



ARK HOUSING ASSOCIATION LIMITED

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Registered Housing Association No. HEP66

Financial Conduct Authority No. 1899R (S)

Charitable No. SC015694

ARK HOUSING ASSOCIATION LIMITED

PROFESSIONAL ADVISORS

31 MARCH 2020

Registered Office

The Priory
Canaan Lane
Edinburgh
EH10 4SG

Bankers

The Royal Bank of Scotland plc
Corstorphine Branch
239 St Johns Road
Edinburgh
EH12 7XA

Solicitors

Shepherd and Wedderburn WS
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

T C Young
Melrose House
69a George Street
Edinburgh
EH2 2JG

External Auditors

Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditors

TIAA Ltd
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road
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Hampshire
PO13 0FQ

ARK HOUSING ASSOCIATION LIMITED

**GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 1899R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP66
Charity Number	SC015694

**REPORT OF BOARD OF MANAGEMENT
31 MARCH 2020**

**BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS
31 MARCH 2020**

Board of Management - Serving in 2019-20

Marilyn Barrett MSc*

Ken Brown #

Shona Dunsmore CMCIPD #

Neil McKnight, MCIOH

Graham Mitchell BSc, MRICS, MIRPM, ACI Arb (Chair) #

David Proudfoot *

Lucy Robertson MSc, PGDIP.Hg, BSc (ECON), MCIH *

Anne Lane * CIMA – appointed 19 September 2019

Nikolas Koutris # ACCA – appointed 19 September 2019

Ian Logan # - appointed 19 September 2019

Dr Darcy Black MBA, PHD, BSc

Board of Management – resigned during period

Ann Lyon – resigned 19 September 2019

* Audit sub committee member

Finance sub committee member

Executive Officers – Current

Bobby Duffy MBA, DSSL, RMN

Victoria Knox MBA, MCIPD

Ron Watson MBA, FCMA, CGMA

Mark Hall

Caryn Innes

- Chief Executive

- Director, People and Organisational Development

- Director, Finance

- Director of Operations

- Director of Development & Business Improvement

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

Overview of Business

The principal objects of ARK Housing Association (ARK) are to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care.

Mission, Values, Vision, Objectives

Vision

ARK will play a significant part in improving Scottish society and living environments. We will change lives for the better and will encourage communities to be available and welcoming to people who require support in life.

Mission

Our mission is to provide the best regarded care, housing and support services in Scotland for families, children and adults of all ages who require support to have a good life and to build life-long and life-enhancing relationships, whilst promoting the right of people to have a life free from poverty and discrimination.

Values

Our values are the beliefs and behaviours that determine the culture of ARK and which are the foundations for the delivery of quality services and the nature of individual and corporate relationships. They guide the spirit in which we will operate.

We believe in:

- The worth of each person;
- Trusting relationships;
- Understanding difference;
- Challenging oppression;
- Personal and organisational accountability;
- Caring for the environment; and
- Enjoyment.

Objectives

ARK has in place a 5-year Business Plan and develops its strategic objectives using the Balanced Scorecard approach.

This transforms ARK's Business Plan into a detailed operational plan with objectives, targets, initiatives and tasks for staff at all levels of the organisation. It provides a framework that not only provides performance measurements but helps ARK identify what should be done and what should be measured, including the identification of business critical issues and activities, through regular review. As a result, it enables ARK's Executive Team to fully execute ARK's strategy.

Structure, Governance and Management

ARK is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority. ARK, a Registered Social Landlord and a registered charity, was established in 1977 under a Memorandum of Association which established the objects and powers of the Association.

ARK is governed by a voluntary Board of Management (the Board) and the management of ARK is delegated by this Board to the Executive Officers. Governance, management policies and procedures that set the parameters for those matters to be dealt with by the Board, and those which can be dealt with by the Executive Officers, have been approved by the Board. Meetings of both parties are held on a regular basis throughout the year and are conducted in accordance with ARK's reporting procedures.

The Board has three sub-committees (Finance, Audit, and Housing) each with specific terms of reference and functions delegated by the Board and with a member of the Board as their Chair. The Board also established an Executive Committee with delegated authority for decision-making in particular circumstances. The Board and Executive Officers of ARK serving during the year are listed on page 4.

Each member of the Board holds one fully paid share of £1 in ARK. The Executive Officers of ARK hold no interest in ARK's share capital and, although not having the legal status of Directors, act as Executives within the authority delegated by the Board.

ARK has a documented policy for recruitment to the Board and the recruitment process is structured in such a way as to ensure that those appointed to the Board have the required diversity of skills, interests and experience. ARK has established twice-yearly induction days and is creating additional learning days for Board members to ensure they maintain and enhance their contribution to Board Governance. Continuous learning requirements will be captured through a Board Effectiveness Survey.

ARK has two fully controlled subsidiaries in Ark Services Limited and Ark Commercial Investment Limited.

Ark Services Limited was set up to develop housing for those who are aged, infirm or disabled and in need of housing and associated amenities. As a registered charity, it was able to access Special Needs Capital Grant funding which was not available to Housing Associations.

Ark Commercial Investment Limited was set up as a vehicle to provide student accommodation in a former care home. As a commercial entity it leased the building from ARK and established a management contract to ensure high levels of occupancy throughout the academic year and a high level of take-up during holiday periods.

ARK has in place a management service contract with Ark Services Ltd and Ark Commercial Investment Limited to provide management and professional services to these organisations.

The financial statements of Ark Services Limited and Ark Commercial Investment Limited are consolidated in the ARK Group financial statements.

Financial Review

The Group's turnover for the year ended 31 March 2020 totalled £21,515k (2019: £21,055k). The main source of income for the Group includes the provision of care and support services of £17,625k (2019: £17,268k). The remainder of the Group's income is primarily derived from the social rental of housing property, with net rental income of £3,866k (2019: £3,787k).

Operating costs of the Group in the year totalled £20,527k (2019: £19,780), largely comprising of the following:

REPORT OF BOARD OF MANAGEMENT
31 MARCH 2020

- Care and support activity costs of £17,675k (2019: £17,156k), which are primarily employee costs;
- Management and maintenance administration costs associated with affordable letting activities totalling £977k (2019: £848k);
- £809k of planned and reactive maintenance costs to our social letting properties (2019: £828k); and
- Depreciation expenditure for social housing assets of £577k (2019: £503k).

The Group generated an operating surplus of £988k or 4.6% (2019: £1,275k or 6.1%). The decrease on prior year is primarily due to the extension of the Scottish Living Wage rate being applied to all sleepover hours delivered by staff. Other expenditure in the year includes £91k of interest due on loan funding (2019: £95k).

Total comprehensive income for the year of £5,818k (2019: loss of £211k) includes a net £5,002k increase (2019: £738k decrease) in respect of the annual actuarial valuation of the Scottish Housing Associations' Pension Scheme ("SHAPS").

Cashflows

The cash flow statement of the Group is shown on page 26. ARK generated £2,280k from operating activities (2019: £2,316k), a slight decrease of £36k on prior year. Cash and cash equivalents in the year increased by £1,333k (2019: increased by £1,447k), to £8,123k (2019: £6,790k).

Treasury Management

The Board reviews ARK's treasury management arrangements bi-annually. ARK holds surplus working cash reserves in an investment portfolio with Brewin Dolphin with the remaining cash funds being held in instant access and 7 day notice deposit accounts.

Readily liquefiable assets are held at a balance of at least an amount equivalent to two months salary costs (approximately £2,800k), which is considered sufficient to cover operational working capital requirements.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 37% of Group funds are secured on a fixed borrowing rate and 63% on a variable rate.

Fixed assets

The cost of ARKs housing properties after depreciation is £22,972k (2019: £23,247k). These have been funded principally through a combination of Housing Association Grant and other grants, private finance, and internal resources. The market value of ARKs housing properties is substantially higher than the net book value and is sufficient to meet all asset value related loan covenants.

Reserves

Total reserves increased by £5,818k on 2019 reserves, primarily due to the favourable movement in the SHAPS pension scheme liability.

General funds are unrestricted funds that are available for use at the discretion of the directors in furtherance of the general objectives of the association and which have not been designated for any other purposes.

At the year end there are two restricted reserves that were transferred from Rymouth Housing Society and also a third restricted fund that relates to monies raised on behalf of the West Adam Street project.

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Discussions on how these funds should be spent has commenced post year end. Details of these are set out in note 8.

