal accounting policies (continued)

Turnover

Association

Turnover represents rental income earned in the period and grants of a revenue nature from local authorities and the Scottish Government for the provision of support services in the period which are recognised in line with the provision of the service.

Income from rental and service charges is recognised when the Association is entitled to it, it is probable it will be received, and it can be measured reliably.

Community Lifestyles Limited

All incoming resources are included in the Statement of Financial Activities when the charitable company is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- All income is included in the Statement of Financial Activities when the charitable company is entitled to the income after any performance conditions have been met, it is probable that the income will be received, and the amount can be measured reliably.
- Investment income is included when receivable.

KHA Developments Limited

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the entity will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Going concern

The Board expect the Association and Group to generate a surplus in 2021/22 and 2022/23 and the Board is satisfied that the Association and Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. The expected impact of Covid-19 was considered when arriving at this conclusion. For this reason, the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or local authorities, are paid directly to the Group as required to meet its liabilities during the development process. This is treated as a deferred Government capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Group to recognise income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

2. Principal accounting policies (continued)

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Group recognises the grant in income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Fixed assets and depreciation

Housing properties are stated at deemed cost based on an Existing Use Value at 1 April 2014. From this date, housing properties have been accounted for under historical cost. The cost of properties includes land cost, all construction costs, professional fees and development administration costs.

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write off the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties over the following years with the corresponding annual rates:

Land	Not depreciated
Buildings	50 years (2%)
Kitchens	18 years (5.56%)
Bathrooms	20 years (5%)
Heating systems	15 years (6.67%)
Roof structure and coverings	50 years (2%)
Windows	25 years (4%)

No depreciation is charged on assets during the course of construction.

2. Principal accounting policies (continued)

Fixed assets and depreciation (continued)

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the following basis:

Motor vehicles	-	20% - 33% per annum straight line method
Office Accommodation	-	2.5% per annum straight line method
Office Equipment		
- Equipment and Furniture	-	10% per annum reducing balance method
- Computer Equipment	-	25% per annum reducing balance method
- Photocopier	-	20% per annum reducing balance method
Wemyss Bay Lodge	-	3.33% per annum straight line method

Depreciation is charged on these fixed assets from the year of purchase, but no charge is made in the year of disposal.

Investments

Quoted investments are included in the financial statements at market value which is defined as mid-price.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 15.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method.

2. Principal accounting policies (continued)

Financial instruments (continued)

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Group terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Loans

Mortgage loans are advanced by private institutions and local authorities under the terms of individual mortgage deeds in respect of each property or housing development. Advances are only available in respect of those developments which have been given approval for by the Scottish Government.

Investments in subsidiary

The investment in the subsidiary, KHA Developments Limited, is stated at cost, less any provisions required where there has been a permanent diminution in their value.

Retirement benefits (note 22)

The Group and Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Group and Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating entities taken as a whole.

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

The defined benefit scheme was closed to future accrual on 1 April 2014.

2. Principal accounting policies (continued)

Defined Contribution Scheme

The Group and Association also participates in defined contribution schemes with SHAPS and with Standard Life. The pension costs charged against operating profits are contributions payable to the respective scheme in respect of the financial year.

Reserves

In line with recommended practice, the reserves which had been previously designated for specific purposes are no longer disclosed separately within the financial statements. These included reserves for major repairs and future trading commitments as well as other smaller reserves. The Group and the Association continue to internally monitor these sums.

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Board consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP; and
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'.

The Board are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Basis of estimation

Valuation of Housing Properties

Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition of 1 April 2014. The assumptions used in the existing use value were reviewed and are considered reasonable.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The main components of housing properties and their useful lives

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Recoverable amount of rental and other trade receivables

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

3. Judgements in applying policies and key sources of estimation uncertainty (continued)

<u>Estimate</u>	<u>Basis of estimation</u>
The obligations under the SHAPs pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
Investments at market value	This has relied on the valuation prepared by investment managers as at the year end.

4. Particulars of turnover, operating expenditure and operating surplus - Consolidated

	Turnover 2021 £	Operating expenditure 2021 £	Operating surplus/ (deficit) 2021 £	Operating surplus/ (deficit) 2020 £
Affordable lettings (note 6)	5,652,943	4,693,635	959,308	807,734
Other activities (note 7a)	70,641,375	67,868,335	2,773,040	1,632,294
Scottish Government Social Care payment	1,278,371	1,278,371	-	-
Total 2021	77,572,689	73,840,341	3,732,348	
<i>Total 2020</i>	<i>71,703,978</i>	<i>69,263,950</i>		<i>2,440,028</i>

