

# **Home in Scotland Limited**

**Reports and Financial Statements  
for the year ended 31 March 2023**

# Contents

2 – 3	Chair’s report
4 – 8	Report of the Board
9 – 12	Independent Auditor’s Report to Home in Scotland Limited
13 – 32	Financial Statements

## Registered Office and Head Office

Home in Scotland Limited  
Pavilion 6, 321 Springhill Parkway  
Glasgow Business Park  
Baillieston  
Glasgow  
G69 6GA

Co-operative and Community Benefit Societies Act 2014 No: SP1935RS  
Scottish Housing Regulator Registered No: HAL90  
Scottish Charity No: SC005247

Part of Home Group

# Chair's Report

It is with great pleasure that I introduce the financial statements for the year ended 31 March 2023.

As always, I would firstly like to thank all of our Home in Scotland colleagues for their outstanding effort and support in what has been another extremely challenging year.

We were affected by several factors last year, including in no short measure the war in Ukraine, which led to rising costs, a challenging labour market and rising interest rates. All of this had an impact on us, but we have worked hard to stay on track.

Over the last year, Home in Scotland have mitigated against the significant risks that we are facing from the challenging external environment. For example, we took the decision, like a lot of associations in the sector, to reduce our development plans because it doesn't make sense to continue borrowing as much in order to develop when interest rates are this high.

We made adjustments in other areas of our operation too, and have reprioritised our spend so we can continue to invest in areas essential to the delivery of our strategy, and to the benefit of our customers.

The tough economic environment looks set to continue, and we have done a huge amount of work this year to understand what this is likely to mean for us going forward. We want to ensure that we are equipped for the challenges ahead while remaining ambitious in our plans to provide high quality, affordable and energy efficient homes.

Home in Scotland manage over 4,000 homes across six local authority areas, and provide factor services to a further 700 homes.

In 2022/23, our turnover was £25.8 million. Our surplus before tax for the year ended 31 March 2023 was £3.0 million – £3.0m down from last year but understandable given the circumstances. The shortfall can be explained through the increase in costs over what we budgeted for, due to the rising cost inflation and interest rates across the year.

Many of our customers have found this past year extremely difficult indeed, and colleagues have been working hard to support those customers who found it hard to make ends meet.

Our Financial Inclusion Team, who work very closely with our housing managers to assist customers in maximising their income, have done an outstanding job. Since April 2023 the team have supported 268 customers, increasing their income by over £380k across a range of areas, including accessing essential items, support with welfare and pension benefits, budgeting,

fuel poverty and cost of living support, along with reducing rent arrears. In 2023/24, we have set up a new cost of living fund.

Across the organisation, we have continued to invest in building new homes and ensuring our existing ones are fit for purpose. We invested £9.5 million in improving and maintaining our customers' homes – an increase of £2.9 million.

We have invested £47.5 million in our building programme, ensuring we continue to build the right homes in the right places. In 2022/23, we completed 75 homes – all for social rent. In 2023/24 we anticipate completing over 450.

A major development which is close to completion is Meat Market in Glasgow, which will see 250 homes handed over to customers by the end of the summer.

Another major piece of work coming to fruition is the regeneration of our estate in East Balornock in Glasgow – a ten-year project which has led to the transformation of the homes and the communities there.

In late 2022/23, we applied for a £15 million loan through the Charitable Bond programme funded by the Scottish Government.

I'm pleased to say we were successful and those funds will help Home in Scotland deliver just under 900 homes across the country over the next five years, which include a mix of social rent and mid-market rent.

Our commitment to invest in our homes and communities is matched by our commitment to support our customers.

We have customers involved in everything from recruitment processes, procurement, and scrutiny panels to deciding on maintenance contracts, as well as sitting on Home in Scotland's board.

Our inclusive approach to involvement gives our customers the opportunity to tell us exactly what they think – and they do. Sometimes it is a little uncomfortable, but that is exactly the point.