Annual Review

Ark has continued to deliver services of the highest standard through a period of time which has presented the usual financial challenges for an organisation such as Ark. Maintaining sufficient income levels to meet the costs of our care and support business is a perennial challenge; as is achieving value for money in our housing improvement and maintenance contracts, which ensures we maintain high quality homes for our tenants. We have achieved those two objectives this year through the skill and focus of the leadership of both parts of the business.

Our main focus this year has been the development of our business plan for 2020-2025. We have spent some considerable time as a leadership team and with the Board focusing on the future and identifying the strategic objectives that will transform Ark over the next 5-10 years. We were due to launch our Business Plan in May this year; however this is delayed till later in the summer of 2020 as a result of Covid-19

We continue to build a culture of continuous improvement by embedding key organisational developments such as Local Business Development Plans; a bespoke Outcomes Framework; Self Directed Support models of support provision and a new Information Management System.

In addition we have delivered a bespoke Strategic Leadership and Management Development Programme, a Learning and Development programme supporting colleagues to attain SVQ in Care and ensuring we have in place a robust Governance Framework that enables compliance with GDPR and our duties under the Equalities Act.

Our Care Inspectorate grades have continued to rise and we continue to achieve high levels of satisfaction amongst our tenants and service users with regards to the services they receive.

These achievements are set against a backdrop of a very challenging operating environment. Within our Care and Support business, recruitment and retention continues to present challenges to us, as it does across the social care sector. Despite this, through our negotiations with local authorities we have maintained our status as a Scottish Living Wage employer and remain committed to achieving this again in 2020/21.

Our Housing teams continue to develop and respond positively to changes in legislation and we have successfully reviewed our housing allocations policy to ensure we meet the Revised Model Tenancy Agreement as directed by the Housing (Scotland) Act 2014. We also continued to work hard at meeting the Energy Efficiency Standard for Social Housing (ESSH) requirements and we are on course to meet the compliance target as of December 2020.

At the end of this financial year we had set in motion a plan that will see the restructure of the Executive team and the Senior Leadership Team. This is essential to deliver the strategic objectives contained in our new Business Plan and will ensure Ark has the skills, knowledge and leadership to deliver the improvements our community told us they wish to see.

Covid-19

As lockdown restrictions commenced across the UK, linked to the spread of Covid-19, local lockdown measures were swiftly implemented across our services, minimising the risk of exposure to the virus to the people we support. Measures taken to reduce this risk included:

- Significant and on-going purchasing of additional personal protective equipment (PPE);
- Reduced use of agency staff, and minimising the movement of staff from service to service;

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- Ensuring our staff are aware of best practice, as this has developed;
- Shielding of vulnerable supported people and staff;
- Regular testing of supported people and staff once testing was made widely available;
- Implementation of a business critical action plan, where key activities for the continued delivery of the business are monitored for effectiveness;
- An organisational risk assessment has been developed and kept under constant review by Ark's Health and Safety Adviser and the Executive Team;
- A substantive new risk in response to Covid-19 has been developed and added to the Strategic Risk Register, monitored by the Executive Team.

All staff not directly involved in the delivery of frontline care and support are also able to work remotely, with back-office services continuing to be delivered to a high standard.

As lockdown restrictions have eased, we have invested in thermal imaging technology to test supported people, staff, and visitors to our sites, and have undertaken a review of our offices to determine safe capacity levels, while observing social distancing rules. Back office staff have also been encouraged to continue working from home for the foreseeable future, in line with Scottish Government guidelines.

The financial risks to the organisation, in comparison to others, is low. The majority of our funding is obtained from Local Authorities, who pay for the delivery of care on behalf of our supported people, while the majority of our housing customers receive full or partial housing benefit. We continually monitor these risks through monthly management accounts and quarterly forecast updates.

Business Review

Scope of Review

This review refers to ARK Housing Association only. Equivalent material for its subsidiaries, Ark Services Ltd and Ark Commercial Investment Ltd, is included in their separate Annual Reports and Financial Statements.

Asset Management and Housing Services

Asset Management

During the year we continued to invest in our properties, spending over £500k on major component replacements and improvements within, and around, our stock. In particular, we have focused on improving energy efficiency, ensuring our properties comply with the Scottish Housing Quality Standard (SHQS) and Energy Efficiency Standard for Social Housing (ESSH) where it is possible to do so, while also reducing property running costs for our tenants.

In the past year we have undertaken a range of both SHQS and ESSH measures including:

- Replacement energy efficient windows;
- Energy efficient composite door set replacements;
- Kitchen and bathroom improvements;
- Energy efficient condensing boilers;

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- Heating and lighting controls;
- Loft and cavity wall insulation.

In order to maintain and continue with improvements to our housing stock, we complete Stock Condition surveys and Energy Performance Assessments in accordance with our annual plan.

The outcome of these surveys provides us with the information required to maintain compliance with SHQS and EESSH, while also informing our long-term component replacement programme.

Where properties cannot, without significant investment, meet SHQS and EESSH, we can apply for exemptions / abeyances.

During the year we also complete the annual Scottish Housing Regulators (SHR) return which reports on our performance across a number of repairs and maintenance categories such as routine, cyclical, and planned maintenance. Year-end results include:

• Average number of reactive repairs completed per property	3.9
• Average time to complete emergency repairs	3.81 Hrs
• Average time to complete non-emergency repairs	5.48 days
• % of reactive repairs completed right first time	97.4%
• % of tenants satisfied with repairs and maintenance service provision	94%

We have continued with our high standards in areas of statutory, regulatory and compliance elements of service provision, such as electrical and PAT testing, fire and emergency lighting, legionella testing, and gas servicing, whilst delivering these services within the required timescales and targets.

During the year we have also submitted planning permission for new build properties at both our Penicuik and Livingston sites, and are currently awaiting the outcome from both Midlothian and West Lothian Councils planning departments.

Housing Services

Despite the ongoing challenges of continuing welfare reform we have successfully controlled the level of rent arrears, decreasing to 1.1% of gross rental income at 31 March 2020 (2019: 1.4%). Former tenant arrears at 31 March 2020 increased slightly to £13k. We will continue to pursue the former tenants for payment throughout 2020-21. A 2.4% increase to rents was applied at 1 April 2020.

Our stock turnover rate in the year increased slightly from 10.9% to 12.6%. We allocated 34 self-contained properties and 14 rooms within shared properties, of which 56% of lets were to tenants with support needs, with the remainder being general needs tenants. Of our new general needs tenants, 72% were to applicants who were registered as being statutorily homeless, with one applicant referred through the Housing First Model. The average number of days to re-let dropped slightly from 28 to 26.

At the end of the year there were 3 self-contained voids waiting to be re-let, due to restrictions in place as a result of Covid-19. Total rent loss due to voids was comparable to prior year, at £36k, or 1.1% of rental income (2019: £34k, or 1.1% of rental income).

We served no 'Notice of Proceedings' for Recovery of Possession and there were no abandonments in the year, with tenancy sustainment levels remaining high with 91.5% of tenants remaining in the tenancy for more than one year.

In addition to reducing financial loss, throughout the year staff focused on the objectives set in the 2017-2020 Tenant Satisfaction Improvement Plan, with a particular focus on communicating more effectively with tenants. There were 435 annual house visits (80%) carried out in 2019-20. In addition, staff responded to 14 incidents of anti-social behavior, in line with prior year.

Care and Support Service Quality

ARK was able to maintain the high quality services provided in previous years with its average Care Inspectorate grade during the year increasing from 4.5 to 4.8 across all of our services. Individual service performances have risen steadily over the last 3 years, resulting in the rises in our average grades.

Out of a total of 31 Care Inspectorate grades awarded during this period, 5 grades were 6 (excellent), 15 grades were 5 (very good), and 8 grades were 4 (good). This represents a reduction in the number of grades of 4 awarded during this period; however this was offset by an increase in the number of grades of 5 awarded.

During this period we received 3 grades of 3 (adequate) across our services, a reduction from the 6 grades of 3 awarded last year (and a significant reduction from the 11 grades of 3 awarded the previous year). No services received a grade of 2 (weak) or 1 (unsatisfactory). We consider grades of less than 4 to be unacceptable and, therefore, this continues to represent positive improvement, supporting the improving picture across all services.