5. Particulars of turnover, operating expenditure and operating surplus – The Association

	Turnover 2021 £	Operating expenditure 2021 £	Operating surplus/(deficit) 2021 £	Operating surplus/(deficit) 2020 £
Affordable lettings (note 6)	5,652,943	4,693,635	959,308	807,734
Other activities (note 7b)	53,061,515	51,341,296	1,720,219	1,352,465
Scottish Government Social Care payment	1,006,344	1,006,344	-	-
Total 2021	59,720,802	57,041,275	2,679,527	
<i>Total 2020</i>	<i>56,025,387</i>	<i>53,865,188</i>		<i>2,160,199</i>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

6. Particulars of turnover, operating expenditure and operating surplus from affordable letting activities – Consolidated and Association

	General Needs		Supported		2021	2020
	Housing £		Housing £	Total £	Total £	Total £
Rent receivable net of service charges	457,638		4,630,260	5,087,898	5,014,408	
Service charges	21,962		575,051	597,013	588,410	
Gross income from rents and service charges	479,600		5,205,311	5,684,911	5,602,818	
Less voids	(5,900)		(32,693)	(38,593)	(49,794)	
Net income from rents and services	473,700		5,172,618	5,646,318	5,553,024	
Amortisation of deferred government capital grants	-		6,625	6,625	6,625	
Total turnover from affordable letting activities	473,700		5,179,243	5,652,943	5,559,649	
Management and maintenance administration costs	(143,038)		(792,613)	(935,651)	(899,220)	
Service costs	(43,278)		(2,483,460)	(2,526,738)	(2,450,076)	
Planned and cyclical maintenance costs including major repairs	(65,170)		(361,125)	(426,295)	(495,628)	
Reactive maintenance costs	(47,247)		(261,807)	(309,054)	(362,258)	
Depreciation of social housing	(75,810)		(420,087)	(495,897)	(544,733)	
Operating expenditure for affordable letting activities	(374,543)		(4,319,092)	(4,693,635)	(4,751,915)	
Operating Surplus on affordable letting activities, 2021	99,157		860,151	959,308		
<i>Operating Surplus on affordable letting activities, 2020</i>	<i>80,697</i>		<i>727,037</i>		<i>807,734</i>	

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7a. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities – Consolidated

	Grants from Scottish Ministers 2021 £	Support funding 2021 £	Total turnover 2021 £	Operating expenditure 2021 £	Operating surplus / (deficit) 2021 £	Operating surplus 2020 £
Development activities	78,244	-	78,244	80,881	(2,637)	9,247
Care activities	-	70,563,131	70,563,131	67,787,454	2,775,677	1,623,047
Total from other activities 2021	78,244	70,563,131	70,641,375	67,868,335	2,773,040	
<i>Total from other activities 2020</i>	<i>107,490</i>	<i>66,036,839</i>	<i>66,144,329</i>	<i>64,512,035</i>		<i>1,632,294</i>

7b. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities – Association

	Grants from Scottish Ministers 2021 £	Support funding 2021 £	Other Agency / Management Services 2021 £	Total turnover 2021 £	Operating expenditure 2021 £	Operating surplus / (deficit) 2021 £	Operating surplus/(deficit) 2020 £
Development activities	78,244	-	-	78,244	80,881	(2,637)	9,247
Care activities	-	52,148,199	835,072	52,983,271	51,260,415	1,722,856	1,343,218
Total from other activities 2021	78,244	52,148,199	835,072	53,061,515	51,341,296	1,720,219	
<i>Total from other activities 2020</i>	<i>107,490</i>	<i>49,515,826</i>	<i>842,422</i>	<i>50,465,738</i>	<i>49,113,273</i>		<i>1,352,465</i>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. Operating Surplus

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Operating surplus is stated after:				
Depreciation:				
- property	474,683	468,089	474,683	468,089
- other fixed assets	220,405	176,583	145,336	111,236
- loss on disposal of components	21,215	76,644	21,215	76,644
(Gain)/loss on disposal of fixed assets	(441)	11,381	(441)	11,381
External auditor's remuneration exc VAT:				
- external audit services	28,485	26,540	18,920	16,900
Internal auditor's remuneration:				
- internal audit services	14,685	14,037	10,102	14,037
Operating lease costs:				
- motor vehicles	53,743	74,452	53,743	74,452
- land and buildings	322,367	315,498	322,367	315,498

9. Remuneration

Board members are not remunerated.

The number of employees in the year whose emoluments (excluding pension contributions) exceeded £60,000 were as follows:

	2021	2020
More than £60,000 but not more than £70,000	1	1
More than £70,000 but not more than £80,000	1	2
More than £80,000 but not more than £90,000	2	1
More than £90,000 but not more than £100,000	-	-
More than £100,000 but not more than £110,000	1	1

Total emoluments paid to employees whose emoluments (excluding pension contributions) exceeded £60,000 were as follows:

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Salary	419,654	406,799	419,654	406,799
Pension contributions	18,897	18,333	18,897	18,333
	438,551	425,132	438,551	425,132

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

9. Remuneration (continued)

The Association considers key management personnel to be the Board and the senior management team of the Association as detailed on the first page of the accounts under Executive Officers.