It is a similar approach taken with colleagues. We have an open and inclusive environment where colleagues can freely share their thoughts and ideas on our operation, suggest changes and challenge decisions being taken.

## Chair's Report (continued)

Their contribution over the past few years particularly has been simply outstanding. It is their commitment and determination to succeed that gives me the confidence that whatever challenges we face in the coming financial year we will overcome them and achieve our mission to build homes, independence and aspirations.



Susan Deacon CBE  
Chair  
22 August 2023

# Report of the Board

## Board

R Bowes, ONC (until 1 November 2022)

G A Campbell, MCIH

I A Campbell, MSc Hons PG Dip MCIH)

J Cheung-Buchanan, B.Arch, MSc (until 31 August 2022)

S Deacon CBE (Chair)

M Finnegan BA (Hons) (until 3 April 2023)

M Henderson, BSc (Hons)

J Hudson, BSc (Hons), PhD, ACA (until 7 June 2022)

R Inglis (appointed 4 April 2023)

A Mauger-Thompson, BA (Hons), MCLIP, MBA (until 14 January 2022)

H Meehan, ACA (appointed 8 June 2022)

C Wood (Mappin), BSc (Hons), Dip Surv, MRTPI

G MacKenzie, BA, CA (appointed 23 August 2022)

## Company Secretary

C Burnham (from 1 September 2022)

R Hall, BA (Hons) Law (until 31 August 2022)

## Advisors

### Bankers:

Bank of Scotland plc  
Business Banking Centre  
2 West Marketgait  
Dundee  
DD1 1QN

### Independent Auditors:

Deloitte LLP  
One Trinity Gardens  
Broad Chare  
Newcastle upon Tyne  
NE1 2HF

### Solicitors:

T C Young  
7 West George Street  
Glasgow  
G2 1BA

Miller Hendry  
3 Ward Road  
Dundee  
DD1 1LU

## Report of the Board (continued)

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

### Registration of the Association

Home in Scotland Limited (the Association) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 - registered number 1935R(S) - and with The Scottish Housing Regulator under the Housing (Scotland) Act 2010 - registered number HAL90. The Association's rules are based on the Scottish Federation of Housing Associations' Charitable Model Rules (Scotland) 2013.

### Parent Association

Home Group Limited (HGL) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (registered number 22981R) and with the Regulator of Social Housing (registered number L3076).

### Principal Activities

The principal activities of the Association are the provision of rented accommodation for those in housing need and the development of new build homes for social or mid-market rent, and low cost home ownership.

### Results

The Association has made a surplus of £3.0 million in the year to 31 March 2023 (2022: £6.0 million). Annual surpluses are required to cover long term maintenance obligations, the development of property for sale (the profits of which are invested into our core services and the provision of more affordable homes), repayment of loans and future risks.

### Review of Business

A brief review of the business is given on page 2-3 in the Chair's report. The review was written in the context of an increasingly uncertain business environment – over the last few years we have managed the effects of both Covid and the fallout of Brexit. These issues have been compounded by Russia's invasion of Ukraine and the mini budget in September.

Through the year CPI inflation averaged 10.0% and interest rates increased from 0.5% to 4.25%. We have been impacted by rising costs in a number of areas, most significantly impacting the cost of delivering repairs and maintenance services to our properties. The increase in interest rates has also impacted us to some extent, although the majority of our borrowings are on fixed rate terms.

Labour supply challenges have continued, making recruitment difficult, and we have also seen employment costs increase.

Rising prices, particularly for food and energy costs, combined with wages and benefits not keeping pace with inflation has created a cost of living crisis which we know is impacting our customers. We provide a wide range of financial and non-financial support to our customers, particularly through our Financial Inclusion Team.

As we enter a new financial year, cost inflation remains high, and interest rates continue to rise. In addition to this, we capped rent increases at 7% (below inflation) in the upcoming year. We have responded to these factors by making changes to our business plan to mitigate risks and ensure we continue to be able to invest in our homes.