In services where we receive a grade of lower than 4, we put a detailed action plan in place to support improvement and a service review is conducted. These reviews involve a detailed audit by a manager from another area, with results being reported to senior management. These reviews are in addition to our local management auditing system which systematically reviews service quality and identifies improvements on an ongoing basis. We are confident that these measures will support continued improvement in relation to both service delivery and Care Inspectorate performance.

We have continued to develop our methods for obtaining feedback from the people we support. As well as our established surveys, we have introduced opportunities for supported people to provide feedback regarding the quality of service they receive during their six monthly support review process. This provides a rich stream of information that our services can use to direct continuous improvement initiatives. Organisational-wide feedback provided via this method includes:

- 96% of respondents indicating that they were either 'always' or 'mostly' happy with the support they get from ARK;
- 93% of respondents indicating that they felt either 'always' or 'mostly' listened to by ARK staff;
- 99% of respondents indicating that they were either 'always' or 'mostly' treated with respect at all times by ARK staff;
- 94% of respondents indicating that ARK staff either 'always' or 'mostly' do what they say they will do;
- 98% of respondents indicating that the ARK service either 'always' or 'mostly' makes a difference to their life.

Participation

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During 2019-20 we continued to offer a range of opportunities for our supported people and tenants to get involved in managing, monitoring and shaping the services that we provide.

Our participation group, Voices, met 4 times and offered a number of supported people from different geographical locations a chance to take part in an open forum which discusses issues that are relevant to our work and to the wider community. For example, the group talked about what the new ARK's values should be, how they feel about the word 'service user' and whether ARK should use it. The Group also heard from Social Security Scotland, which came to talk about its work to ensure dignity, fairness and respect for people relying on benefits, and from ChangeWorks, which delivered a workshop on how to cut food waste, save money and help the environment.

The supported people and tenants involved in our Working Group met 6 times during the year. Members of the Working Group are involved in the review of ARK Policies and Procedures that affect them, making sure their rights are respected. During 2019-20 they reviewed a number of ARK's policies and procedures including HS17- Smoke Free, G57c Professional Boundaries and HM05 Estate Management. The group also took part in the Care Inspection's consultation on development of their new Care at Home Framework. One of our Area Managers attends this group in order to create an ongoing link with senior management.

We have continued to develop the local Speak Out groups. As part of this, we train, support and coordinate support workers who act as Speak Out Workers and take responsibility for running Speak Out meetings for supported people. These groups provide us with direct information about what is working or not in the services and the real needs of tenants and supported people. Compared to the previous year, during 2019-20 we increased the number of Speak Out Groups from 8 to 12 and the number of supported people involved in Speak Out activities from over 100 to over 200. We continue to engage with local staff teams to create Speak Out groups in areas where there is interest in setting up a Group.

During 2019-20, our tenant and supported people scrutiny group (the Hub Group) continued to meet to review our operations and performances. The Hub Group is independently facilitated and operates independently from us. The group enjoys autonomy to decide which areas of our business and operations it wishes to review, and liaises with members of our Senior Leadership Team and Board as necessary in relation to its work. The group looked at relevant reports, heard from our Chief Executive and Board of Management's Chair, and took part in the review of its role to help identify ways to improve its impact and influence.

The people we support continue to be encouraged and helped to make connections with local communities and external groups and agencies. A number of them are actively engaged in the National Involvement Network, an organisation that helps people who use services to have more control over their lives.

Information about all participation activities in ARK is regularly shared with the people we support, our staff and the public through the quarterly ARK Newsletter, ARK's website and our social media channels. We continue to communicate in an accessible format, whilst supporting other colleagues and functions to do so also.

Investment in staff training

ARK is committed to investing in all staff to ensure they feel confident and competent to deliver what is expected of them. We want our supported people and tenants to receive the best service possible through our highly skilled staff teams. We invest in our Learning and Development (L&D) function to ensure that their delivery programme is aligned with the needs of the business and is designed in partnership with managers across ARK.

We have been focusing on the following:

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- Completing the delivery of our internal management development programme accredited by Napier University and by the Scottish Social Services Council (SSSC) as a recognised management award for SSSC Registration;
- Continue to deliver high quality SVQ qualifications in line with the SSSC registration targets;
- Reviewing the models of L&D delivery;
- Invest in and develop our E-Learning system for all staff;
- Measuring the impact of L&D interventions and continually improving the service;
- Increasing leadership and management capability across ARK;
- Creating a business plan to implement an upgraded Human Resources and L & D system.

Employee Involvement and Consultation

We continue to recognise Unite the Union and have a longstanding Recognition Agreement in place. Consultation with staff representatives and a full-time Union Official takes place on a regular basis through meaningful discussions on all staff related matters and we have recently added a permanent Health & Safety item to the agenda. We work in partnership on issues affecting the sector and have carried on the excellent relationship we have enjoyed over the years. The newly developed 5 year business plan will also see a focus on employee engagement and consultation as we are always looking to improve.

Continuous Improvement

We continue to work towards accreditation by the European Foundation for Quality Management. We have started to identify our key processes and evidence that we will need in order to submit a Committed to Excellence application. This will be a significant feature within our reviewed and updated 5-year business plan.

Healthy Working Lives

As a Bronze Award Holder accredited by the Scottish Centre for Healthy Working Lives, we continue to develop the internal working group focusing on areas that our staff tell us are important. We are planning an annual programme which will focus on employee health and well being and have kicked this off with a series of information shares on managing mental health. We were also delighted to bring on board a new Employee Assistance Programme provided by Sodexo to ensure that our staff have access to support for work related on non work related challenges in their lives. This was launched earlier this year through the HWL group.

Employee involvement and health and safety

We continue to encourage employee involvement at all levels in relation to meeting our Health and Safety responsibilities. As part of that commitment, ARK's full-time Health and Safety Adviser continued to support our local staff teams in all geographical locations with regular Health and Safety visits and advice.

A quarterly Health and Safety newsletter was circulated to all staff, containing information on current documents for consultation, new policies and general updates on health and safety issues. Regular

**REPORT OF BOARD OF MANAGEMENT
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Managers' briefing sheets and alerts were issued, to respond to issues and queries raised by individual Managers but which also had a wider learning impact.

Health and Safety statistics, updates and incidents to note were reported quarterly to the Senior Leadership Team, Executive Team, and to the Audit Sub-Committee, in order to maintain a focus on this important area.

Health and Safety policies are continually issued to all staff as part of the consultation and engagement process. Health and Safety has also been added to the National Joint Meetings with Unite to ensure maximum participation in issues affecting staff and the organisation.

Funds held as Custodian Trustee on Behalf of Others

During the year we held 132 bank accounts in trust on behalf of service users. These accounts are kept separate from funds held by the Association and controls monitored by the Care Inspectorate are in place to ensure the safe custody of said funds.

Risk Management

The services provided by us, in particular to those with learning difficulties, are inherently risky.

However, we have in place policies, procedures, and guidelines to manage these risks. Risk assessments are carried out for each service user and are regularly reviewed. Also, within Care and Support, a regular system of reviews is in place, which is carried out at various management levels to ensure that risks to service users and our employees are properly managed and to support best practice.

We also benefit from the expertise of its internal and external auditors. The internal audit programme is agreed with the Audit Sub-Committee on behalf of the Board and deals with areas of risk across the whole organisation.

A system of exception reporting to the Executive Officers and the Board, that includes remedial risk assessment and action reports, ensures that learning and improvement from Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and serious incidents is identified and acted upon. We maintain a Strategic Risk Register to ensure that, once they are identified, risks are monitored, managed and reported.

We also operate an organisational regulatory checklist that is reviewed each month by officers and also shared regularly with the Audit Sub-Committee on behalf of the Board. In respect of Health and Safety, the checklist is supported by our Health and Safety checks and audit system.

The Audit Sub-Committee advises the Board on issues of risk, control and governance and has a remit from the Board to monitor and review in the five key areas of internal and external audit functions, compliance with relevant statutory regulations, compliance with our policies and procedures and health and safety management.

Plans for the Future

We will launch our new Business Plan for 2020-2025 in September this year. This has been delayed as result of Covid-19.

This Business Plan has been developed to lay the foundations of a long term strategy that will see the transformation of ARK over the next 5 years and beyond.

The plan identifies our strategic aims as a provider of both housing and care and an employer of over 900 people, who contribute to the excellent work of ARK every day. Within this plan we are delighted to set

out a new Vision and Mission for ARK and new Values that will ensure all behaviours and relationships are based on values that respect who each and every one of us is as individuals, in this organisation.

