



**Alexander Sloan**  
Accountants and Business Advisers

## **AYRSHIRE HOUSING**

Report and Financial Statements

For the year ended 31 March 2023

Registered Social Landlord No. 304

Company Registration No. SC185652

Scottish Charity No. SC027906

# AYRSHIRE HOUSING

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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## BOARD OF TRUSTEES, EXECUTIVES AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2023

### Board of Trustees

S. Leslie	Chairperson
R. Leith	
K. George	Resigned 7 September 2022
K. Kane	
G. Dawson	
Professor R. Pyper	
M. Tomlinson	
G. Collins	
A. Bryan	
A Craig	Resigned 5 December 2022
T Maughan	Resigned 31 August 2022
A Wason	
S Williamson	Appointed 7 September 2022; Resigned 1 February 2023
M Tindal-Wiles	Appointed 7 September 2022

### Executive Officer

J. Whiston	Executive Officer
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### Registered Office

119 Main Street  
Ayr  
KA8 8BX

### External Auditors

Alexander Sloan  
Accountants and Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### Bankers

The Royal Bank of Scotland plc  
Corporate Banking  
139 St Vincent Street  
Glasgow  
G2 5FJ

### Solicitors

Addleshaw Goddard  
19 Canning Street  
Edinburgh  
EH3 8EU

# AYRSHIRE HOUSING

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

The Board of Trustees presents its report and the financial statements for the year ended 31 March 2023.

### Legal Status

Ayrshire Housing is a company limited by guarantee and is governed by its Memorandum and Articles of Association. Accordingly, the Company has no share capital. The company is registered with the Scottish Housing Regulator as a registered social landlord (No. 304) under the Housing (Scotland) Act 2010 and as is a registered Scottish Charity with the charity number SCO27906.

### Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

### Review of Business and Future Developments Background

The Trustees of Ayrshire Housing are pleased to present their review together with the audited financial statements for Ayrshire Housing for the year ended 31 March 2023.

### Activities

The Ayrshire Housing Group consists of Ayrshire Housing (parent), a registered social landlord with charitable status, and Ayrshire Homestake Limited, our one subsidiary company retained as a vehicle to pursue potentially non-charitable activities. The subsidiary company has not yet traded.

The Group Head Office is in Ayr and Ayrshire Housing has properties throughout Ayrshire. Ayrshire Housing is now one of Ayrshire's leading housing associations with a stock of almost 1,700 houses thanks to an active acquisition and development programme predominantly but not exclusively in South Ayrshire.

### Introduction

We are one of Ayrshire's leading housing associations with almost 1,700 houses. We remain proud to be a community and tenant-controlled association.

We continue to build on our track record of award-winning developments to meet local housing needs. Committed to high quality services, we are focused on new ways of doing things without ever losing sight of the importance of the personal touch.

Rooted in Ayrshire, we are committed to maximising the economic and social impact of all that we do. Building on our 30-year heritage of community control, we aim to be a real community anchor to both our communities and to Ayrshire's three Councils.

We are financially strong with an experienced and enthusiastic team. This has allowed us to emerge from the Covid pandemic with the continued ability to deliver high quality services as we respond to the growing inflationary pressures that we, our applicants and tenants face.

# AYRSHIRE HOUSING

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

Our mission is to enhance the wellbeing of our tenants and the wider communities of Ayrshire through high quality housing and related services.

Below is a summary of our Business Plan through which we aim to realise our mission.

#### Our Values

Our mission is underpinned by these core values:

*We listen - to everyone we work for and with.*

*We engage - as we actively involve our tenants, the community and our people in shaping our work.*

*We show respect - as we strive to provide equal and accessible services to all.*

*We seek challenge - to ensure best value to our tenants and wider community benefits.*

These values shape the work of all Ayrshire Housing's people. They are markers for what all should expect from us.

#### Our Vision for Ayrshire Housing



Our enduring vision for Ayrshire Housing is to:

- Be valued by all our tenants and other service users.
- Increase the wellbeing of our communities.
- Provide more affordable housing.
- Be seen as a distinctive and effective organisation by the people of Ayrshire.

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

We aim to confirm our vision to all we work for and with over the three years of the Plan.

Our vision underpins the detailed objectives set for our day-to-day work.



### Who We Work For

#### Our tenants and the neighbourhoods they live in

As a tenant and community run housing association, our tenants and the communities they are part of are central to what we do. We have an excellent relationship with our tenants. This is shown by high recorded satisfaction and the friendly tone of our day-to-day communication.

The independent tenants' survey carried out in late 2023 showed:

- 83% (2019 – 89%) are happy with our services.
- 83% (2019 – 89%) satisfied with our management of their neighbourhood.
- 74% (2019 – 86%) thought their rent was value for money.
- 88% (2019 – 92%) are satisfied with our communication and engagement.

There has been a falloff in satisfaction levels since the previous survey in 2019. Problems with service delivery during the periods of Covid restrictions have unfortunately persisted and have been compounded

by contractor performance and supply issues. Achieving tangible improvements in these areas is a priority as is maintaining reasonable value for money as real incomes fall.

We are committed to build on the still excellent relationship with our applicants and tenants for example through our popular digital HousingOnline and My Home services. We are always looking for new ways for our tenants to engage with us and influence the services they receive both individually and for their neighbourhoods.

Our neighbourhoods are not just popular with their residents but make a real contribution to the towns and villages they are part of. We want to build on this with a focus on maintaining the quality of our housing stock and public areas. We are committed to ensuring the social worth of our housing for future generations.

### Those seeking new housing opportunities

We work across Ayrshire but with a particular focus on South Ayrshire. It is an area of high demand for affordable rented housing with 3,500 households on our waiting list alone. We are proud of our close working relationship with South Ayrshire Council. We are working closely with them on a housing first

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

approach to tackling homelessness. With our focus on integrated local solutions, we run joint online application and mutual exchange services with the Council. We work in partnership with Health and Social Care Partnerships and several charities to provide quality housing for the people they support. Providing such integrated housing solutions has been at the core of what we do since our foundation.

Housing associations have always been about creating new solutions for those who benefit from a good quality house at a reasonable rent. To meet the obligation to those on our waiting list, we are committed to acquiring and building new houses to meet their needs. We do this on a financially sustainable basis which will not compromise the quality of service to existing tenants in the long-term nor expose us to undue risk. We are conscious that the current inflationary pressures in the construction industry may require us to reduce our ambitions until conditions improve including in the levels of Scottish Government grant.

We will also work with South Ayrshire Council and other councils to ensure that our established housing stock is managed in a way that caters for changing needs within attractive neighbourhoods.

### Ayrshire's wider communities



Ayrshire Housing is rooted in Ayrshire's communities. Indeed, our very existence is due to a combination of community and tenant initiative, and political support. Our governance is based on a partnership between our tenants – all of whom are association members – and those who support us from the wider community.

Our developments over the years have made a real contribution to Ayrshire's built environment. This is reflected in numerous awards. We want to maximise the wider social worth of what we do through building relationships, so that our neighbourhoods are firmly rooted in the wider communities in which they lie. As a charity making a real impact on people's lives, we can spend over £10 million a year in the local and wider economy. We want to stretch this investment so that it has the maximum impact. We do this by building links and partnerships with those who share our commitment to voluntary activity and the public good.

Our new community space – The Local – has proved a great success. In particular it has provided a convenient venue for many groups to restart their public work after Covid.

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

Maximising the social worth of our work is a key driver for this Business Plan. North Ayrshire Council has been a leader in Community Wealth Building. Its example is now being followed in East and South Ayrshire. We intend to demonstrate our capacity to be a genuine community anchor organisation to support their pro-active strategies for their citizens.

### Our Key Aims Over the Next Three Years

The following key aims will guide us in realising our overall vision for the association, In serving our tenants and the wider community, we will:

- deliver excellent service which our tenants appreciate;
- support our tenants to the best of our abilities;
- ensure that our neighbourhoods remain desirable places;
- build new houses to meet diverse needs across our communities;
- bring additional economic and social value through our projects and services;
- always be open to new ideas.

### How We Will Deliver Our Aims

- **By listening to our tenants and our communities**  
The relationship with our tenants is central to who we are. We look for new ways to ensure that not only their views are taken on-board, but they also play a still greater part in influencing the quality of what we do.  
  