Key management emoluments	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Salary	419,654	406,799	419,654	406,799
Employers' national insurance	51,849	43,561	51,849	43,561
Pension contributions	18,897	18,333	18,897	18,333
	<u>490,400</u>	<u>468,693</u>	<u>490,400</u>	<u>468,693</u>

The emoluments excluding pension contributions of the highest paid director who is the Chief Executive were £108,356 (2020 - £105,774).

The Chief Executive is an ordinary member of the Scottish Housing Association Pension Scheme (SHAPS) as described in note 22. No enhanced or special terms apply to membership. The Chief Executive had no personal pension arrangements. Pension contributions in respect of the Chief Executive amounted to £4,833 (2020 - £4,719).

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Expenses paid to members of the Board	<u>26</u>	<u>1,857</u>	<u>26</u>	<u>1,857</u>

Staff costs (including Directors' emoluments) during the year:

Wages and salaries	60,849,784	56,606,812	47,102,564	43,601,758
Social security costs	5,113,715	4,847,793	3,826,355	3,666,496
Pension costs	1,154,860	1,127,155	906,961	883,777
Pension costs – Past service scheme expenses	62,609	62,500	61,777	61,777
	<u>67,180,968</u>	<u>62,644,260</u>	<u>51,897,657</u>	<u>48,213,808</u>

In addition to expenditure on direct salaries, the group incurred £441,973 (2020 - £1,198,635) expenditure on the use of agency staff. For KEY this was £310,887 (2020 - £694,334).

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

9. Remuneration (continued)

The average weekly number of persons employed and the full time equivalent (FTE) was as follows:

	Consolidated			
	2021	2020	2021	2020
	average	average	FTE	FTE
	weekly	weekly	Nos	Nos
	Nos	Nos		
Head Office	101	102	95	96
Services	2,710	2,778	2,134	2,190
	2,811	2,880	2,229	2,286
	Association			
	2021	2020	2021	2020
	average	average	FTE	FTE
	weekly	weekly	Nos	Nos
	Nos	Nos		
Head Office	101	102	95	96
Services	2,151	2,200	1,628	1,662
	2,252	2,302	1,723	1,758

10. Creditor payments

The group policy is to pay purchase invoices at the end of the month following receipt. On average, invoices are paid within 30 days (2020 - 45 days) of receipt.

11. Interest receivable and payable

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Interest receivable and similar income				
Bank deposit interest	30,752	33,213	13,631	14,206
Union commission	2,155	2,240	2,155	2,240
	32,907	35,453	15,786	16,446
Interest payable and similar charges:				
Bank loans and other loan	(48,634)	(58,443)	(48,634)	(58,443)
Defined benefit pension liability – interest charge (note 22)	(102,000)	(263,000)	(102,000)	(259,000)
	(150,634)	(321,443)	(150,634)	(317,443)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**12. Taxation****Group**

The Association and Community Lifestyles Limited has charitable status and thus no corporation tax is due from their charitable activities (2020 - £nil).

KHA Developments Limited did not trade during the year so no tax is payable. In the prior year the company made a loss of £2,881 and no tax was due.

Association

The Association has charitable status and thus no corporation tax is due from its charitable activities.

13. Fixed assets – Housing Land and Buildings – Consolidated and Association

	2021 £	2020 £
Cost		
At 1 April 2020	18,350,681	17,893,627
Additions	138,639	554,097
Disposals	(33,946)	(97,043)
At 31 March 2021	<u>18,455,374</u>	<u>18,350,681</u>
Property Depreciation		
At 1 April 2020	2,478,573	2,030,883
Charge for the year	474,683	468,089
Disposals	(12,731)	(20,399)
At 31 March 2021	<u>2,940,525</u>	<u>2,478,573</u>
Net Book Value at 31 March 2021	<u>15,514,849</u>	<u>15,872,108</u>

Total cost of components capitalised for the year amounted to £138,639 (2020 - £554,097). The amount spent on maintenance of housing properties held for letting can be seen in Note 6.

Additions to Housing Properties during the year includes £nil capitalised interest (2020 - £nil) and £nil capitalised administration costs (2020 - £nil). All housing properties are freehold. Properties with a cost of £nil (2020 - £nil) and accumulated depreciation of £nil (2020 - £nil) have been disposed in the year. Components with a cost of £33,946 (2020 - £97,043) and accumulated depreciation of £12,731 (2020 - £20,399) have been disposed of for £nil (2020 - £nil) net proceeds.

The housing properties were revalued as at 1 April 2014 by Graham & Sibbald Limited and this value was used as the deemed cost from that date in accordance with FRS 102.

Included in freehold housing properties is land with a historic cost allocation of £1,615,500 (2020 - £1,615,500).