This plan articulates a clear direction and strategy for the next 5 years. The strategic focus of this business plan has been built incrementally over the past 12 months; by the leadership of ARK proactively engaging with around 600 tenants, supported people and colleagues where we asked a simple question; what is important to you in your life with ARK, however you are connected with the organisation?

This unprecedented level of engagement gave our key stakeholder group the opportunity to share their views and tell us what is important to them and their future in ARK. We listened very carefully and believe we have set out strategic objectives that will deliver the future our stakeholders told us is important to them. The aim of this business plan is to create an organisation that will:

- Have a reputation for excellence and be recognised as a high quality provider of housing and care
- Be known as an excellent employer where employees will enjoy rewarding careers
- Build our technological and digital capability to support a successful business
- Have in place Leadership to create a culture of excellence throughout the business

Our stakeholder group agreed that having a strategic focus on these aims, will lead to the type of transformation that will make a real positive difference to them in their life.

We have also spent some considerable time with our Board of Management, discussing the future and together agreeing what our strategic focus should be. Our Board of Management have a whole range of skills and experience in a variety of business sectors and this became crucial when we were finalising the key aims of the plan, as a result we have agreed strategic objectives that when delivered, will achieve the positive change all in ARK expect.

The level of engagement across ARK, with contributions from tenants; supported people, support workers; care and support managers; housing teams; senior teams and the Board of Management means we have a plan that:

- Clearly sets out a new Vision, Mission and Values, aligned with our charitable objectives and social purpose as an organisation;
- Sets a strategic direction which is fully understood and supported by the Board, management and staff;
- Confirms our commitment to achieving Value for Money and demonstrating this in a way that is meaningful to our customers;
- Demonstrates how we identify and mitigate corporate risks;
- Is aligned to our Asset Management Strategy, which will drive the continual improvement in the quality of housing we provide and the sustainability of our housing stock;
- Confirms our commitment to continuous improvement and achievement of excellence across our customer facing services;
- Demonstrates how good financial planning will support delivery of the key objectives in this plan.

Going Concern

The Board of Management has reviewed the results for this year and has also reviewed the projections for the next five years. The Board, therefore, has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Auditors

A resolution to re-appoint Chiene + Tait LLP as auditors for the ensuing year will be proposed at the annual general meeting.

By order of the Board of Management
The Priory
Canaan Lane
Edinburgh
EH10 4SG

Graham Mitchell (Chair)
Date: 20 August 2020

STATEMENT OF BOARD RESPONSIBILITIES
31 MARCH 2020

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

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation require 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 at the balance sheet date, and of its income and expenditure for the year ended on that date.

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information for the Auditors

The Board members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members has confirmed that they have taken all the steps they ought to take as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board of Management

Graham Mitchell (Chair)

Date: 20 August 202

ARK HOUSING ASSOCIATION LIMITED
STATEMENT ON INTERNAL FINANCIAL CONTROLS
31 MARCH 2020

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

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

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. The key elements of the Group's systems of internal financial control are set out below:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives as well as the progress towards the financial plans set for the year and the medium term.
- Management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Board reviews reports from management and from the Audit Sub-Committee, which scrutinises reports from both internal and external auditors, to obtain reasonable assurance that control procedures are in place and are being followed. The Group has a rolling programme of internal audit reviews which cover the key activities of the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports. These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.
- Significant risks are identified, evaluated and managed as previously outlined on page 14 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2020 and up to the approval date of the financial statements. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board of Management

Graham Mitchell (Chair)

Date: 20 August 2020

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

31 MARCH 2020

Opinion

We have audited the financial statements of ARK Housing Association Limited (the 'association') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, Group Statement of Changes in Reserves, the Group and Association Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and the Group's affairs as at 31 March 2020 and of the Association's and the Group'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 properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements – 2019.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK HOUSING
ASSOCIATION LIMITED**

31 MARCH 2020

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 17, the Board members (who are also the Trustees of the association for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK HOUSING
ASSOCIATION LIMITED**

31 MARCH 2020

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

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

2020

REPORT BY THE AUDITORS TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Group Financial Statements, we have reviewed your statement on page 18 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 18 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Group Financial Statements.

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

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

2020

ARK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	<i>Notes</i>	2020 £'000	2019 £'000
Turnover	2	21,515	21,055
Less: Operating costs	2	(20,527)	(19,780)
Operating surplus		988	1,275
Gain on disposal of fixed assets	19	-	-
Restructuring costs		-	-
Interest receivable and similar income		43	58
Interest payable and similar charges	6	(91)	(95)
Surplus for the financial year		940	1,238
Unrealised loss on investments	13	(124)	(6)
Actuarial gain on investments	26	-	-
Amendment to pension recovery plan	26	615	594
		1,431	1,826
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	26	-	(705)
Actuarial gain/(loss) in respect of pension scheme	26	4,387	(1,332)
Total comprehensive income for the financial year		5,818	(211)

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	<i>Notes</i>	2020	2019
		£'000	£'000
Turnover	2	20,750	20,332
Less: Operating costs	2	(20,185)	(19,475)
Operating surplus		<u>565</u>	<u>857</u>
Gain on disposal of fixed assets	19	-	-
Restructuring costs		-	-
Interest receivable and similar income		38	58
Interest payable and similar charges	6	(27)	(28)
Surplus for the financial year		<u>576</u>	<u>887</u>
Unrealised loss on investments	13	(124)	(6)
Actuarial gain on investments	26	-	-
Amendment to pension recovery plan	26	615	594
		<u>1,067</u>	<u>1,475</u>
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	26	-	(705)
Actuarial gain/(loss) in respect of pension scheme	26	4,387	(1,332)
Total comprehensive income for the financial year		<u><u>5,454</u></u>	<u><u>(562)</u></u>

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Group				Association			
	Income & expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000	Income & expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2019	10,641	68	44	10,753	8,556	68	44	8,668
Surplus from statement of comprehensive income	815	-	1	816	452	-	1	453
Transfer (to)/from revaluation reserve	124	(124)	-	-	124	(124)	-	-
Actuarial gain on investments	-	-	-	-	-	-	-	-
Amendment to pension recovery plan	5,002	-	-	5,002	5,002	-	-	5,002
Balance at 31 March 2020	16,582	(56)	45	16,571	14,134	(56)	45	14,123

All amounts relate to continuing operations.

ARK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	<i>Notes</i>	2020	2019
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment	9	22,972	23,247
Other tangible fixed assets	11	2,646	2,599
Assets held for sale		-	-
Investment property	13	475	475
Investments	13	1,156	1,257
		<u>27,249</u>	<u>27,578</u>
Current assets			
Debtors	14	1,721	2,018
Cash at bank and in hand	21	8,123	6,790
		<u>9,844</u>	<u>8,808</u>
Creditors: amounts falling due within one year	15	(3,753)	(3,470)
Net current assets		<u>6,091</u>	<u>5,338</u>
Total assets less current liabilities		33,340	32,916
Creditors: amounts falling due after more than one year	16	(14,678)	(15,070)
Provisions for liabilities			
Pension deficit funding liability	26	-	-
Pension – defined benefit liability	26	(2,091)	(7,093)
Total net assets		<u><u>16,571</u></u>	<u><u>10,753</u></u>
Capital and reserves			
Share capital	20	-	-
Restricted reserves	8	45	44
Revaluation reserve		(56)	68
Revenue reserve		16,582	10,641
Total Reserves		<u><u>16,571</u></u>	<u><u>10,753</u></u>

These financial statements were approved by the Board of Management and authorised for issue on 20 August 2020 and signed on its behalf by:

Graham Mitchell (Chair)

Bobby Duffy (Company Secretary)

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	<i>Notes</i>	2020	2019
		£'000	£'000
Tangible fixed assets			
Housing properties, furniture and equipment	10	19,423	19,564
Other tangible fixed assets	12	2,596	2,549
Assets held for sale		-	-
Investment property	13	475	475
Investments	13	1,156	1,257
		<u>23,650</u>	<u>23,845</u>
 Current assets			
Debtors	14	1,715	2,014
Cash at bank and in hand	22	6,081	5,093
		<u>7,796</u>	<u>7,107</u>
Creditors: amounts falling due within one year	15	<u>(3,344)</u>	<u>(3,026)</u>
Net current assets		<u>4,452</u>	<u>4,081</u>
 Total assets less current liabilities		 28,102	 27,926
 Creditors: amounts falling due after more than one year	16	 (11,888)	 (12,165)
 Provisions for liabilities			
Pension deficit funding liability	26	-	-
Pension – defined benefit liability	26	(2,091)	(7,093)
Total net assets		<u>14,123</u>	<u>8,668</u>
 Capital and reserves			
Share capital	20	-	-
Restricted reserves	8	45	44
Revaluation reserve		(56)	68
Revenue reserve		14,134	8,556
Total Reserves		<u>14,123</u>	<u>8,668</u>