As a community-based housing association, we also want to deepen our relationships with other community and voluntary organisations. In strengthening community networks, we can foster new and better ways of delivering services and creating better places to live.
- **A committed team**  
Our people – our members, our volunteer Board and our staff – underpin our vision. They ensure a committed and friendly service to all our users and the wider public. They inspire us to create better housing opportunities and to make a real impact across Ayrshire. We see our people as being at the centre of what makes us rather than just a means to an end.
- **Being innovative**  
We will constantly look at new ways to enhance our services. We do this by building on our friendly relationships with our tenants and all who use or need our services. We are recognised by the quality of our houses. We will take this further with a commitment to increase the energy efficiency and liveability of our new developments and our existing stock. We will apply technology to add breadth to our services and to increase the productivity of our processes whilst ensuring user satisfaction. We are focused on maximising the wider social value of our historic and current investments in our stock and our day-to-day work.



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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

- **Value for money underpinned by financial strength**  
We are one of Ayrshire's major charities with assets at their social value almost £100 million. Each year, we inject £10 million or more into the local and wider Scottish economy. We combine long-term financial strength with commitment to ensuring rents that are affordable and represent good value. Our financial prudence, due to keeping operating costs at the right levels, means that we have the assets and reserves in place to maintain our stock to meet emerging aspirations and to create new housing opportunities for our communities.
- **Strong governance and management**  
We are stewards of substantial assets which are the product of investment by our tenants through the rents they pay and substantial public grants. We have an obligation to ensure that our housing stock continues to be valued in the coming decades. We are committed to demonstrating to our tenants, partners and the wider public that we are well run, open in our decision making and an association which other organisations want to work with.

Guaranteeing the quality of life of our tenants underpins all our decisions. We will never take risks which would compromise this. We rigorously stress test our financial plan each year to ensure that we can withstand both known and unexpected risks and still ensure reasonable rents and well-maintained homes. In making decisions, we will never compromise the financial reserves needed to meet this commitment.

### Our objectives for 2023 to 2025

Here we translate our aims into firm objectives. We will intend to deliver on these in each year of the plan. The Board has agreed a detailed delivery plan to ensure that the objectives set are realised. The delivery plan is designed to cascade down to everyone in our team – whether they are a volunteer Board member or member of staff.

The objectives are grouped around four clear themes all linking back to our mission and our aims.

### PROVIDING AN EXCELLENT SERVICE

**We will provide a responsive service to tenants and other users that:**

#### Surpasses tenants' expectations

We will deliver a genuine value for money service to our tenants. We will build on our already high service standards by:

- always having agreement that our rents represent value for money;
- increasing the use of our My Home online services, but never as a substitute for our friendly face to face service;
- further extending our appointment service for repairs;
- building on our much appreciated money advice service;
- helping our tenants to access additional services when needed.

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

#### Ensures fair access to housing and sustains tenancies

We will work with the councils and other agencies to widen access to housing opportunities through:

- aiming to increase our stock by up to fifty new and acquired houses a year;
- effective nomination arrangements which assist councils to fulfil their statutory responsibilities, for example for homelessness prevention;
- working with the Health and Social Care Partnerships to provide housing solutions for their clients.

#### Guarantees high levels of satisfaction and active engagement

All our tenants are members of Ayrshire Housing. Our aim is not just to listen but to give our tenants a real say in what we do. We will:

- listen to our independently supported tenant led scrutiny panel when they challenge us on our service standards;
- always ensure that our rents reflect the informed views of our tenants;
- support our new tenants through settling in visits and other measures.

### QUALITY HOMES

**We will ensure that our existing and future houses are built and maintained to the highest standards, and continue to meet the needs and aspirations of our tenants by:**

#### Maintaining our houses to the highest standard

We will ensure that our fully funded Asset Management Plan:

- adapts to tenants' aspirations and
- meets new energy and quality standards.

#### Creating new homes of quality

We will build new houses:

- efficiently and to the highest standards;
- which can adapt to changing needs;
- that demonstrate innovative practice.

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

#### THRIVING COMMUNITIES

We will engage with residents in our neighbourhoods and throughout Ayrshire by:

##### Ensuring our neighbourhoods remain popular places

Working with our tenants, we will:

- maintain the amenity of their neighbourhoods;
- support tenant initiatives through practical support.

##### Empowering our communities

We will support community initiatives in our neighbourhoods and beyond through:

- the enthusiasm of our Board and staff;
- our community grants;
- making use of our community and tenant hub – The Local - as a springboard for new activities.

##### Equality of access

We will demonstrate our commitment to human rights and equality through open engagement and through the services we provide.

##### Working with voluntary sector partners

Using our strength as a major local charity, we will enhance further our partnerships with the voluntary sector through:

- practical support and grants;
- developing joint projects.

#### A FORWARD LOOKING AND SUSTAINABLE ASSOCIATION



We believe that the association makes a distinctive contribution to Ayrshire and the lives of those we serve. To maintain this, we will:

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

#### Ensure our Board and staff are equipped to respond positively to change

We will do this by ensuring that:

- our Board is representative of our tenants and communities;
- our Board has the right breadth of experience and knowledge;
- we nurture and invest in all our people.

#### Always be open to feedback and new ideas

We will:

- embrace a “you said, we did” culture;
- further support independent tenant scrutiny;
- always build feedback into processes.

#### Ensure fairness in our work

We will:

- embed a human rights ethos in our work.

#### Build on our enthusiasm and skills to deliver ever better projects and services

We will innovate by:

- using technology to increase the depth of our engagement with our tenants and others;
- investing in the skills of our people;
- always evaluating what we do.

### ENSURING THAT WE MEET EXPECTATIONS

All our tenants are members of Ayrshire Housing. Each year, we report on what we have achieved and our ongoing plans. We do this through the annual member review and report on our Scottish Social Housing Charter performance. Alongside our consultations on rents and major policy changes this should ensure that the Business Plan remains relevant to our aspirations.

We also engage with the other users of our services and those we work in partnership with.

We also make public our Assurance Statement to confirm compliance with regulatory requirements.

#### How We Manage Risk

Both the business planning process and the performance management system are designed to control the association's exposure to risk.

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

Our financial plan is designed to provide the financial assurance that we have the financial resources to implement any mitigating actions and cope with general financial shocks.

We have identified four strategic areas of risk:

#### **The inability to sustain planned levels of rental income**

The falling incomes, in real terms, of many of our tenants could threaten our current high levels of rental collection and could also lead to higher levels of stock turnover. There is also the risk of regulatory action to control rent levels or at least rent increases in the sector. Whilst we largely coped with financial risks of the Covid pandemic, we are mindful of its long-term effects both financially and socially on our tenants.

Our controls include:

- budgets based low levels of rental growth;
- rigorous arrears and void controls built into the performance management system;
- investment in money advice services;
- work with credit unions, and housing support and advice partners.
- expanding our services with the external grant support

#### **A failure to maintain our stock to the required standards**

A poorly developed investment plan could result in a failure to meet statutory requirements and growing tenant aspirations.

Our controls include:

- the regular review of the comprehensive life cycle cost plan for our stock;
- ensuring that there is a sufficient risk envelope built into the overall risk management strategy to cope with greater investment requirements due to construction cost inflation or new standards.

#### **Failure to maintain and enhance current high levels of service delivery and satisfaction**

Providing excellent service is at the heart of what we do. Falling standards may result in tenant dissatisfaction and possible regulatory intervention.

Our controls include:

- key performance indicators backed by tenant feedback;
- a focus on regulatory compliance;
- regular independent tenant surveys coupled with continuous tenant feedback;
- membership of benchmarking groups;
- investment in staff training and new skills;
- extending online services.

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

#### Poor Budgetary and Cost Control

A lack of effective controls could result in wasted resources and, if not checked over the long-term, financial viability being compromised.

Our controls include:

- robust annual budgets linked to the long-term financial plan;
- demanding KPIs for rent collection and void management;
- Management Accounts to the Board each quarter;
- a focus on covenant and regulatory compliance;
- a comprehensive Procurement Strategy;
- effective project management.

#### Financial Health

Our 30-year financial plan is designed to ensure the management and maintenance of our stock is to the highest standards, the funding of loan obligations and enough reserves for contingencies. It is based on a conservative assumption on rental growth. For example, rent increases as low as possible been assumed for the next five years. Notwithstanding having 72% of loans at fixed rates, the weighted average cost of capital used in the long-term financial plan is higher than current costs and is likely to remain so even if there is a gradual rise in variable rates.