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

14. Fixed Assets – Other - Consolidated

	Motor Vehicles £	Office Equipment £	Wemyss Bay Lodge £	Office Accomm- odation £	Total £
Cost					
At 1 April 2020	170,598	372,595	132,227	4,542,791	5,218,211
Additions	32,689	193,549	-	-	226,238
Disposals	(29,576)	(12,446)	-	-	(42,022)
At 31 March 2021	173,711	553,698	132,227	4,542,791	5,402,427
Depreciation					
At 1 April 2020	137,942	178,397	22,040	638,616	976,995
Charge for year	21,048	81,349	4,408	113,600	220,405
Disposals	(29,576)	(8,518)	-	-	(38,094)
At 31 March 2021	129,414	251,228	26,448	752,216	1,159,306
Net Book Value					
At 31 March 2021	44,297	302,470	105,779	3,790,575	4,243,121
At 31 March 2020	32,656	194,198	110,187	3,904,175	4,241,216

Fixed Assets – Other - Association

	Motor Vehicles £	Office Equipment £	Wemyss Bay Lodge £	Office Accomm- odation £	Total £
Cost					
At 1 April 2020	170,598	228,514	132,227	2,488,646	3,019,985
Additions	32,689	163,376	-	-	196,065
Disposals	(29,576)	(12,446)	-	-	(42,022)
At 31 March 2021	173,711	379,444	132,227	2,488,646	3,174,028
Depreciation					
At 1 April 2020	137,942	115,067	22,040	435,722	710,771
Charge for year	21,048	57,634	4,408	62,246	145,336
Disposals	(29,576)	(8,518)	-	-	(38,094)
At 31 March 2021	129,414	164,183	26,448	497,968	818,013
Net Book Value					
At 31 March 2021	44,297	215,261	105,779	1,990,678	2,356,015
At 31 March 2020	32,656	113,447	110,187	2,052,924	2,309,214

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

15. Debtors: falling due within one year

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Rent arrears	125,814	110,712	125,814	110,712
Less: provision for bad debts	(60,105)	(44,536)	(60,105)	(44,536)
Arrears for rent and service charge	65,709	66,176	65,709	66,176
Other debtors and prepayments	2,103,197	607,171	1,589,631	372,598
Local authority revenue grant receivable	6,699,277	6,628,394	5,208,921	5,325,404
Amounts owed by subsidiary undertakings	-	-	247,551	645,675
	<u>8,868,183</u>	<u>7,301,741</u>	<u>7,111,812</u>	<u>6,409,853</u>

16. Investments

Consolidated	2021	2020
	£	£
Quoted investments (see below)	551,444	469,369
Balances held in deposit accounts (> 3 months)	1,128,858	1,123,420
	<u>1,680,302</u>	<u>1,592,789</u>
Association	2021	2020
	£	£
Investment in subsidiary undertaking:		
- KHA Developments Limited	1	1
Quoted investments (see below)	551,444	469,369
	<u>551,445</u>	<u>469,370</u>

Key Housing Association Limited owns 1 ordinary £1 share in KHA Developments Limited (SC341478). The investment is held at cost. This represents a 100% shareholding in KHA Developments Limited, a company registered in Scotland, whose principal activity is that of acting as the design and build subsidiary of Key Housing Association Limited. There was no financial activity in the year for KHA Developments Ltd. This compares to year ending 31 March 2020 when KHA Developments Limited made a loss of £2,881 and had net liabilities of £1,040.

Key Housing Association Limited has 100% control over its subsidiary undertaking Community Lifestyles Limited, a company limited by guarantee whose principal activity is the support of adults with learning disabilities. KEY is the only member of Community Lifestyles Limited and approves the appointment of the directors of Community Lifestyles Limited. Community Lifestyles Limited made a surplus of £1,068,904 (2020 - £297,938) for the year ended 31 March 2021. Included in other comprehensive income was £138,000 of an actuarial loss (2020 - £134,000) in respect of SHAPS to give total comprehensive income of £930,904 (2020 - £431,938). Community Lifestyles Limited has reserves of £7,182,867 as at 31 March 2021 (2020 - £6,251,963).

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. Investments (continued)

The Group and Key Housing Association Limited have quoted investments held via James Hay as follows:

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Quoted investments				
Market value at 1 April 2020	469,369	502,941	469,369	502,941
Movement in market value	82,075	(33,572)	82,075	(33,572)
Divested in current year	-	-	-	-
Market value at 31 March 2021	<u>551,444</u>	<u>469,369</u>	<u>551,444</u>	<u>469,369</u>

The following investments represent over 5% of the portfolio:

	Value at 31 March 2021 £	% holding
Legal and General US Index Trust C Inc.	88,020	16%
Legal and General UK Index C Inc.	65,363	12%
Legal and General European Index Trust C Inc.	69,976	13%
M&G UK Inflation Linked Corporate Bond I Inc.	47,163	9%
M&G Strategic Corporate Bond I Inc.	46,949	9%
Legal and General All Stocks Gilt Index Trust I Inc.	31,839	6%