These financial statements were approved by the Board of Management and authorised for issue 20 August 2020 and signed on its behalf by:

Graham Mitchell (Chair)

Bobby Duffy (Company Secretary)

ARK HOUSING ASSOCIATION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS - GROUP
FOR THE YEAR ENDED 31 MARCH 2020**

	<i>Notes</i>	2020	2019
		£'000	£'000
Net cash generated from operating activities	<i>21</i>	2,280	2,316
Cash flow from investing activities			
Housing association grants received	<i>15</i>	20	-
Interest received		53	58
Sale of housing property		-	-
Purchase of housing property	<i>9</i>	(578)	(511)
Purchase of other tangible fixed assets	<i>11</i>	(176)	(102)
Purchase of investments	<i>13</i>	(768)	(225)
Cash flow from financing activities			
Interest paid	<i>6</i>	(91)	(95)
Disposal of investments	<i>13</i>	669	154
Reinvested dividends	<i>13</i>	66	(10)
Exceptional payments restructuring costs		-	-
Repayment of housing loans		(142)	(138)
Net Change in cash & cash equivalents		1,333	1,447
Cash & cash equivalents at 1 April		6,790	5,343
Cash & cash equivalents at 31 March		8,123	6,790

ARK HOUSING ASSOCIATION LIMITED

**HOUSING ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	<i>Notes</i>	2020	2019
		£'000	£'000
Net cash generated from operating activities	<i>22</i>	<u>1,800</u>	<u>1,735</u>
Cash flow from investing activities			
Housing association grant received	<i>15</i>	20	-
Interest received		49	58
Sale of housing properties		-	-
Purchase of housing properties	<i>10</i>	(572)	(373)
Purchase of other tangible fixed assets	<i>12</i>	(176)	(102)
Purchase of investments	<i>13</i>	(768)	(225)
Cash flow from financing activities			
Interest paid	<i>6</i>	(27)	(28)
Disposal of investments	<i>13</i>	669	154
Reinvested dividends	<i>13</i>	66	(10)
Exceptional payments restructuring costs		-	-
Repayment of housing loans		<u>(73)</u>	<u>(73)</u>
Net change in cash & cash equivalents		988	1,136
Cash & cash equivalents at 1 April		5,093	3,957
Cash & cash equivalents at 31 March		6,081	5,093

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2020

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, is registered by The Financial Conduct Authority and is a registered housing provider. The Association is a Public Benefit Entity.

1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (u) below.

(a) Basis of Consolidation

Ark Services Limited is incorporated as a company limited by guarantee. It is a registered charity and per its articles it is to be treated as a subsidiary of the Housing Association. Ark Commercial Investment Limited is incorporated as a company limited by share capital and is also a subsidiary of the Housing Association. Consolidation has been carried out using the equity method.

(b) Basis of Accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2018 (“SORP 2018”), Financial Reporting Standard 102 (FRS 102) and the Scottish Housing Regulator’s Determination of Accounting Requirements (2019).

(c) Going Concern

The financial statements have been prepared on a going concern basis. The Board, in preparing these financial statements, is mindful of ongoing pricing pressures, the short term nature of contract income, increasing pension costs, and the long-term economic impact of Covid-19. The ongoing process of care contract renewal, margin monitoring and securing future funding is actively managed ensuring the needs of all stakeholders are taken into account. The Board has assessed the Association’s and Group’s ability to continue as a going concern and have prepared financial forecasts based on assumptions considered reasonable and prudent by the Board of Management. Based on these projections the Board has a reasonable expectation that the Association and Group has adequate resources for the foreseeable future and thus continue to prepare the financial statements on a going concern basis.

(d) Housing Association Grants

Housing Association Grant (HAG) is paid directly to the Association as required and contributes to the costs of housing properties. The grants are made by the Housing and Investment Division of the Scottish Government and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net rental income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Housing and Investment Division of the Scottish Government.

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at cost, the grant is recognised in turnover over the expected useful life of the housing property structure. Grants received specifically for components of a housing property are included in turnover over the expected useful life of the component under the accruals model.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

Other grants from non-government sources are recognised using the performance model in accordance with the SORP.

The grants are repayable under certain circumstances, but will normally be restricted to a maximum of net proceeds of sale.

(e) Turnover

Turnover represents rents, service charges, revenue grants from the Housing and Investment Division of the Scottish Government and funding from Local Authorities less amounts carried forward as deferred income. Turnover is recognised when amounts fall due and when income has been earned.

(f) Fixed Assets – Housing Land and Buildings

Social Housing properties are stated at cost. The development cost of housing properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure
- (iii) Interest charged on the mortgage loans raised to finance the scheme to date of completion.

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

(g) Fixed Assets – Investment Properties

Investment properties are held at fair value with revaluation movements recorded in the income statement for the period.

(h) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(i) Development costs and allowances and accrued income

Development allowances are intended to finance certain administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme and are treated as deferred allowances while actual development costs are added to housing properties.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

(j) Fixed assets and Depreciation

(i) Housing land and buildings

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to capitalisation and depreciation of its completed housing stock.

Housing properties are stated at cost less accumulated depreciation. Works to existing properties will, generally, be capitalised under the following circumstances:

- where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

Depreciation is charged on a straight-line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

-	Floors	- 30 Years
-	Boilers	- 15 Years
-	Heating systems	- 20 Years
-	Kitchens	- 12 Years
-	Bathrooms	- 15 Years
-	Windows	- 30 Years
-	Doors	- 30 Years
-	Driveway & Paths	- 30 Years
-	Gutters & Downpipes	- 30 Years
-	Roof	- 80 Years
-	Walls	- 30 Years
-	Ceiling	- 30 Years
-	Electrics	- 30 Years
-	Woodwork	- 30 Years
-	Lifts	- 15 Years
-	Building	- 80 Years
-	Assistive Technology	- 5 Years
-	Sprinkler Systems	- 15 Years

No depreciation is charged on land.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

(ii) **Other fixed assets**

Expenditure incurred on the Association's office buildings has been split into components and depreciated at the rates detailed in (j) and (i).

Office furniture and equipment is written off straight line over 5 years.

Computer equipment is written off straight line over 3 years.

ARK Information Management System (AIMS) written off straight line over 10 years.

Depreciation is charged on these assets on a monthly basis from the date of acquisition.

(k) **Fair value of assets transferred**

The fair value of assets transferred at 1st October 2012 has been treated as acquisition accounting.

(l) **Impairment of fixed assets**

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets is recognised in the Income and Expenditure account.

(m) **Deferred Income**

Income and grants received in advance of the period to which the service is provided are recognised as deferred income.

(n) **Service Equipment Replacement Creditor**

The service equipment replacement creditor represents the Association's liability to replace service equipment for mainstream properties in accordance with a planned programme of work.

(o) **Restricted Reserves**

This reflects revenue grants and donations/legacies received for restricted purposes/projects and related expenditure in these projects.

(p) **Pensions**

The Association participates in a defined benefit pension scheme, the cost of which is met on an accruals basis. The assets of the Scheme are held separately from those of the Association in an independently administered fund.

As disclosed in note 26 the Association was informed in June 2013 of the amounts it is estimated to pay for past service deficit over the next 12 ½ years.

In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been separately identified and are included in the Association's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

(q) Credit Payment Policy

Purchases are paid within 30 days of invoice or in accordance with creditor payment terms.

(r) Operating Leases

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

(s) Taxation

As a registered Social Landlord and a Registered Charity, the Association is exempt from payment of corporation tax on its social letting and other charitable activities.

(t) Investments

Investment income is brought into account when due and receivable. Investments are stated at market value. Unrealised gains or losses on valuation are reflected through the Statement of Comprehensive Income and disclosed in the Revaluation Reserve in the Statement of Financial Position. Realised gains or losses are recognised through the Statement of Comprehensive Income as they occur.