We are in the fortunate position of having built up significant cash reserves through prudent financial management by the current and previous Boards. Not least, decisions not to immediately fix interest rates on new borrowings have borne fruit with substantial increases in our cash reserves through savings on interest paid. We maintain cash reserves to provide adequate working capital in turbulent or difficult times, for example, the current coronavirus pandemic, the roll-out of Universal Credit together with possible unforeseen additional expenditures such as the enhancement of the Energy Efficiency Standard for Social Housing ("EESH 2"). They allowed us to meet housing need through new provision as improvements in the grant regime began to offer a more attractive financial package for us to re-engage in a development programme of substance. Current and past Boards have taken a very prudent stance in terms of both organisational and specific development risks. They have been selective about any potential development projects. We are therefore financially viable and will remain that way if we continue to manage the business in a prudent manner.

In terms of cash reserves, it is possible to demonstrate how much cash should be set aside to cover the many and various risks associated with a business such as ours. Risks became apparent which have not previously been on the horizon the greatest of which was the Covid national emergency. We also need to consider the continued impact of welfare reforms and now the potential impact on our cash flows caused by tenants being pressured financially due to the cost-of-living crisis. Our risk analysis has calculated the potential cost and probability of a comprehensive set of risk factors. Based on this, it is estimated that some £2.8 million of free reserves should be maintained to fully cope if all the financial risks were to emerge at the same time. Obviously, these risk factors did not envisage a public health crisis specifically but if we assume that the probability of the other risks occurring is relatively low then the conclusion is that we should remain financially robust within the current timeframe.

In addition, the financial plan is stress tested as part of a financial health check carried out by the Board each year. A range of scenarios and sensitivities are applied to the base financial plan for the 30 years to assess the impact of risks with which to assess long-term financial and development capacity. All the variables are compared to our base plan which includes the delivery of the current pipeline development programme.

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

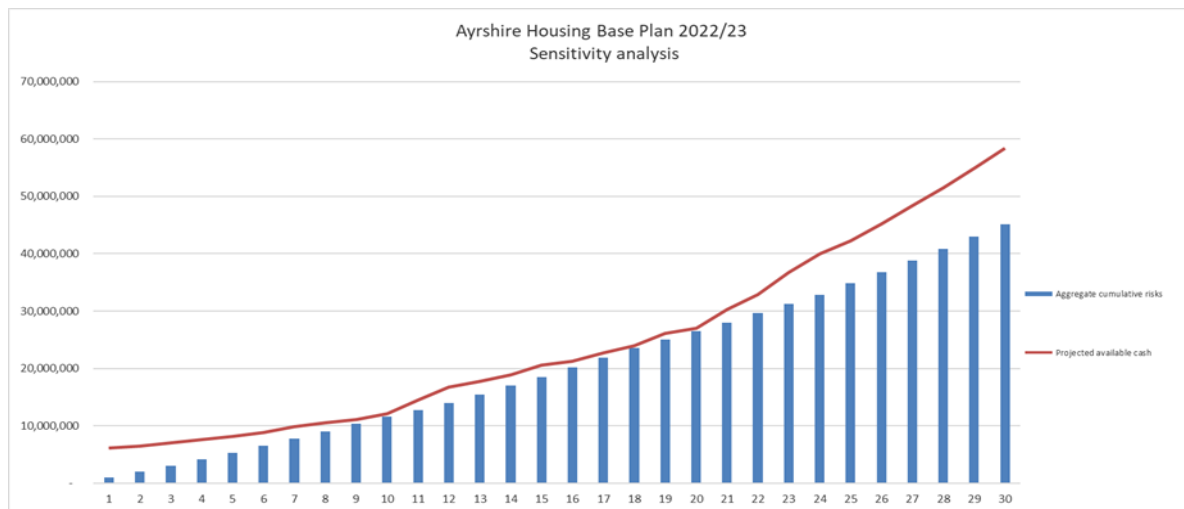
Based on a strong opening cash position, it is possible to sensitise the base plan based on certain scenarios by increasing projected costs across maintenance expenditure, pension deficit costs, variable rate interest charges, void loss, bad debts and further unplanned additional expenditure in management costs. It can be demonstrated that in the unlikely event of all these events occurring then the available planned cash surpluses added to our opening position would be able to absorb these additional costs. We can also demonstrate that the key banking covenant of interest cover would not be breached with the sensitised increases.

Scenario	Sensitivity
Management costs increase (including pension deficit contributions)	Plus 10% annually
Variable interest rates increase	Plus 50% annually
Void and Bad Debt losses increase	Plus 10% annually
Reactive repairs costs increase	Plus 20% annually
Planned maintenance costs increase	Plus 20% annually

The strong opening cash position means that the aggregate of all the above sensitivities should they occur would not exceed the base plan cash availability nor would our key banking covenants for interest rate cover be breached.

These can be shown in graphical form as follows:

### Cumulative aggregate additional costs from sensitivity analysis compared to base plan cash availability



In conclusion, housing associations like Ayrshire Housing confront a wide array of risks - both internal and external. Ayrshire Housing with its strong Board, short command chain and excellent management systems is well placed to respond timeously to emerging risks. There is the further reassurance though that if negative events do occur, predicted or unpredicted, then the association's finances are sufficiently robust to cope. Ayrshire Housing can demonstrate that it has the capacity to withstand shocks and maintain not just basic functioning but also its overall mission.

# AYRSHIRE HOUSING

## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

#### Delivery Plan for 2023-23

Each year, the Board agrees a delivery plan to meet the agreed objectives and the following supporting tasks:

- The Asset Management Plan;
- The Design Guide;
- Financial Planning, value for money and risk management;
- Governance compliance and development.

Against each of the themes, specific tasks to deliver each objective are grouped into clear work areas for our Board and staff team.

The delivery plan is at the core of the Director's performance agreement. Internally, the delivery plan is enlarged to include staff responsibilities and linkages between tasks. Performance against this plan is monitored each quarter by the Board. It is fully reviewed each March to ensure its continued relevance. This review may lead to amendment or replacement of the Business Plan itself if changes to our operating environment require it.

#### Key Performance Indicators

Business critical activities are measured against the following key performance indicators (KPIs). Generally, these are consistent with those set out in previous Internal Management and Corporate Plans allowing year on year performance comparisons. In most cases, performance better than both local and national averages. Where applicable, the targets provide comfort about the relevant budget assumptions. In addition, the Board receives reports showing performance against the Scottish Social Housing Charter's indicators.

#### Key Performance Indicators - Targets and Actual for the reporting year (2023/23)

Housing Management	2023/23 Target	2023/23 Actual
Current non-technical arrears	1.75% of total gross rent	0.7%
Void re-let times	16 days or less	24.1 days
Void rent loss	No more than 0.8% of total rent due	0.5%
Housing application processing	Within 10 days	18 days

Property Management	2023/23 Target	2023/23 Actual
Emergency repairs performance	97% attendance within 4 hours	75.5%
Average emergency completion time	Within 4 hours	8.8 hours
Other repairs	96% completed on time	80.6%
Average general repair completion time	Within 6 days	9.3 days
Gas safety certificates	100% compliance aimed for and never below external benchmark of 93%	100.0%
Satisfaction with repairs service	At least 90% satisfied	81.9%
Repairs "right first time"	90% of all applicable repairs	79.4%
Appointments kept	95% of all applicable jobs	75.7%



# AYRSHIRE HOUSING

## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

Projects	2023/23 Target	2023/23 Actual
Development pipeline	50+ plots secured at any time	128
Acquisitions and completions	50+ a year	62
Neighbourhood initiatives	Minimum of 2 supported a year	3
Collaboration with communities and councils	Minimum of 1 joint project a year	2

Financial Matters	2023/23 Target	2023/23 Actual (adjusted to exclude grants received or released from deferred income)
Staff costs	Less than 26.2% of turnover	24.6%
Administration cost/tenancy	Less than £1,278 per tenancy	£1,189
Liquidity - current assets:current liabilities	1.10:1	2.8:1
Liquidity - cash:current liabilities	1:1	2.54:1
Interest cover - operating surplus:interest payable (adjusted for depreciation)	1.1:1	3.76:1
Debt per unit	Maximum of £25,000 (as adjusted to reflect new HAG assumptions)	£15,344

General Operational Matters	2023/23 Target	2023/23 Actual
Board meetings quorate per session (AGM to AGM)	100%	100%
Board attendance per session	Average of 75%	79.0%

### Performance in the year ended 31 March 2023

#### Turnover

Turnover has increased to £13.4M from £8.1M which includes higher grants received from Scottish Ministers this year and £4.1M grant income transferred from deferred income on the completion of a project.