17. Cash and cash equivalents

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Current account	12,600,211	8,360,249	7,419,867	4,170,525
Deposit accounts (< 3 months)	1,642,932	1,642,408	1,118,928	1,118,928
	<u>14,243,143</u>	<u>10,002,657</u>	<u>8,538,795</u>	<u>5,289,453</u>

18. Creditors: falling due within one year

	Consolidated		Association	
	2021	2020	2021	2020
	£	£	£	£
Bank loans (note 20)	197,154	189,527	197,154	189,527
Trade creditors	71,166	129,888	71,166	129,888
Pension creditor	411,328	456,958	340,028	383,281
Other creditors	3,118,109	2,708,615	1,577,541	1,221,627
Social security and other taxes	1,189,109	1,120,174	891,646	853,684
Accruals and deferred grant income	6,077,973	2,898,034	4,738,137	2,229,791
Prepayments of rent and service charge	89,117	109,582	89,117	109,582
Amounts due to subsidiary undertakings	-	-	79,302	96,748
Deferred Government capital grant (note 21)	6,625	6,625	6,625	6,625
	<u>11,160,581</u>	<u>7,619,403</u>	<u>7,990,716</u>	<u>5,220,753</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

	Consolidated 2021 £	2020 £	Association 2021 £	2020 £
Bank loans (note 20)	651,913	849,068	651,913	849,068
Deferred Government capital grant (note 21)	291,375	298,000	291,375	298,000
	<u>943,288</u>	<u>1,147,068</u>	<u>943,288</u>	<u>1,147,068</u>

20. **Loans: Consolidated and Association**

	2021 £	2020 £
Total bank loans outstanding:		
Payable in one year or less	197,154	189,527
Payable within one to two years	205,298	197,154
Payable within two to five years	334,753	485,711
Payable over five years	111,862	166,203
	<u>849,067</u>	<u>1,038,595</u>
Less: payable within one year	(197,154)	(189,527)
Total bank loans due after one year	<u>651,913</u>	<u>849,068</u>

Bank loans are secured by a fixed charge over certain properties of the Association. The loans are repayable in equal monthly instalments and are secured over 25 or 30 years. The highest rate of interest payable during the year was 5.76% and the lowest 1.4%.

The net book value of housing properties secured at the year end was £9,258,106 (2020 - £9,528,106).

21. **Deferred capital grants: Consolidated and Association**

	2021 £	2020 £
Gross grant		
At 1 April 2020	331,246	331,246
Grants received in year	-	-
At 31 March 2021	<u>331,246</u>	<u>331,246</u>
Amortisation of grant		
At 1 April 2020	26,621	19,996
Amortisation	6,625	6,625
At 31 March 2021	<u>33,246</u>	<u>26,621</u>
Net grant at 31 March 2021	<u>298,000</u>	<u>304,625</u>
Payable in one year or less	6,625	6,625
Payable within one to two years	6,625	6,625
Payable within two to five years	19,875	19,875
Payable over five years	264,875	271,500
Total	<u>298,000</u>	<u>304,625</u>

22. Retirement benefits

Defined benefit scheme

Key Housing Association Limited and Community Lifestyles Limited participate in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme which provides benefits to some 150 non-associated employers. The Scheme is funded.

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 Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate;
- Career average revalued earnings with a 1/80th accrual rate;
- Career average revalued earnings with a 1/120th accrual rate contracted in; and
- Defined Contribution.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Key Housing Association Limited and Community Lifestyle Limited have elected to operate the Defined Contributions Option for existing and new entrants. The defined benefit scheme was closed to future accrual on 1 April 2014. However, the Association and Community Lifestyles Limited are still required to fund the past service deficit liability in respect of the defined benefit scheme.

There was an additional annual employer past service deficit contribution of £1,597,010 (net of administration costs) (2020 - £1,403,502) made in the year ended 31 March 2021 for the Group and £1,572,022 (2020 - £1,379,440) for the Association.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last triennial valuation of the Scheme was performed as at 30 September 2018. The 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**22. Retirement benefits (continued)****Defined benefit scheme (continued)**

The SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Group**Present values of defined benefit obligation, fair value of assets and defined benefit liability**

	31 March 2021	<i>31 March 2020</i>
	£'000	£'000
Fair value of plan assets	63,360	57,926
Present value of defined benefit obligation	(73,273)	(62,961)
Defined benefit liability to be recognised	(9,913)	(5,035)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended	<i>Year ended</i>
	31 March	<i>31 March</i>
	2021	<i>2020</i>
	£'000	£'000
Defined benefit obligation at start of period	62,961	70,338
Current service cost	-	-
Expenses	63	63
Interest expense	1,470	1,596
Actuarial (gains) due to scheme experience	(118)	(106)
Actuarial (gains) due to changes in demographic assumptions	-	(419)
Actuarial losses/(gains) due to changes in financial assumptions	11,813	(6,769)
Benefits paid and expenses	(2,916)	(1,742)
Defined benefit liability at the end of the period	73,273	62,961