(u) Financial instruments (financial assets and financial liabilities)

The Association has only basic financial assets and liabilities comprising debtors, cash and cash equivalents and trade creditors and accruals. These assets and liabilities are initially recorded at cost and subsequently at the amounts expected to be received or paid.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

2. Particulars of turnover, operating costs and operating surplus for the financial year by class of business

Group:			2020	2019
	Notes	Turnover	Operating Costs	Operating Surplus/(Deficit)
		£'000	£'000	£'000
Social lettings	3	3,866	(2,828)	1,038
Other activities	4	17,625	(17,675)	(50)
2020 Total		21,491	(20,503)	988
2019 Total		21,055	(19,780)	1,275

Association:			2020	2019
	Notes	Turnover	Operating Costs	Operating Surplus
		£'000	£'000	£'000
Social lettings	3	3,042	(2,510)	532
Other activities	4	17,708	(17,675)	33
2020 Total		20,750	(20,185)	565
2019 Total		20,332	(19,475)	857

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

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

Group:	General Needs £'000	Supported Housing Accommodation £'000	2020 Total £'000	2019 Total £'000
Rent receivable	3,415	49	3,464	3,418
Service charges	436	2	438	403
Gross income from rents and service charges	3,851	51	3,902	3,821
Less voids	(35)	(1)	(36)	(34)
Total turnover from social letting activities	3,816	50	3,866	3,787
Management and maintenance administration costs	963	14	977	848
Service costs	467	-	467	447
Planned and cyclical maintenance including major repairs costs	379	6	385	452
Reactive maintenance costs	418	6	424	376
Bad debts – rent and service charges	(2)	-	(2)	(2)
Depreciation of social housing	569	8	577	503
Operating costs for social letting activities	2,794	34	2,828	2,624
2020 Operating surplus for social letting activities	1,022	16	1,038	1,163
2019 Operating surplus for social letting activities	1,149	14	1,163	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

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

Association:	General Needs £'000	Supported Housing Accommodation £'000	2020 Total £'000	2019 Total £'000
Rent receivable	2,651	49	2,700	2,689
Service charges	376	2	378	342
Gross income from rents and service charges	3,027	51	3,078	3,031
Less voids	(35)	(1)	(36)	(34)
Total turnover from social letting activities	2,992	50	3,042	2,997
Management and maintenance administration costs	923	15	938	818
Service costs	340	-	340	310
Planned and cyclical maintenance including major repairs costs	362	6	368	423
Reactive maintenance costs	366	6	372	346
Bad debts – rent and service charges	(2)	-	(2)	(2)
Depreciation of social housing	486	8	494	427
Operating costs for social letting activities	2,475	35	2,510	2,322
2020 Operating surplus for social letting activities	517	15	532	675
2019 Operating surplus for social letting activities	658	17	675	

ARK HOUSING ASSOCIATION LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020

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

Group:	Other revenue grants	Supporting people income	Other income	Total turnover	Other operating costs	2020 Operating Surplus / (Deficit)	2019 Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support activities	8,593	7,244	197	16,034	(16,003)	31	165
Care activities	1,319	-	98	1,417	(1,415)	2	15
Other activities	-	-	174	174	(257)	(83)	(68)
Total from other activities – 2020	9,912	7,244	469	17,625	(17,677)	(50)	112
Total from other activities – 2019	8,960	7,725	583	17,268	(17,156)	112	

Association:	Other revenue grants	Supporting people income	Other income	Total turnover	Other operating costs	2020 Operating Surplus / (Deficit)	2019 Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support activities	8,593	7,244	197	16,034	(16,003)	31	165
Care activities	1,319	-	98	1,417	(1,415)	2	15
Other activities	-	-	257	257	(257)	-	2
Total from other activities – 2020	9,912	7,244	552	17,708	(17,675)	33	182
Total from other activities – 2019	8,960	7,725	650	17,335	(17,153)	182	

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

5. The number of units in management at 31 March 2020 was as follows:

	Owned	Not Owned	2020 Total	2019 Total
	No.	No.	No.	No.
General Needs	195	-	195	195
Supported accommodation	355	48	403	409
	550	48	598	604

Management of Association stock by other bodies

	2020 No.	2019 No.
Properties leased to other organisations		
Midlothian Council	9	9
West Lothian Council	6	6
Community Integrated Care Ltd	6	6
Aberdeen City Council	1	1
Leonard Cheshire Foundation	1	1
Real Life Options	2	1
Fife Council	6	6
SHARE	1	-
Total properties	32	30

6. Interest payable

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans	91	95	27	28
Net interest charges on pension liability	-	-	-	-
	91	95	27	28

7. Taxation

The Group has charitable status with HM Revenues & Customs (Charity Number SC015694) and is eligible for exemptions from corporation tax.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

8. Restricted Reserves

	Group		Housing Association	
	2020	2019	2020	2019
Rotary Rymonth Hobbies Fund – Restricted	£'000	£'000	£'000	£'000
At 1 April 2019	7	7	7	7
At 31 March 2020	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

The Rotary Rymonth Hobbies Fund was created out of a donation received by Rymonth Housing Society from St Andrews Rotary Club for the purpose of promoting the leisure activities of the residents of Rymonth, including the provision of equipment and materials for the said purpose. Interest shall be credited annually and any expenditure exceeding £250 shall be notified to the Rotary Club in advance.

	£'000	£'000	£'000	£'000
Rymonth Donations – Restricted				
At 1 April 2019	28	27	28	27
Transfer from revenue reserve	1	1	1	1
At 31 March 2020	<u>29</u>	<u>28</u>	<u>29</u>	<u>28</u>

The Rymonth Donations was created out of donations received by Rymonth Housing Society and by ARK for the residents of Rymonth.

	£'000	£'000	£'000	£'000
Southside / West Adam Street				
At 1 April 2019	7	7	7	7
At 31 March 2020	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

The Southside / West Adam Street Restricted Fund relates to monies raised on behalf of the West Adam Street Project. These had been held by the Ark Housing Trust and were transferred over when it was closed. The intention is that the funds will be used on behalf of the project, for example, spending on supporting one-off purchases such as furniture, or one-off activities such as trips.

	£'000	£'000	£'000	£'000
Southhouse – Restricted				
At 1 April 2019	2	-	2	-
Transfer from revenue reserve	-	2	-	2
At 31 March 2020	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Restricted Reserves	<u>45</u>	<u>44</u>	<u>45</u>	<u>44</u>

The Southhouse Restricted Fund relates to a legacy received during the year from the father of a service user at Southhouse to be used for the benefit of staff at Southhouse service in Edinburgh.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 20120**

9. Tangible Fixed Assets – Group

Heritable property for letting

	Assets completed £'000	Assets under construction £'000	Total Heritable property for letting £'000
Cost			
As at 1 April 2019	35,330	-	35,330
Additions	578	-	578
Disposals	(155)	-	(155)
As at 31 March 2020	<u>35,753</u>	-	<u>35,753</u>
Depreciation			
As at 1 April 2019	12,083	-	12,083
Charge for Year	781	-	781
Disposals	(83)	-	(83)
As at 31 March 2020	<u>12,781</u>	-	<u>12,781</u>
Net Book Value			
As at 31 March 2020	<u><u>22,972</u></u>	-	<u><u>22,972</u></u>
As at 31 March 2019	<u>23,247</u>	-	<u>23,247</u>

All land and property is owned by the Group. None is held under a lease.

Major Repairs costs amounted to £501k (2019 £552k) of which £501k (2019 £511k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

10. Tangible Fixed Assets - Housing Association

	Assets Completed	Assets Under Construction	Total Heritable Property for letting £'000
Cost			
As at 1 April 2019	30,443	-	30,443
Additions	572	-	572
Disposals	(119)	-	(119)
As at 31 March 2020	30,896	-	30,896
Depreciation			
As at 1 April 2019	10,879	-	10,879
Charge for Year	675	-	675
Disposal	(81)	-	(81)
As at 31 March 2020	11,473	-	11,473
Net Book Value			
As at 31 March 2020	19,423	-	19,423
As at 31 March 2019	19,564	-	19,564

All land and property is owned by the Association. None is held under a lease.