#### Operating Costs

Operating costs are higher than the previous year as we continue to re-establish services following earlier restrictions and further enhance our services.

# AYRSHIRE HOUSING

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

#### Interest

Sterling base rates increased regularly in the year to 31 March 2023, and this had a negative effect on interest charges incurred on the variable rate loans within our portfolio.

#### Operating Surplus for the Year

Operating Surplus on ordinary activities for the year was £7.4M compared to £3.5M for 2021/22. This reflects higher grant receipts from Scottish Ministers and grant income transferred from deferred income for a project completed during the year.

#### Reserves

Financial reserves, consisting of revenue reserves set aside to manage the general risks faced by the association, stood at £28.8M. This represents an increase of 0.21% over the same reserves at 31 March 2022. Revaluation Reserves increased 89% to £41M following a revaluation of all stock by an independent valuer.

#### Cash flow

Positive cash flows of £4.3M were generated from our operating activities. Interest payable was £1,067k offset slightly by interest receivable of £69k. We spent £9.4M on our development projects, improvement works and acquisitions. We drew £291k in new finance to support our development programme and also repaid capital of £1M on our housing loans as per the individual loan agreements.

#### Capital Structure and Treasury Policy

Borrowings at the year-end were £31.4M. This debt is borrowed wholly from banks and building societies in the UK together with finance through the Scottish Government's Bond finance scheme.

The Board recognises that the association's level of debt makes it important to consider its treasury policy. The treasury function operates within a framework of clearly defined Board approved policies, procedures and delegated authorities. The association borrows on a conventional basis with loans typically repayable over 25 to 30 years. These loans are mainly secured over the properties being financed.

Maturity profile: the following table provides an analysis of when the debt falls due for repayment.

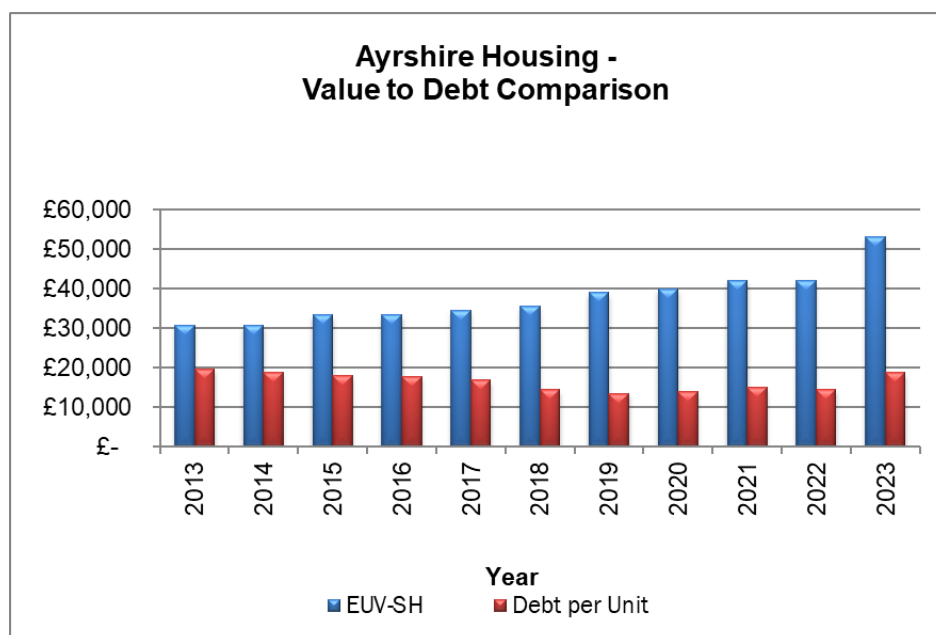
Within one year	£ 1.3M
Between one and two years	£ 3.3M
Between three and five years	£ 2.5M
In five years or more	£ 24.3M
<b>Total</b>	<b>£31.4M</b>

A graphical representation of our Loan to Value (EUV-SH) can be found in the graph below:

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)



#### Future Prospects:

The association's financial position is sound and a trend of improvement in its financial and operational performance has been maintained over many years. We comply with all of our lender's covenants which, based on our financial projections, will continue into the future. The introduction of FRS 102 altered how financial information is reported and it is now of crucial importance that any potential impact on our covenant position is fully examined prior to approving any new initiative.

We will continue to manage our finances in a prudent manner and will also deliver value for money to our tenants and private owners.

We will achieve this by:

- Setting rents at levels which are affordable to our tenants.
- Providing a high-quality service and
- Tight cost control.

We have a well-motivated and competent workforce of 32 employees with a relatively low staff turnover. We are full members of the Federation of Employers in Voluntary Housing which provides us with support in managing and developing our staff to foster a culture of continuous improvement.

The association is following a number of strategies which we expect will contribute and inform the above actions.

# AYRSHIRE HOUSING

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

The Association continues to invest in housing through its development and refurbishment programme. However, new build opportunities are limited due to land availability. We will look towards innovative approaches in generating finance to allow much needed new houses to be delivered where possible.

Our major repair programme remains a key element of our strategy to provide good quality homes for all of our tenants. Our financial projections demonstrate that we will be able to meet our obligations under the Scottish Housing Quality Standards and the current EESSH requirements.

We are aware of the possible impact that any return to an economic recession caused by events at home or on a wider stage may have on our tenants. Our housing and money advice officers work closely with all our tenants identifying issues as early as possible to ensure that the tenant is aware of the different types of assistance available to them. In this way it is hoped to minimise rent arrears and bad debt write off and other costs associated with rent arrears.

### Board of Trustees and Executive Officers

The members of the Board of Trustees and the Executive officers are listed on page 1.

The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board of Trustees.

The members of the Board of Trustees are also trustees of the charity. Members of the Board of Trustees are appointed by the members at the Association's Annual General Meeting.

### Statement of Board of Trustees' Responsibilities

The Companies Act 2006 requires the Board of Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements the Board of Trustees is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 of Trustees 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 Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

# AYRSHIRE HOUSING

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### Going Concern

Based on its budgetary and forecasting processes the Board of Trustees has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

### Statement on Internal Financial Control

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Trustees's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Trustees to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Trustees;
- the Board of Trustees receives reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Trustees has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2023. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

### Disclosure of Information to the Auditor

The members of the Board of Trustees at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

# AYRSHIRE HOUSING

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## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2023

### **Auditor**

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

### **By order of the Board of Trustees**

*Alan Park*

**A T PARK**  
Secretary  
6 September 2023

# AYRSHIRE HOUSING

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## REPORT BY THE AUDITORS TO THE MEMBERS OF AYRSHIRE HOUSING ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed your statement on page 19 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice 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 of Internal Financial Control on page 19 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain members of the Board of Trustees and Officers of the Company and examination of relevant documents, we have satisfied ourselves that the Board of Trustees'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 Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

*Kevin G Booth*

**KEVIN G BOOTH (SENIOR STATUTORY AUDITOR)**  
**ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
6 September 2023



**Alexander Sloan**  
Accountants and Business Advisers

# AYRSHIRE HOUSING

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AYRSHIRE HOUSING FOR THE YEAR ENDED 31 MARCH 2023

### Opinion

We have audited the financial statements of Ayrshire Housing (the 'Company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and 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 Company's affairs as at 31 March 2023 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

### Basis of 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 audit opinion.

### Conclusions relating to going concern

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

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

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

### Other Information

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



# AYRSHIRE HOUSING

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AYRSHIRE HOUSING FOR THE YEAR ENDED 31 MARCH 2023 (continued)

### **Other Information (Contd.)**

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 Companies Act 2006 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Company in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Company in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Company; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Board of Trustees**

As explained more fully in the statement of Board of Trustees' responsibilities as set out on page 18, the Board of Trustees is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Board of Trustees determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible for assessing the Company'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 of Trustees either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

# AYRSHIRE HOUSING

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AYRSHIRE HOUSING FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Company through discussions with management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006, the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing the Company's Assurance Statement and associated supporting information; and
- reviewing correspondence with the Scottish Housing Regulator.