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**22. Retirement benefits (continued)****Reconciliation of opening and closing balances of the fair value of plan assets**

	Year ended 31 March 2021 £'000	<i>Year ended 31 March 2020 £'000</i>
Fair value of plan assets at start of the period	57,925	58,238
Interest income	1,368	1,333
Experience on plan assets (excluding amounts included in interest income) – gain/(loss)	5,323	(1,370)
Contributions by the employer	1,660	1,467
Benefits paid and expenses	(2,916)	(1,742)
Fair value of plan assets at end of period	63,360	57,926

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2020 to 31 March 2021 £'000	<i>Period from 31 March 2019 to 31 March 2020 £'000</i>
Current service cost	-	-
Admin expenses	63	63
Net interest expense	102	263
Defined benefit costs recognised in Statement of Comprehensive Income	165	326

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2021 £'000	<i>Year ended 31 March 2020 £'000</i>
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	5,323	(1,370)
Experience gains and losses arising on the plan liabilities – gain	118	106
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	-	419
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(11,813)	6,769
Total amount recognised in other comprehensive income – actuarial (loss)/gain	(6,372)	5,924

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Retirement benefits (continued)

Fund allocation for employer's calculated share of assets

	31 March 2021 £'000	31 March 2020 £'000
Global Equity	9,800	7,966
Absolute Return	3,123	3,556
Distressed Opportunities	2,165	1,057
Credit Relative Value	1,826	1,393
Alternative Risk Premia	2,542	4,643
Fund of Hedge Funds	-	-
Emerging Markets Debt	2,554	2,059
Risk Sharing	2,264	1,835
Insurance-Linked Securities	1,324	1,554
Property	1,136	1,078
Infrastructure	3,537	3,415
Private Debt	1,493	1,147
Opportunistic Illiquid Credit	1,622	1,410
High Yield	1,661	-
Opportunistic Credit	1,731	-
Cash	28	-
Corporate Bond Fund	4,779	4,232
Liquid Credit	1,094	1,518
Long Lease Property	1,470	1,416
Secured Income	3,480	3,215
Over 15 Year Gilts	29	735
Liability Driven Investment	15,231	15,254
Net Current Assets	471	443
Total Assets	63,360	57,926

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2021 % per annum Key Housing Association	31 March 2021 % per annum Community Lifestyles
Discount rate	2.14	2.18
Inflation (RPI)	3.30	3.27
Inflation (CPI)	2.85	2.87
Salary growth	3.85	3.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**22. Retirement benefits (continued)**

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary**Active members**

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	36	1,234	54
Females	62	2,067	59
Total	98	3,301	56

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	49	126	55
Females	129	310	54
Total	178	436	54

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	71	472	67
Females	202	889	66
Total	273	1,361	66

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Retirement benefits (continued)

Association

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

	31 March 2021 £'000	31 March 2020 £'000
Fair value of plan assets	62,371	57,045
Present value of defined benefit obligation	(72,160)	(62,070)
Defined benefit liability to be recognised	(9,789)	(5,025)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Defined benefit obligation at start of period	62,070	69,404
Current service cost	-	-
Expenses	62	62
Interest expense	1,449	1,574
Actuarial (gains) due to scheme experience	(124)	(166)
Actuarial (gains) due to changes in demographic assumptions	-	(414)
Actuarial losses/(gains) due to changes in financial assumptions	11,601	(6,655)
Benefits paid and expenses	(2,898)	(1,735)
Defined benefit liability at the end of the period	72,160	62,070

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Fair value of plan assets at start of the period	57,045	57,469
Interest income	1,347	1,315
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	5,243	(1,445)
Contributions by the employer	1,634	1,441
Benefits paid and expenses	(2,898)	(1,735)
Fair value of plan assets at end of period	62,371	57,045

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Retirement benefits (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2020 to 31 March 2021 £'000	Period from 31 March 2019 to 31 March 2020 £'000
Current service cost	-	-
Admin expenses	62	62
Net interest expense	102	259
Defined benefit costs recognised in Statement of Comprehensive Income	164	321

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	5,243	(1,445)
Experience gains and losses arising on the plan liabilities – gain	124	166
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	-	414
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(11,601)	6,655
Total amount recognised in other comprehensive income – actuarial (loss)/gain	(6,234)	5,790

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Retirement benefits (continued)