## Report of the Board (continued)

### Impact on stakeholders

The factors discussed above are reflected in our financial modelling and stress testing, discussed further in our going concern assessment on page 17-18. A summary of the key impacts and our response is included below:

**Customers and the community** – during these challenging times it is imperative that we continue to support our customers, many of whom are extremely vulnerable. We continue to provide direct support through our Financial Inclusion Team who provide advice, support and solutions for our customers who are struggling with rent or their bills. We've worked with partners to provide further support, for example by accessing the Scottish Government's Social Housing Fuel Support Fund.

**Colleagues** – This year has given colleagues additional pressures around the cost of living challenge and we've worked to support this where we can. In September we made a one-off cost of living support payment to 39 colleagues (68%), and then implemented the Living Wage Foundation Rate changes earlier than usual, which further benefitted four colleagues (7%).

**Supply chain** – many of our major suppliers (maintenance and development contractors) have been significantly impacted by increasing costs brought on by global supply chain issues. We've worked closely with our maintenance contractors and customers to ensure the service offering remains at a standard that meets our customer promise. Our live development contracts are fixed price which gives us protection against increasing costs in the construction sector. We remain vigilant against price increases and take them into consideration when considering the viability of future potential schemes.

### Financial position and liquidity

We continue to perform risk based scenario planning to understand the potential impact on our financial position for the current year and in the future. This includes the impact on loan covenants, cash flow, liquidity and funding requirements. The results are shared with our Board and during the year gave the Association confidence that we remain financially strong.

In addition, our parent association HGL (which provides loan facilities to Home in Scotland) remains in a strong financial position with the capacity to respond to any future financial shocks. We maintain flexibility in our plans for growth which are being reviewed and can be altered to maintain our financial strength if required. Further details are discussed in our going concern assessment on pages 17-18 where we discuss the current economic environment, what we expect to happen in the future and stress testing.

### Treasury Policy

Treasury management is operated within a framework of clearly defined Board approved policies and procedures that serve to control the use of financial instruments. The overall aim is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. The Board receives regular reports on relevant treasury matters.

The Association finances its operations through a mixture of retained earnings, grants, long term loans and short term facilities. Borrowings are in sterling at both fixed and floating rates of interest. The Association has a five year £10 million intercompany loan from HGL which expires in May 2025 and a five year £20 million intercompany loan from HGL, which is due to expire in June 2028.

The Association also holds a £40 million revolving credit facility with a term of five years, expiring in August 2025. This facility provides additional liquidity to support the Association's future development programme. Of these facilities, £29.9 million was committed, undrawn and immediately available as at 31 March 2023. Full details of the Association's borrowings are shown in note 17 to the financial statements.

The Association's lending agreements include a number of financial and non-financial covenants. The key financial covenants are interest cover and gearing ratios. Loan covenants are monitored by the Treasury team on a monthly basis and reported to Board regularly. All covenants were met throughout the year.

## Report of the Board (continued)

### Statement on Internal Financial Controls

The Association Board acknowledges its overall responsibility for establishing and maintaining the system of internal control and reviewing its effectiveness across the Association. 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; and
- the safeguarding of assets against unauthorised use or disposition.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material financial misstatement or loss. The process for identifying, evaluating and managing significant risks faced by the Association is on-going, and has been in place throughout the period from 1 April 2022 up to the date of approval of the financial statements. This process is set out in the Group's Risk Management Framework which is followed by the Association.