# AYRSHIRE HOUSING

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AYRSHIRE HOUSING FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

### **Use of our Report**

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin G Booth*

**KEVIN G BOOTH (SENIOR STATUTORY AUDITOR)  
ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
6 September 2023



**Alexander Sloan**  
Accountants and Business Advisers

# AYRSHIRE HOUSING

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Revenue	2		13,394,736		8,078,705
Operating costs	2		5,951,446		4,600,678
<b>OPERATING SURPLUS</b>			<b>7,443,290</b>		<b>3,478,027</b>
(Loss)/gain on sale of housing stock	7	(177,032)		(254,868)	
Interest receivable and other income		69,188		3,726	
Interest payable and similar charges	8	(1,067,236)		(881,811)	
Movement in fair value of financial instruments					
Decrease in valuation of housing properties on initial measurement	12(a)	(6,491,119)		(353,690)	
Other Finance income/(charges)	11	(13,000)		(28,000)	
			<b>(7,679,199)</b>		<b>(1,514,643)</b>
(Deficit) / surplus on ordinary activities before taxation	9		(235,909)		1,963,384
<b>(DEFICIT) / SURPLUS FOR THE YEAR</b>			<b>(235,909)</b>		<b>1,963,384</b>
<b>Other comprehensive income</b>					
Revaluation movements			19,324,579		13,490
Actuarial gains/(losses) on defined benefit pension plan	19		795,000		731,000
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>19,883,670</b>		<b>2,707,874</b>

The results relate wholly to continuing activities.

The notes on pages 30 to 53 form an integral part of these financial statements.

# AYRSHIRE HOUSING

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing properties - depreciated cost	12		97,865,680		76,986,524
Other tangible assets	12		1,464,606		1,470,107
			<u>99,330,286</u>		<u>78,456,631</u>
<b>CURRENT ASSETS</b>					
Receivables	13	822,450		726,032	
Investments	14	1		1	
Cash and cash equivalents	15	8,500,463		13,458,849	
			<u>9,322,914</u>	<u>14,184,882</u>	
<b>CREDITORS:</b> Amounts falling due within one year	16	(3,327,101)		(3,500,138)	
<b>NET CURRENT ASSETS</b>			<u>5,995,813</u>		<u>10,684,744</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			105,326,099		89,141,375
<b>CREDITORS:</b> Amounts falling due after more than one year	17		(30,206,023)		(31,007,930)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Scottish housing association pension scheme	19	(112,000)		-	
Strathclyde pension fund	19	-		(611,000)	
			<u>(112,000)</u>	<u>(611,000)</u>	
<b>DEFERRED INCOME</b>					
Social housing grants	20	(5,180,681)		(7,578,720)	
			<u>(5,180,681)</u>	<u>(7,578,720)</u>	
<b>NET ASSETS</b>			<u><b>69,827,395</b></u>		<u><b>49,943,725</b></u>
<b>EQUITY</b>					
Revenue reserves			28,846,152		28,786,061
Revaluation reserve			41,093,243		21,768,664
Pension reserves			(112,000)		(611,000)
			<u><b>69,827,395</b></u>		<u><b>49,943,725</b></u>

The financial statements were approved by the Board of Trustees and authorised for issue and signed on their behalf on 6 September 2023.

*Simon Leslie*  
Simon Leslie  
**Chairperson**

*Robert Pyper*  
Robert Pyper  
**Trustee**

*Alan Park*  
Alan Park  
**Secretary**

The notes on pages 30 to 53 form an integral part of these financial statements.

# AYRSHIRE HOUSING

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023	2022
		£	£
<b>Surplus for the Year</b>		(235,909)	1,963,384
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	12	1,073,372	1,020,390
Release of Capital grants	20	(4,129,632)	-
Loss/(gain) on disposal of tangible fixed assets		177,032	254,868
Movement in fair value adjustment	12(a)	6,491,122	353,690
Non-cash adjustments to pension provisions		296,000	(28,000)
		<u>3,907,894</u>	<u>1,600,948</u>
Interest receivable		(69,188)	(3,726)
Interest payable	8	<u>1,067,236</u>	<u>881,811</u>
<b>Operating cash flows before movements in working capital</b>		4,670,033	4,442,417
Change in debtors		(109,914)	12,943
Change in creditors		<u>(265,189)</u>	<u>836,270</u>
		<u>(375,103)</u>	<u>849,213</u>
<b>Net cash inflow from operating activities</b>		4,294,930	5,291,630
<b>Investing Activities</b>			
Acquisition and construction of properties		(9,359,638)	(9,204,625)
Purchase of other fixed assets		(58,871)	(186,024)
Social housing grant received		1,745,089	4,441,602
Investment in subsidiaries		-	(1)
Proceeds on disposal of housing properties		<u>127,908</u>	<u>19,436</u>
<b>Net cash outflow from investing activities</b>		(7,545,512)	(4,929,612)
<b>Financing Activities</b>			
Interest received on cash and cash equivalents		69,188	3,726
Interest paid on loans		(1,067,236)	(881,811)
Loan principal repayments		(1,000,534)	(741,964)
Finance drawn down		<u>290,778</u>	<u>-</u>
<b>Net cash outflow from financing activities</b>		(1,707,804)	(1,620,049)
<b>Decrease in cash</b>	21	(4,958,386)	(1,258,031)
<b>Opening cash &amp; cash equivalents</b>		13,458,849	14,716,880
<b>Closing cash &amp; cash equivalents</b>		<u><b>8,500,463</b></u>	<u><b>13,458,849</b></u>
<b>Cash and cash equivalents as at 31 March</b>			
Cash	21	8,500,463	13,458,849
		<u><b>8,500,463</b></u>	<u><b>13,458,849</b></u>

The notes on pages 30 to 53 form an integral part of these financial statements.

# AYRSHIRE HOUSING

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2023

	Revaluation Reserve	Strathclyde Pension Reserve	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£	£
<b>Balance as at 1 April 2021</b>	21,755,174	(1,011,000)	(359,000)	26,850,677	47,235,851
Other comprehensive income	-	437,000	294,000	-	731,000
Revaluation in year	13,490	-	-	-	13,490
Other movements	-	(37,000)	65,000	(28,000)	-
Surplus for the year	-	-	-	1,963,384	1,963,384
<b>Balance as at 31 March 2022</b>	<b>21,768,664</b>	<b>(611,000)</b>	<b>-</b>	<b>28,786,061</b>	<b>49,943,725</b>
<b>Balance as at 1 April 2022</b>	21,768,664	(611,000)	-	28,786,061	49,943,725
Other comprehensive income	-	629,000	166,000	-	795,000
Revaluation in year	19,324,579	-	-	-	19,324,579
Other movements	-	(18,000)	(278,000)	296,000	-
Deficit for the year	-	-	-	(235,909)	(235,909)
<b>Balance as at 31 March 2023</b>	<b>41,093,243</b>	<b>-</b>	<b>(112,000)</b>	<b>28,846,152</b>	<b>69,827,395</b>

The notes on pages 30 to 53 form an integral part of these financial statements.

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. PRINCIPAL ACCOUNTING POLICIES

##### Statement of Compliance and Basis of Accounting

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

##### Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sales of properties built for sale, other services provided, revenue grants receivable and government grants released to income in the period.

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

A grant that imposes specified future performance conditions on the company is recognised only when those conditions are met. A grant received before the revenue recognition criteria is satisfied is recognised as a liability. For Social Housing Grant this means that the grant is recognised as revenue on completion of the property.

##### Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme and the Strathclyde Pension Fund, multi-employer defined benefit schemes. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

##### Going Concern

On the basis that the Board of Trustees has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

##### Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Building	Over 60 years
Roof	Over 40 years
Windows	Over 30 years
Radiators	Over 30 years
Boilers	Over 15 years
Bathrooms	Over 30 years
Kitchens	Over 20 years
Wiring	Over 30 years
Lift	Over 20 years
Smoke detectors	Over 10 years

The useful economic life of wiring components has been updated in the financial period from 40 years to 30 years, in line with industry averages.



# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

##### Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Furniture and Fittings	20% straight line
IT Systems	20% straight line
Offices	2% straight line
Let properties	20% straight line

The carrying values of non-current assets are reviewed for impairment at the end of each reporting period.

##### Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Performance Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on completion of the project to which the grant relates.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

Although social housing grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### Sales Of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the statement of recommended practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the statement of comprehensive income.

Disposals under shared equity schemes are accounted for in the statement of comprehensive income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

##### Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

##### Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives or the term of the lease, whichever is shorter.

##### Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

##### Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

#### **Borrowing Costs**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

#### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a non-current asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income.

Property developments that are intended for resale are included in current assets until disposal.

#### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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

#### **Cash and Liquid Resources**

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that cannot be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

#### **Impairment**

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

#### **Key Judgements and estimates made in the application of Accounting Policies**

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

#### Key Judgements

##### *a) Categorisation of Housing Properties*

In the judgement of the Board of Trustees the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

##### *b) Identification of cash generating units*

The Board of Trustees considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### *c) Valuation of housing properties*

As described in note 12 to the financial statements, housing properties are valued by Jones Lang LaSalle, Chartered Surveyors, on the following bases where applicable:

- Existing Use Value for Social Housing;
- Market Value subject to existing tenancies where applicable; and
- Market Value assuming Vacant Possession - on a non-reliance basis

In arriving at their valuation, they undertook a comprehensive programme of research to supplement their knowledge and understanding of the properties. This included:

- researching local vacant possession values through conversations with local estate agents together with internet research and using RightmovePlus, a bespoke tool for comparable evidence;
- comparing the current Ayrshire Housing's passing rents with peers in the market;
- examining local benchmark affordable rents and comparing these with Ayrshire Housing's rents; and
- analysing data provided by Ayrshire Housing.

##### *d) Financial instrument break clauses*

The Board of Trustees has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In their judgement these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

##### *e) Pension Liability*

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method. Judgements relating to the benefits issue are included in Note 29.

# AYRSHIRE HOUSING

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### Estimation Uncertainty

##### *a) Rent Arrears - Bad Debt Provision*

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

##### *b) Life Cycle of Components*

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### *c) Useful life of properties, plant and equipment*

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

##### *d) Costs of shared ownership*

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

##### *e) Defined pension liability*

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Notes	2023			2022		
		Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	13,093,153	5,658,143	7,435,010	7,946,412	4,508,419	3,437,993
Other Activities	4	301,583	293,303	8,280	132,293	92,259	40,034
<b>Total</b>		<b>13,394,736</b>	<b>5,951,446</b>	<b>7,443,290</b>	<b>8,078,705</b>	<b>4,600,678</b>	<b>3,478,027</b>

### 3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared Ownership £	2023 Total £	2022 Total £
<b>Revenue from Lettings</b>				
Rent receivable inclusive of service charges	8,258,914	26,143	8,285,057	7,722,288
<b>Gross income from rent and service charges</b>	8,258,914	26,143	8,285,057	7,722,288
Less: Rent losses from voids	51,223	-	51,223	55,876
<b>Income from rents and service charges</b>	8,207,691	26,143	8,233,834	7,666,412
Grants released from deferred income	4,129,632	-	4,129,632	-
Revenue grants from Scottish Ministers	729,687	-	729,687	280,000
<b>Total turnover from affordable letting activities</b>	<b>13,067,010</b>	<b>26,143</b>	<b>13,093,153</b>	<b>7,946,412</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	2,383,979	6,690	2,390,669	1,922,017
Service costs	183,866	-	183,866	186,289
Planned and cyclical maintenance, including major repairs	434,957	-	434,957	164,822
Reactive maintenance costs	1,630,879	-	1,630,879	1,246,409
Bad Debts - rents and service charges	8,772	-	8,772	7,968
Depreciation of affordable let properties	1,003,208	5,792	1,009,000	980,914
<b>Operating costs of affordable letting activities</b>	<b>5,645,661</b>	<b>12,482</b>	<b>5,658,143</b>	<b>4,508,419</b>
<b>Operating surplus on affordable letting activities</b>	<b>7,421,349</b>	<b>13,661</b>	<b>7,435,010</b>	<b>3,437,993</b>
<b>2022</b>	<b>3,423,254</b>	<b>14,739</b>		

# AYRSHIRE HOUSING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023  
 NOTES TO THE FINANCIAL STATEMENTS (continued)

## 4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Other revenue grants	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2023	Operating surplus / (deficit) 2022
	£	£	£	£	£	£
Factoring	-	18,185	18,185	-	18,185	18,718
Other activities	263,000	20,398	283,398	293,303	(9,905)	21,316
<b>Total From Other Activities</b>	<b>263,000</b>	<b>38,583</b>	<b>301,583</b>	<b>293,303</b>	<b>8,280</b>	<b>40,034</b>
<b>2022</b>	<b>98,929</b>	<b>33,364</b>	<b>132,293</b>	<b>92,259</b>	<b>40,034</b>	

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. OFFICERS' EMOLUMENTS

	2023 £	2022 £
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	265,599	211,755
Pension contributions made on behalf of Officers with emoluments greater than £60,000	51,425	41,911
Emoluments payable to Executive Officer (excluding pension contributions)	85,236	80,550
Pension contributions paid on behalf of the Executive Officer	16,478	15,829
Total emoluments payable to the Executive Officer	101,714	96,379
Total emoluments paid to key management personnel	352,098	253,666

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	2	-
£70,001 to £80,000	-	2
£80,001 to £90,001	1	-
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-

### 6. EMPLOYEE INFORMATION

	2023 No.	2022 No.
Average monthly number of full time equivalent persons employed during the year	30	27
Average total number of employees employed during the year	33	32
Staff costs were:	£	£
Wages and salaries	1,150,587	1,056,341
National insurance costs	132,568	111,998
Pension costs	255,699	233,211
Temporary, agency and seconded staff	17,987	20,923
	1,556,841	1,422,473

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. LOSS ON SALE OF HOUSING STOCK

	2023	2022
	£	£
Sales proceeds	130,000	22,464
Cost of sales	<u>(307,032)</u>	<u>(277,332)</u>
Loss on sale of housing stock	<u>(177,032)</u>	<u>(254,868)</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£	£
On bank loans and overdrafts	1,064,036	878,488
Non-utilisation fees	<u>3,200</u>	<u>3,323</u>
	<u>1,067,236</u>	<u>881,811</u>

The capitalisation rate of capitalised development period interest was 1.99% (2022 - 1.99%).

### 9. (DEFICIT) / SURPLUS FOR THE YEAR

	2023	2022
	£	£
(Deficit) / Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,073,372	1,020,390
Auditors' remuneration - audit services	9,950	9,200
Operating lease rentals - other	<u>11,585</u>	<u>9,423</u>

### 10. CORPORATION TAX

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

### 11. OTHER FINANCE INCOME / (CHARGES)

	2023	2022
	£	£
Net interest on pension obligations	<u>(13,000)</u>	<u>(28,000)</u>



# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting	Housing Properties in Course of Construction	Shared Ownership Completed	Total
	£	£	£	£
<b>COST / VALUATION</b>				
At 1 April 2022	67,055,166	11,024,408	390,000	78,469,574
Additions	1,353,099	8,006,539	-	9,359,638
Disposals	(253,026)	-	(46,083)	(299,109)
Write down on initial measurement	(6,491,122)			(6,491,122)
Revaluation	16,800,616	-	26,083	16,826,699
Transfers	10,040,267	(10,040,267)	-	-
At 31 March 2023	<u>88,505,000</u>	<u>8,990,680</u>	<u>370,000</u>	<u>97,865,680</u>
<b>DEPRECIATION</b>				
At 1 April 2022	1,477,323	-	5,727	1,483,050
Charge for Year	1,003,273	-	5,727	1,009,000
Transfer on Revaluation	(2,444,750)		(11,454)	(2,456,204)
Disposals	(35,846)	-	-	(35,846)
At 31 March 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET BOOK VALUE</b>				
At 31 March 2023	<u>88,505,000</u>	<u>8,990,680</u>	<u>370,000</u>	<u>97,865,680</u>
At 31 March 2022	<u>65,577,843</u>	<u>11,024,408</u>	<u>384,273</u>	<u>76,986,524</u>

	2023		2022	
	<i>Component replacement</i>	<i>Improvements / Repairs</i>	<i>Component replacement</i>	<i>Improvements / Repairs</i>
<b>Expenditure on Existing Properties</b>	£	£	£	£
Amounts capitalised	1,353,099	-	1,084,191	-
Amounts charged to the statement of comprehensive income	<u>-</u>	<u>2,249,702</u>	<u>-</u>	<u>1,597,520</u>

All land and housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £159,956 (2022 - £117,608).