Fund allocation for employer's calculated share of assets

	31 March 2021 £'000	31 March 2020 £'000
Global Equity	9,647	7,845
Absolute Return	3,074	3,502
Distressed Opportunities	2,131	1,041
Credit Relative Value	1,797	1,372
Alternative Risk Premia	2,502	4,572
Emerging Markets Debt	2,514	2,028
Risk Sharing	2,229	1,807
Insurance Linked Securities	1,303	1,530
Property	1,118	1,062
Infrastructure	3,482	3,363
Private Debt	1,470	1,130
Opportunistic Illiquid Credit	1,597	1,389
High Yield	1,635	-
Opportunistic Credit	1,704	-
Cash	28	-
Corporate Bond Fund	4,704	4,168
Liquid Credit	1,077	1,495
Long Lease Property	1,447	1,394
Secured Income	3,426	3,166
Over 15 Year Gilts	29	724
Liability Driven Investments	14,993	15,022
Net Current Assets	464	435
Total Assets	62,371	57,045

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2021 % per annum
Discount rate	2.14%
Inflation (RPI)	3.30%
Inflation (CPI)	2.85%
Salary growth	3.85%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Retirement benefits (continued)

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	32	1,084	55
Females	61	2,045	54
Total	93	3,129	54

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	47	122	56
Females	124	306	54
Total	171	428	55

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	70	470	66
Females	201	887	67
Total	271	1,357	67

Pension contributions by Scheme – Group and Association

Defined contribution - SHAPS

There are 159 active members of the SHAPS DC scheme as at 31 March 2021 for the Group and 147 for KEY only. The Group and KEY contribute 4.7% as an employer contribution. Total employer contributions for the year were £246,426 (2020 - £235,142) for the Group and £228,545 (2020 - £218,419) for Key only. Included in the year end creditors balance is £40,328 (2020 - £88,704) for the Group and £37,311 (2020 - £79,364) for KEY only in respect of pension contributions payable. This represents one month's contributions as well as outstanding contributions for new members.

Defined contribution - Other

The Group also offers a defined contribution pension scheme under SHAPS. Employer contributions for the year were £22,117 (2020 - £22,625) for the Group and £ 20,394 (2020 - £20,938) for Key Housing Association Limited only. Included in creditors as at 31 March 2021 is £3,061 (2020 - £3,604) in respect of the defined contribution scheme for the group and £2,802 (2020 - £3,335) for Key Housing Association Limited only. This represents one month's contribution. As at 31 March 2021 there were 32 (2020 - 32) active members of the scheme employed by the Group and 30 (2020 - 30) by Key Housing Association Limited.

Auto Enrolment

From 1 November 2013, eligible employees in KEY who were not active members of the SHAPS scheme were automatically enrolled into the Flexible Retirement Plan with contribution levels meeting minimum statutory requirements. From 1 April 2014, eligible employees in Community Lifestyles were similarly enrolled. Employer contributions for the year were £886,318 (2020 - £869,338) for the Group and £658,022 (2020 - £644,420) for KEY. As at the year-end there were £245,893 (2020 - £245,230) pension contributions outstanding for the Group and £180,171 (2020 - £183,439) for KEY. There were 1,856 (2020 - 1,889) active members for the Group as at 31 March 2021 and 1,474 (2020 - 1,495) for KEY only.

At the year-end £120,127 (2020 - £116,754) was included in the pension creditor in respect of the past service deficit payment and pension management costs due to be paid at the year-end for the Group and £117,975 (2020 - £114,689) for KEY only. There was also £1,918 (2020 £2,666) in respect of the death in service element for the Group and £1,770 (2020 £2,453) for KEY.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

22. Retirement benefits (continued)

Employer debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the scheme as at 30 September 2020. As of this date the estimated employer debt for the Association was £43,927,575 and for Community Lifestyles Limited was £723,746.

23. Operating lease commitments – Consolidated

	Land & Buildings	Other	<i>Land & Buildings</i>	<i>Other</i>
Annual commitments expiring within the following periods post year end:	2021	2021	2020	2020
	£	£	£	£
One year or less	203,132	50,495	240,945	64,156
Between two and five years	51,899	79,665	212,536	97,516
In five years or more	-	-	2,157	3,047
	255,031	130,160	455,638	164,719

Operating lease commitments – Association

	Land & Buildings	Other	<i>Land & Buildings</i>	<i>Other</i>
Annual commitments expiring within the following periods post year end:	2021	2021	2020	2020
	£	£	£	£
One year or less	203,132	50,495	240,945	64,156
Between two and five years	51,899	79,665	212,536	97,516
In five years or more	-	-	2,157	3,047
	255,031	130,160	455,638	164,719

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

24a. Share capital – Consolidated and Association

	2021 £	2020 £
Shares of £1 each fully paid and issued at:		
Brought forward at 1 April	287	300
Shares issued during the year	-	2
Shares cancelled during the year	-	(15)
Shares of £1 each fully paid at 31 March	<u>287</u>	<u>287</u>

The Association issued nil (2020 - two) shares in the year. The shares have limited rights with no rights to dividends, redemptions or winding up. Each shareholder has the right to vote at the General Meetings.

24b. Revenue reserves

The revenue reserve includes all current and prior year retained surpluses or deficits.