Major Repairs costs amounted to £495k (2019 £439k) of which £495k (2019 £373k) was capitalised in the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

11. Other Fixed Assets – Group

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Office Equipment £'000	Total £'000
Cost					
As at 1 April 2019	1,571	1,300	850	146	3,867
Additions during year	-	-	176	-	176
Disposals during the year	-	-	-	-	-
As at 31 March 2020	<u>1,571</u>	<u>1,300</u>	<u>1,026</u>	<u>146</u>	<u>4,043</u>
Depreciation					
As at 1 April 2019	433	-	710	125	1,268
Charges for the year	38	-	75	16	129
Disposals during year	-	-	-	-	-
As at 31 March 2020	<u>471</u>	<u>-</u>	<u>785</u>	<u>141</u>	<u>1,397</u>
Net Book Value					
As at 31 March 2020	<u>1,100</u>	<u>1,300</u>	<u>241</u>	<u>5</u>	<u>2,646</u>
As at 31 March 2019	<u>1,138</u>	<u>1,300</u>	<u>140</u>	<u>21</u>	<u>2,599</u>

The original cost of the office premises at The Priory was £1,043,000. These premises were valued in June 1994 at open market value on an equivalent use basis at £750,000 by Maurice Elliot FRICS, FSVA at Kean Kennedy and Partners, independent chartered surveyors, in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors. The reduction in value was fully written off in the year ended 31 March 1994.

As allowed under FRS transitional rules, as the valuation was carried out prior to the introduction of the FRS, the Association has chosen to retain that valuation as deemed cost in the financial statements.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

**12. Other Fixed Assets –
Housing Association**

	Heritable Buildings £'000	Land £'000	Computer Equipment £'000	Office Equipment £'000	Total £'000
Cost					
As at 1 April 2019	1,571	1,250	850	146	3,817
Additions during year	-	-	176	-	176
Disposals during the year	-	-	-	-	-
At 31 March 2020	<u>1,571</u>	<u>1,250</u>	<u>1,026</u>	<u>146</u>	<u>3,993</u>
Depreciation					
As at 1 April 2019	433	-	710	125	1,268
Charges for the year	36	-	77	16	129
Disposals	-	-	-	-	-
At 31 March 2020	<u>469</u>	<u>-</u>	<u>787</u>	<u>141</u>	<u>1,397</u>
Net Book Value					
As at 31 March 2020	<u><u>1,102</u></u>	<u><u>1,250</u></u>	<u><u>239</u></u>	<u><u>5</u></u>	<u><u>2,596</u></u>
As at 31 March 2019	<u>1,138</u>	<u>1,250</u>	<u>140</u>	<u>21</u>	<u>2,549</u>

The original cost of the office premises at The Priory was £1,043,000. These premises were valued in June 1994 at open market value on an equivalent use basis at £750,000 by Maurice Elliot FRICS, FSVA at Kean Kennedy and Partners, independent chartered surveyors, in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors. The reduction in value was fully written off in the year ended 31 March 1994.

As allowed under FRS transitional rules, as the valuation was carried out prior to the introduction of the FRS, the Association has chosen to retain that valuation as deemed cost in the financial statements.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

13. Investments

	Group		Housing Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening value	1,257	1,213	1,257	1,213
Additions	768	225	768	225
Disposals	(669)	(154)	(669)	(154)
Reinvested dividends	(66)	(10)	(66)	(10)
Investment management fees	(10)	(11)	(10)	(11)
Closing value before unrealised gain	1,280	1,263	1,280	1,63
Movement in unrealised (loss)/gain	(124)	(6)	(124)	(6)
Closing market value	1,156	1,257	1,156	1,257

Investment holdings over 5% of the portfolio total are as follows:

Vanguard Funds American USD Dis	5.05%
Findlay Park FDS American USD Dis.	5.83%

Investment Property – West Adam Street

Opening balance	475	475	475	475
Additions	-	-	-	-
Closing balance	475	475	475	475

14. Debtors: Amount falling due within one year

	Group		Housing Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Rent arrears	98	90	83	79
Less: Provision for bad debts	(15)	(13)	(15)	(13)
	83	77	68	66
Other debtors	27	31	13	28
Ark Services debtor	-	-	13	3
Ark Commercial Investment debtor	-	-	10	7
Less: Provision for bad debts	(8)	(3)	(8)	(3)
Local Authorities	1,200	1,600	1,200	1,600
Prepayments and accrued income	419	313	419	313
	1,721	2,018	1,715	2,014

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

15. Creditors: Amount falling due within one year

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	147	356	146	293
Contractors for specified work and retentions unpaid	24	24	24	24
Local authorities	689	630	689	630
Other creditors	288	194	286	190
Ark Services creditor	-	-	2	5
Other taxes and social security	357	348	357	348
Accruals	891	638	859	614
Deferred income	23	54	23	55
Service equipment replacement account	939	835	660	570
Release of HAG	205	205	205	205
Release of other grants	43	43	18	18
Housing loans (Note 16)	147	143	75	74
	3,753	3,470	3,344	3,026

Analysis of deferred HAG/other grants - Group

	Housing Association Grants	Other Grants	Total
	£'000	£'000	£'000
Deferred income as at 31 March 2019	10,615	2,534	13,149
Additional income received	20	-	20
Released to Statement of comprehensive income	(205)	(43)	(248)
Deferred income as at 31 March 2020	10,430	2,491	12,921

Grant to be released to the Statement of Comprehensive Income

2019 – all due within one year	205	43	248
2020 – all due within one year	205	43	248

Analysis of deferred HAG/other grants – Association

	Housing Association Grants	Other Grants	Total
	£'000	£'000	£'000
Deferred income as at 31 March 2019	10,615	1,002	11,617
Additional income received	20	-	20
Released to Statement of comprehensive income	(205)	(18)	(223)
Deferred income as at 31 March 2020	10,430	984	11,414

Grant to be released to the Statement of comprehensive income

2019 – all due within one year	205	18	223
2020 – all due within one year	205	18	223

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

16. Creditors due out with one year

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
HAG	10,225	10,410	10,225	10,410
Other Grants	2,430	2,491	966	984
Housing Loans	2,023	2,169	697	771
	14,678	15,070	11,888	12,165

Loans are secured by specific charges on the Group's properties. Loans are repayable at current rates of interest ranging from 1.10% to 7.02% (2019: 1.10% to 7.02%) in instalments due as follows:

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
In one year or less (Note 15)	147	143	75	74
In one to two years	152	147	77	75
Between two to five years	485	470	240	235
In five years or more	1,386	1,552	380	461
	2,170	2,312	772	845

Housing loans will be fully repaid between 2025 and 2039.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

17. Employees

	Group		Housing Association	
	2020	2019	2020	2019
Staff Costs during year	£'000	£'000	£'000	£'000
Wages & Salaries	13,781	13,196	13,781	13,196
Social Security Costs	1,061	985	1,061	985
Other Pension Costs	1,233	1,121	1,233	1,121
	16,075	15,302	16,075	15,302

In addition to the above staff costs the Association also incurred agency staff costs of £853k during the year (2019: £614k).

The average full time equivalent number of persons employed by the association during the year was as follows:

	Group		Housing Association	
	2020	2019	2020	2019
	No.	No.	No.	No.
Housing Staff	12	9	12	9
Support Staff	38	40	38	40
Direct Services Staff	480	499	480	499
	530	548	530	548

Key management are defined as the Executive Officers which includes the Chief Executive and 3 Directors. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to key management follow:

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Aggregate Emoluments payable to Executive Officers (including employers NIC, pension contributions and benefits in kind)	308	325	308	325
Emoluments payable to Highest Paid Executive Officer (excluding pension contributions)	91	72	91	72

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

17. Employees (continued)

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 26. No enhanced or special terms apply to membership and there are no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the year amounted to £3,630 (2018: £2,659).

	2020	2019
	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax:		
Chief Executive	-	-
Board of Management	822	2,012

The number of Executive Officers whose emoluments, excluding pension contributions and benefits in kind, were over £60,000 was as follows:

	2020	2019
	No.	No.
£60,000 to £70,000	2	2
£70,000 to £80,000	-	1
£80,000 to £90,000	1	1

No payments were made during the year to any member of the Association other than members who were also Board of Management members, or an officer or employee.