The Association's lenders have standard securities over housing property with a carry value of £59,240,000 (2022 - £47,780,000).

As noted in accounting policies, useful live of the rewiring component has decreased from 40 to 30 years. The impact on the depreciation charge for the year is an increase of £18,075 (£45,188 updated charge compared to £27,113).

All housing properties were fully revalued on the basis of existing value for social housing at 31 March 2023 including housing properties secured by BoS in line with the loan agreement. Both valuations were carried out by Jones Lang LaSalle, Chartered Surveyors. The valuations have been prepared in accordance with the current RICS Valuation - Global Standards.

If housing properties had not been revalued, they would have been included as follows:

	2023 £	2022 £
Cost of properties	152,501,644	143,328,074
Less: Social Housing and Other Grants	80,873,132	78,411,852
	<u>71,628,512</u>	<u>64,916,222</u>
Depreciation	(12,605,026)	(11,631,872)
	<u>59,023,486</u>	<u>53,284,350</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Let Furniture & Fittings £	Computer Equipment £	Total £
<b>COST</b>					
At 1 April 2022	1,528,377	85,907	161,920	284,331	2,060,535
Additions/(transfers)	(1,497)	11,237	-	49,131	58,871
At 31 March 2023	<u>1,526,880</u>	<u>97,144</u>	<u>161,920</u>	<u>333,462</u>	<u>2,119,406</u>
<b>DEPRECIATION</b>					
At 1 April 2022	137,855	76,551	161,920	214,102	590,428
Charge for year	30,504	4,087	-	29,781	64,372
At 31 March 2023	<u>168,359</u>	<u>80,638</u>	<u>161,920</u>	<u>243,883</u>	<u>654,800</u>
<b>NET BOOK VALUE</b>					
At 31 March 2023	<u>1,358,521</u>	<u>16,506</u>	<u>-</u>	<u>89,579</u>	<u>1,464,606</u>
At 31 March 2022	<u>1,390,522</u>	<u>9,356</u>	<u>-</u>	<u>70,229</u>	<u>1,470,107</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. RECEIVABLES

	2023	2022
	£	£
Gross arrears of rent and service charges	111,185	110,323
<b>Less:</b> Provision for doubtful debts	<u>(57,668)</u>	<u>(57,668)</u>
<i>Net arrears of rent and service charges</i>	53,517	52,655
Social housing grant receivable	518,514	532,010
Other receivables	250,419	141,367
	<u>822,450</u>	<u>726,032</u>

### 14. CURRENT ASSET INVESTMENTS

	2023	2022
	£	£
Subsidiary Investment	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

Ayrshire Housing holds the one issued share of Ayrshire Homestake Limited, a company registered in Scotland.

Ayrshire Homestake Limited is currently non trading.

### 15. CASH AND CASH EQUIVALENTS

	2023	2022
	£	£
Cash at bank and in hand	8,500,463	13,458,849
	<u>8,500,463</u>	<u>13,458,849</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Bank loans	1,254,403	1,263,930
Other loans	60,000	60,000
Trade payables	661,267	1,300,271
Rent received in advance	603,860	373,776
Other taxation and social security	33,605	27,403
Other payables	301,200	321,959
Accruals and deferred income	412,766	152,799
	<u>3,327,101</u>	<u>3,500,138</u>

### 17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023	2022
	£	£
Bank loans	30,146,023	30,846,251
Other creditor	60,000	161,679
	<u>30,206,023</u>	<u>31,007,930</u>

### 18. DEBT ANALYSIS - BORROWINGS

	2023	2022
	£	£
<b>Bank Loans</b>		
Amounts due within one year	1,254,403	1,263,930
Amounts due in one year or more but less than two years	3,298,428	1,252,173
Amounts due in two years or more but less than five years	2,515,550	4,467,507
Amounts due in more than five years	24,332,045	25,126,571
	<u>31,400,426</u>	<u>32,110,181</u>

The Association has a number of bank loans the principal terms of which are as follows:

<b>Lender</b>	<b>Number of Properties Secured</b>	<b>Effective Interest Rate</b>	<b>Maturity (Year)</b>	<b>Variable or Fixed</b>
Royal Bank of Scotland	574	4.53% - 5.98%	2027 - 2040	Variable & Fixed
Nationwide	257	4.6%	2022 - 2035	Variable
Bank of Scotland	231	5.46% - 7.03%	2023 - 2035	Variable & Fixed
Allia	-	1.88% - 3.27%	2025 - 2035	Fixed

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS

#### Scottish Housing Association Pension Scheme

Ayrshire Housing participates in the Scottish Housing Association 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 pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2021 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £1,173m. The valuation revealed a shortfall of assets compared with the value of liabilities of £27m (equivalent to a past service funding level of 98%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

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

	2023	2022	2021
	£	£	£
Fair value of plan assets	2,566,000	4,277,000	3,858,000
Present value of defined benefit obligation	2,678,000	4,218,000	4,217,000
Surplus / (deficit) in plan	(112,000)	59,000	(359,000)
Unrecognised surplus	-	(59,000)	-
Defined benefit asset / (liability) to be recognised	(112,000)	-	(359,000)

#### Reconciliation of the Impact of the Asset Ceiling

	Period from 31 March 2022 to 31 March 2023
	£
Impact of asset ceiling at start of period	59,000
Effect of the asset ceiling included in net interest cost	3,000
Actuarial losses (gains) on asset ceiling	(62,000)
Impact of asset ceiling at end of period	-

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

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

	2023	2022
	£	£
Defined benefit obligation at the start of period	4,218,000	4,217,000
Current service cost	141,000	136,000
Expenses	3,000	3,000
Interest expense	117,000	95,000
Contributions by plan participants	87,000	74,000
Actuarial losses (gains) due to scheme experience	(368,000)	91,000
Actuarial losses (gains) due to changes in demographic assumptions	(49,000)	12,000
Actuarial losses (gains) due to changes in financial assumptions	(1,208,000)	(403,000)
Benefits paid and expenses	(263,000)	(7,000)
Defined benefit obligation at the end of period	<u>2,678,000</u>	<u>4,218,000</u>

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

	2023	2022
	£	£
Fair value of plan assets at start of period	4,277,000	3,858,000
Interest income	120,000	88,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(1,853,000)	53,000
Contributions by the employer	198,000	211,000
Contributions by plan participants	87,000	74,000
Benefits paid and expenses	(263,000)	(7,000)
Fair value of plan assets at the end of period	<u>2,566,000</u>	<u>4,277,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£1,733,000) (2022 - £141,000).

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

#### Defined benefit costs recognised in the statement of comprehensive income

	2023	2022
	£	£
Current service cost	141,000	136,000
Expenses	3,000	3,000
Net interest expense	-	7,000
	<u>          </u>	<u>          </u>
Defined benefit costs recognised in statement of comprehensive income	144,000	146,000
	<u>          </u>	<u>          </u>

#### Defined benefit costs recognised in the other comprehensive income

	2023	2022
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	(1,853,000)	53,000
Experience gains and losses arising on plan liabilities - gain /(loss)	368,000	(91,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	49,000	(12,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	1,208,000	403,000
	<u>          </u>	<u>          </u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	(228,000)	353,000
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	62,000	(59,000)
	<u>          </u>	<u>          </u>
Total amount recognised in other comprehensive income - gain (loss)	(166,000)	294,000
	<u>          </u>	<u>          </u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

##### Assets

	2023	2022	2021
	£	£	£
Absolute Return	35,000	196,000	190,000
Alternative Risk Premia	15,000	177,000	155,000
Corporate Bond Fund	3,000	270,000	291,000
Credit Relative Value	98,000	137,000	111,000
Distressed Opportunities	79,000	153,000	132,000
Emerging Markets Debt	20,000	159,000	155,000
Currency Hedging	5,000	(16,000)	-
Global Equity	68,000	846,000	597,000
Infrastructure	276,000	267,000	215,000
Insurance-Linked Securities	71,000	90,000	81,000
Liability Driven Investment	1,086,000	1,035,000	927,000
Long Lease Property	86,000	123,000	90,000
Net Current Assets	6,000	14,000	29,000
Over 15 Year Gilts	-	2,000	2,000
Private Debt	115,000	108,000	91,000
Property	107,000	111,000	69,000
Risk Sharing	187,000	139,000	138,000
Secured Income	172,000	228,000	212,000
Opportunistic Illiquid Credit	113,000	142,000	99,000
Liquid Credit	-	27,000	67,000
Opportunistic Credit	-	15,000	105,000
Cash	11,000	12,000	1,000
High Yield	13,000	42,000	101,000
Total assets	2,566,000	4,277,000	3,858,000