25a. Net cash inflow from operating activities: Consolidated

	2021 £	2020 £
Surplus for the year	3,696,696	2,120,466
<u>Adjustments for non cash items</u>		
Depreciation of tangible fixed assets including loss on disposal of components	716,303	721,316
Carrying amount of tangible fixed asset disposals	3,931	40,499
Increase in creditors	3,533,551	1,618,667
(Increase) in debtors	(1,566,442)	(1,122,878)
Interest charge in respect of the defined benefit pension liability	102,000	263,000
<u>Adjustments for investing or financing activities</u>		
Net proceeds from sale of tangible fixed assets	(4,372)	(29,118)
Interest payable	48,634	58,443
Interest receivable	(32,907)	(35,453)
SHAPS past service deficit payment	(1,597,010)	(1,403,502)
Shares cancelled	-	(15)
Release of deferred Government Capital grants	(6,625)	(6,625)
Movement in market value of investments	(82,075)	33,572
Net cash inflow from operating activities	<u>4,811,684</u>	<u>2,258,372</u>

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

25b. Net cash inflow from operating activities: Association

	2021 £	2020 £
Surplus for the year	2,626,754	1,825,630
<u>Adjustments for non cash items</u>		
Depreciation of tangible fixed assets including loss on disposal of components	641,234	655,969
Carrying amount of tangible fixed asset disposals	3,931	40,499
Increase in creditors	2,762,336	911,051
(Increase) in debtors	(701,959)	(1,182,189)
Interest charge in respect of the defined benefit pension liability	102,000	259,000
<u>Adjustments for investing or financing activities</u>		
Net proceeds from sale of tangible fixed assets	(4,372)	(29,118)
Interest payable	48,634	58,443
Interest receivable	(15,786)	(16,446)
SHAPS past service deficit payment	(1,572,022)	(1,379,440)
Shares cancelled	-	(15)
Release of deferred Government Capital Grant	(6,625)	(6,625)
Movement in market value of investments	(82,075)	33,572
Net cash inflow from operating activities	<u>3,802,050</u>	<u>1,170,331</u>

26. Capital commitments – Consolidated and Association

	2021 £	2020 £
Contracted for but not provided for in the financial statements	<u>-</u>	<u>-</u>
Authorised by the Management Committee but not contracted for	<u>-</u>	<u>-</u>

27. Contingent liabilities – Consolidated and Association

Several local authorities have indicated that they intend to claw back an element of the funding received in the year for services that could not take place as a result of the pandemic. This could result in a potential liability for the Association and the Group however the expected cost to the Group and Association of this claw back cannot yet be quantified. There were no contingent liabilities as at 31 March 2020.

KEY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

28. Housing stock – Consolidated and Association

	Units under Manage- ment Mainstream 2021	Units under Manage- ment Mainstream 2020	Units under Manage- ment Supported 2021	Units under Manage- ment Supported 2020
Housing accommodation for letting:	£	£	£	£
New build	125	125	565	565
Rehabilitation	-	-	22	22
	<u>125</u>	<u>125</u>	<u>587</u>	<u>587</u>
Registered accommodation:				
Number of bed spaces	-	-	-	-

There are no new units under development for either year.

29. Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and registered with the Financial Conduct Authority.

30. Related parties

Subsidiary undertakings

In August 1995, Key Housing Association set up a subsidiary company, Community Lifestyles Limited. This company provides individualised home and community support services to adults with learning difficulties, mainly in housing not provided by the Association. This is provided under contracts with local authorities, mainly Glasgow City Council.

From August 1998 Community Lifestyles Limited became a registered charity and limited by guarantee. It remains under the control of Key Housing Association Limited.

The transactions between the two entities during the year have consisted of net recharges totalling £815,072 (2020 - £817,622) by Key Housing Association to Community Lifestyles Limited for staff costs and other overheads. There were also a total of £214,168 (2020 - £183,222) of recharges from Community Lifestyles Limited to Key Housing Association Limited for staff costs and other overheads. At 31 March 2021, Community Lifestyles Limited owed Key Housing Association Limited £247,551 (2020 - £645,675) in respect of sundry items and Glasgow City Council funding to be paid over. Included in the year end creditors is £79,302 (2020 - £95,735) in respect of sundry items payable to Community Lifestyles Limited.

In January 2012, KEY set up a design and build subsidiary company called KHA Developments Limited. KHA Developments Limited became dormant on 1 April 2020. A gift aid distribution of £nil (2020 - £223) was paid to Key Housing Association Limited. Included in the year end creditors is £nil (2020 - £1,013) in respect of amounts payable to KHA Developments Limited.

30. Related parties (continued)

Members of the Board

During the year the Association had no (2020 - *none*) member of the Board who was also a tenant. The tenancies of these members of the Board are on normal terms and the members cannot use their position to their advantage. The total rent charged in the year relating to Board members who are tenants is £nil (2020 - *£nil*). The total prepaid rent relating to Board members who are tenants included within creditors at the year end is £nil (2020 - *£nil*).