There were no loans to the Board members, officers or employees during the year.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

18. Operating Surplus

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
This is stated after charging the following:				
External Auditors remuneration	18	18	18	17
Remuneration to external auditors for other services	-	-	-	-
Internal Auditors remuneration	8	8	8	8
Depreciation	716	740	619	647
Other operating lease rentals:				
- land & buildings	339	336	339	336
- plant & machinery	18	16	18	16

19. Gain on disposal of fixed assets

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Proceeds	-	-	-	-
Net book value disposed	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

20. Share Capital -

Group & Housing Association	2020	2019
	£	£
Shares of £1 fully paid and issued at beginning of year	40	44
Shares Issued during year	4	-
Shares Cancelled during year	-	(4)
	<u>44</u>	<u>40</u>

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

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

21. Net cash inflow from operating activities

	2020	2019
Group	£'000	£'000
Operating surplus	988	1,275
Depreciation	716	740
Decrease/(increase) in debtors	297	(163)
Increase in creditors	279	464
Net cash generated from operating activities	2,280	2,316

Reconciliation of net cash flow to movement in net funds/(debt)

	2020	2019
Group	£'000	£'000
Increase in cash in the period	1,333	1,447
Cash inflow from movement in debt	142	138
	1,475	1,585
Net funds at 1 April	4,478	2,893
Net funds at 31 March	5,953	4,478

Analysis of changes in net funds

	At	Cash	At
	31-Mar-19	Flows	31-Mar-20
	£'000	£'000	£'000
Cash in bank and in hand	6,790	1,333	8,123
Debt due within 1 year	(143)	(4)	(147)
Debt due after 1 year	(2,169)	246	(2,023)
Net funds	4,478	1,475	5,953

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

22. Net cash inflow from operating activities

	2020	2019
Housing Association	£'000	£'000
Operating surplus	565	857
Depreciation	619	647
Decrease/(increase) in debtors	299	(163)
Increase in creditors	317	394
Net cash generated from operating activities	<u>1,800</u>	<u>1,735</u>

Reconciliation of net cash flow to movement in net funds/(debt)

	2020	2019
Housing Association	£'000	£'000
Increase in cash in the period	988	1,136
Cash inflow from movement in debt	73	73
	<u>1,061</u>	<u>1,209</u>
Net funds at 1 April	4,248	3,039
Net funds at 31 March	<u>5,309</u>	<u>4,248</u>

Analysis of changes in net funds

	At 31-Mar-19 £'000	Cash Flows £'000	At 31-Mar-20 £'000
Cash in bank and in hand	5,093	988	6,081
Debt due within 1 year	(74)	(1)	(75)
Debt due after 1 year	(771)	74	(697)
Net funds	<u>4,248</u>	<u>1,061</u>	<u>5,309</u>

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

23. Commitments

Group and Housing Association

At the end of the financial year the Association had total future minimum lease payments under non-cancellable operating leases as follows:

	Group		Housing Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Equipment				
Operating leases which expire:				
Less than one year	10	4	4	4
In two to five years inclusive	16	10	10	10
	26	14	14	14
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Land and buildings				
Operating leases which expire less than one year	86	86	86	86
Over one year	11	11	11	11
	97	97	97	97

24. Capital Commitments

There were no capital commitments at the year end.

25. Related Party Transactions

Ark Services Limited & Ark Commercial Investment Limited are wholly owned subsidiaries of ARK Housing Association.

During the year ARK HA charged Ark Services £62,550 for professional and administrative support (2019: £62,550) and £8,886 (2019: £9,090) for insurance. At 31 March 2020 there was a total balance of £12,935 (2019: £3,158) owed to ARK HA and a balance of £2,360 (2019: £5,183) due from ARK HA in respect of rental and other income received on behalf of Ark Services Limited.

In addition ARK HA charged Ark Commercial Investment Limited £59,151 (2019: £57,261) during the year for rental of the property at West Adam Street. At 31 March 2020 there was a total of £9,767 (2019: £6,980) owed to ARK HA by Ark Commercial Investment Limited which includes a donation to ARK HA of £8,372, with the balance being utility bills paid on its behalf.

During the year ARK held 132 bank accounts (2019: 130) in trust on behalf of service users. These accounts are kept separate from funds held by the Association and controls monitored by the Care Commission are in place to ensure the safe custody of said funds. The total amount held in these accounts as at 31 March 2020 was £977,065 (2019: £903,567).

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2020

26. Pension Commitments

General

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

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

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to 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.

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

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

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

The Association has been notified by The Pensions Trust that the amount to be paid in 2019/20 is £769,631. Subject to certain conditions, this amount is payable annually and is anticipated to increase by 3% per annum. A further review of the recovery plan took place after the triennial valuation undertaken in September 2018.

A defined benefit liability of £2,091,000 is recognised within the provisions for this contractual obligation.

ARK Housing Association continues to offer defined contribution membership of the Scheme to its employees.

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

26. Pension Commitments (continued)

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

	Group & Ass'n 2020 £'000	Group & Ass'n 2019 £'000
Fair value of plan assets	31,067	30,172
Present value of defined benefit obligation	33,158	37,265
Net defined liability to be recognised	(2,091)	(7,093)

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

	Group & Ass'n 2020 £'000	Group & Ass'n 2019 £'000
Defined benefit obligation at start of period	37,265	35,149
Expenses	32	32
Interest expense	845	887
Actuarial gains	(3,719)	2,208
Benefits paid and expenses	(1,265)	(1,011)
Defined benefit obligation at end of period	33,158	37,265

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

	Group & Ass'n 2020 £'000	Group & Ass'n 2019 £'000
Fair value of plan assets at start of period	30,172	28,794
Interest income	690	734
Experience on plan assets	668	876
Contributions by the employer	802	779
Benefits paid and expenses	(1,265)	(1,011)
Fair value of plan assets at end of period	31,067	30,172

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £1,357k (2019: £1,030k).

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

26. Pension Commitments (continued)

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

	Group & Ass'n 2020 £'000	Group & Ass'n 2019 £'000
Expenses	32	32
Net interest expense	155	153
Defined benefit costs recognised in Statement of Comprehensive Income	187	185

Defined benefit costs recognised in other comprehensive income:

	Group & Ass'n 2020 £'000	Group & Ass'n 2019 £'000
Experience on plan assets	668	876
Experience gains and losses arising on plan liabilities – (loss)/gain	(105)	110
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	227	(107)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	3,597	(2,211)
Total amount recognised in other comprehensive income	4,387	(1,332)

Key assumptions:

	Group & Ass'n 2020 % p.a.	Group & Ass'n 2019 % p.a.
Discount rate	2.38	2.30
Inflation (RPI)	2.63	3.30
Inflation (CPI)	1.63	2.30
Salary Growth	2.63	3.30
Allowance for commutation of pension for cash at retirement	75% of max. allowance	75% of max. allowance

ARK HOUSING ASSOCIATION LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

26. Pension Commitments (continued)

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life Expectancy at age 65 (Years)
Male retiring in 2019	21.5
Female retiring in 2019	23.2
Male retiring in 2039	22.8
Female retiring in 2039	24.5

Growth Plan

ARK Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 is classified as a 'last-man standing arrangement'. Therefore the company 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.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m.

Present value of provision – reconciliation of opening and closing provisions:

	Group & Ass'n 2020 £'000	Group & Ass'n 2019 £'000
Provision at start of period	14,717	18,281
Unwinding of the discount factor (interest expense)	186	293
Deficit contribution paid	(2,442)	(2,356)
Remeasurements – impact of any change in assumptions	(329)	135
Remeasurements – amendments to the contribution schedule	-	(1,636)
Provision at end of period	12,132	14,717

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2020

26. Pension Commitments (continued)

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 Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Plan so that a liability arises to employers from membership of any Series except Series 4. (Our recent correspondence to all employers refers.) The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the plan (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 Plan. 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 Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan'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 Plan liabilities, Plan 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

The Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Plan.

ARK has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt, including Series 3 liabilities for ARK was £38,034.

In relation to the Plan, The Association has also been notified by The Pensions Trust of the amount to be paid for the past service deficit commencing 1 April 2016 for 10 years is £2,221.

ARK HOUSING ASSOCIATION LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS AS AT 31 MARCH 2020

27. Contingent Liability

Pensions

ARK Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for ARK Housing Association was £28,949,715.

ARK Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt for ARK was £38,034 including Series 3 liabilities in the calculation.

28. Post Balance Sheet Event

Subsequent to the year-end the Board are aware of uncertainties related to Covid-19 that may cast doubt upon the Association's ability to continue as a going concern. However, the Board are continually developing and implementing mitigating actions and processes to ensure that the Association continues to function and manage future operations and those of their workforce and stakeholders.