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

Key Assumptions	2023	2022	2021
Discount Rate	4.9%	2.8%	2.2%
Inflation (RPI)	3.2%	3.5%	3.2%
Inflation (CPI)	2.8%	3.2%	2.9%
Salary Growth	3.8%	4.2%	3.9%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance		

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4



# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Strathclyde Pension Fund Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

#### Principal Actuarial Assumptions

Assumptions as at 31 March	2023	2022
	%p.a.	%p.a.
Pension Increase Rate (CPI)	2.95	3.20
Salary Increase Rate	3.65	3.90
Discount Rate	4.75	2.70

#### Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

Asset Class	2023	2022
	% p.a.	% p.a.
Equities	60%	64%
Bonds	28%	24%
Property	10%	10%
Cash	2%	2%

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Strathclyde Pension Fund Defined Benefit Scheme (continued)

##### Mortality Rates

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of employment of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males (Years)</b>	<b>Females (Years)</b>
Current Pensioners	19.3	22.2
Future Pensioners	20.5	24.2

<b>Net Pension Liability</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Fair value of employer's assets	2,420,000	2,952,000	2,606,000
Present value of scheme liabilities	(2,420,000)	(3,563,000)	(3,617,000)
	<u>-</u>	<u>(611,000)</u>	<u>(1,011,000)</u>

##### Reconciliation of fair value of employer assets

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Opening fair value of employer assets	2,952,000	2,606,000	1,767,000
Expected return on assets	82,000	53,000	41,000
Contributions by members	23,000	22,000	22,000
Contributions by the employer	155,000	155,000	89,000
Other Experience	-	-	312,000
Return on assets excluding amounts included in net interest	(150,000)	153,000	411,000
Change in asset ceiling	(604,000)	-	-
Estimated benefits paid	(38,000)	(37,000)	(36,000)
	<u>2,420,000</u>	<u>2,952,000</u>	<u>2,606,000</u>

##### Reconciliation of defined benefit obligations

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Opening defined benefit obligation	3,563,000	3,617,000	2,369,000
Current service cost	157,000	171,000	123,000
Interest cost	98,000	74,000	56,000
Contributions by members	23,000	22,000	22,000
Changes to financial assumptions	(1,383,000)	(284,000)	1,083,000
Estimated benefits paid	(38,000)	(37,000)	(36,000)
	<u>2,420,000</u>	<u>3,563,000</u>	<u>3,617,000</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Strathclyde Pension Fund Defined Benefit Scheme (continued)

##### Analysis of amount charged to the statement of comprehensive income

	2023 £	2022 £
Charged to operating costs:		
Service cost	157,000	171,000
	<u>157,000</u>	<u>171,000</u>
Charged to other finance costs / (income)		
Expected return on employer assets	(82,000)	(53,000)
Interest on pension scheme liabilities	98,000	74,000
	<u>16,000</u>	<u>21,000</u>
<b>Net charge to the statement of comprehensive income</b>	<u>173,000</u>	<u>192,000</u>

##### Actuarial gain / (loss) recognised in other comprehensive income

	2023 £	2022 £	2021 £
Changes in financial assumptions	(1,484,000)	(266,000)	(765,000)
Changes in demographic assumptions	(23,000)	(22,000)	65,000
Other experience	124,000	4,000	(71,000)
Return on assets excluding amounts included in net interest	150,000	(153,000)	411,000
Change in asset ceiling	604,000		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total remeasurement recognised in Other Comprehensive income	<u>(629,000)</u>	<u>(437,000)</u>	<u>(360,000)</u>

##### Analysis of projected amount to be charged to the statement of comprehensive income for the year ended 31 March 2024

	£	% of pay
Projected current service cost	(82,000)	(23.9)
Interest on obligation	(116,000)	(33.6)
Expected return on plan assets	146,000	42.3
	<u>(52,000)</u>	<u>(15.2)</u>

Contributions made by the Association for the year ended 31 March 2024 are estimated to be approximately £165,000.

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. DEFERRED INCOME

	Social Housing Grants £	Total £
<b>Capital grants received</b>		
At 1 April 2022	7,578,720	7,578,720
Additions in the year	1,731,593	1,731,593
Transferred to income	(4,129,632)	(4,129,632)
At 31 March 2023	<u>5,180,681</u>	<u>5,180,681</u>
<b>Net book value</b>		
At 31 March 2023	<u>5,180,681</u>	<u>5,180,681</u>
At 31 March 2022	<u>7,578,720</u>	<u>7,578,720</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2023 £	2022 £
Amounts due within one year	3,805,054	4,129,631
Amounts due in more than one year	1,375,628	3,449,089
	<u>5,180,681</u>	<u>7,578,720</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. CASH FLOWS

#### Reconciliation of net cash flow to movement in net debt

	£	2023 £	£	2022 £
Decrease in cash	(4,958,386)		(1,258,031)	
Cashflow from change in net debt	709,755		741,964	
Movement in net debt during the year		(4,248,631)		(516,067)
Net debt at 1 April		(18,651,332)		(18,135,265)
Net debt at 31 March		<u>(22,899,963)</u>		<u>(18,651,332)</u>

	At 1 April 2022 £	Cashflows £	Other Changes £	At 31 March 2023 £
Cash and cash equivalents	13,458,849	(4,958,386)	-	8,500,463
	13,458,849	(4,958,386)	-	8,500,463
Debt: Due within one year	(1,263,930)	709,755	(700,228)	(1,254,403)
Due after more than one year	(30,846,251)	-	700,228	(30,146,023)
Net debt	<u>(18,651,332)</u>	<u>(4,248,631)</u>	<u>-</u>	<u>(22,899,963)</u>

### 22. CAPITAL COMMITMENTS

	2023 £	2022 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	802,660	6,139,378

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

### 23. COMMITMENTS UNDER OPERATING LEASES

	2023 £	2022 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
<b>Other</b>		
Expiring in the next year	12,560	7,669
Expiring later than one year and not later than five years	25,119	15,338
Expiring later than five years	19,567	11,625
	<u>57,246</u>	<u>34,632</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 24. DETAILS OF ASSOCIATION

The Association is a company registered in Scotland under the Companies Act 2006.

The Association's principal place of business is 119 Main Street, Ayr, KA8 8BX.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Ayrshire.

#### 25. BOARD OF TRUSTEES MEMBER EMOLUMENTS

Board of Trustees members received £183 (2022 - £nil) in the year by way of reimbursement of expenses. No remuneration is paid to Board of Trustees members in respect of their duties to the Association.

#### 26. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2023 No.	2022 No.
General needs	1,668	1,607
Shared ownership	8	9
	<u>1,676</u>	<u>1,616</u>

# AYRSHIRE HOUSING

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27. RELATED PARTY TRANSACTIONS

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

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Any transactions between the Association and any entity with which a Board of Trustees member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Board of Trustees members (and their close family) were as follows:

	<b>2023</b>	<b>2022</b>
	£	£
Rent received from tenants on the Board of Trustees and their close family members	<u>25,869</u>	<u>25,494</u>
Members of the Board of Trustees who are tenants	4	6
Members of the Board of Trustees who are local authority employees	<u>1</u>	<u>1</u>

A member of the HA's management committee has an interest in SeAscape Limited. The Housing Association paid fees to this organisation during the year of £21,080 (2022: £44,110) and donated £500 (2022: £nil) to their Christmas Appeal.

### 28. GROUP STRUCTURE

Ayrshire Housing is a housing company registered in Scotland and forms part of a group. The other member is Ayrshire Homestake Limited and the company is registered in Scotland. The main activity of Ayrshire Homestake Limited would be the administration of the supply of low cost home ownership. However, the company has been dormant since its incorporation. Ayrshire Housing is considered to be the ultimate parent. Separate group accounts are not prepared as the Trustees are of the opinion that the group is exempt from this requirement.

### 29 CONTINGENT LIABILITY

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.