Key elements of the Association's internal control framework include:

- Board approved terms of reference and clear delegated authorities throughout the Association;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- risk registers which are regularly reviewed by senior management, Executive, the Audit Committee of the Group and the Association Board;
- a robust operational planning process with detailed financial budgets, forecasts and performance measures;
- regular reporting to senior management and the Board of key performance indicators to monitor progress against objectives, including up to date financial management information with significant variances from budget being investigated as appropriate;
- a structured approach to the appraisal and authorisation of all significant new business initiatives and commitments;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- detailed policies and procedures in each area of the Association's activities, including the ongoing documentation of key controls in relation to the delegation of authority, which allows monitoring and restricts the unauthorised use of the 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; and
- an assurance service which reviews internal controls across the Association and provides regular reports to Board on any significant control weaknesses.

The Board 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 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.

### Statement of Board's responsibilities

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.



## Report of the Board (continued)

### Statement of Board's responsibilities (continued)

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

### Disclosure of Information to Auditors

The Board members and Directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member and Director has taken all the steps that he/she ought to have taken as a Board member or Director to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

### Colleagues

We work with colleagues to make sure people feel aware, informed and involved with our strategic direction and we welcome views and suggestions. We use a range of ways to engage with colleagues, including Workplace (an enterprise social network), our intranet, seminars, meetings and events as well as a strong team culture of briefings, meetings and brilliant conversations. We have vibrant colleague networks with strong ally support that cover gender, multicultural, LGBTQplus and people with disabilities.

Our mutual pay award is an example of how we engage with colleagues and encourage them to be involved in the company's performance, achieving a common awareness of factors affecting the performance of the company, and consulting colleagues so their views can be taken into account in making decisions.

Our recruitment approach is one that is inclusive and as a Disability Confident and 'Mindful Employer' we support future and current colleagues to develop meaningful careers, offering a comprehensive training and development approach that welcomes a diverse pool of colleagues. We continue to invest in colleague learning and development and wellbeing as this is key to engagement and business success.

### Events after the end of the reporting period

The Board considers that there have been no events since the year end that have had a significant impact on the Association's financial position.

### Auditor

A resolution to reappoint Deloitte LLP as auditors was proposed at the Annual General Meeting.

On behalf of the Board



Susan Deacon CBE  
Chair  
22 August 2023

# Independent Auditor's Report to Home in Scotland Limited

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Home in Scotland Limited (the 'association'):

- give a true and fair view of the state of the association's affairs as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2019.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in reserves;
- the cash flow statement;
- the related notes 1 to 27.

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).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

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

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

We have nothing to report in this regard.

## Responsibilities of board

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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.

We considered the nature of the association's industry and its control environment, and reviewed the association's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the board about their own identification and assessment of the risks of irregularities, including those that are specific to the association's business sector.

We obtained an understanding of the legal and regulatory framework that the association operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Co-operative and Community Benefit Societies Act 2014 and Part 6 of the Housing (Scotland) Act 2010; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the association's ability to operate or to avoid a material penalty. This included the association's compliance with the regulatory standards set by the Scottish Housing Regulator.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- housing property impairment due to the existence of significant management judgement and estimation uncertainty. In response we evaluated management's assessment of potential impairment triggers using our experience of the association and wider sector, engaged our valuations specialists to challenge the assumptions and calculations and compared a sample of key information used in the impairment calculations with published information sources to test the reasonableness of management's assumptions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

## Report on other legal and regulatory requirements

### Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the association's members as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne, United Kingdom  
26 September 2023

## Report by the auditors to the members of Home in Scotland Limited on corporate governance matters

In addition to our audit of the financial statements, we have reviewed your statement on page 7 concerning the association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

### Basis of Opinion

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

### Opinion

In our opinion the Statement on Internal Financial Controls on page 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

### Use of our report

This report is made solely to the association's members as a body, in accordance with the Regulatory Advisory Notes which are issued by the Scottish Housing Regulator. Our work has been undertaken so that we might state to the association's members those matters we are required to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our work, for this report, or for the opinions we have formed.



Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne, United Kingdom  
26 September 2023

# Statement of Comprehensive Income for the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Turnover	2	25,821	24,304
Operating expenditure	2	(20,516)	(16,594)
Surplus on disposal of social housing properties	3	114	340
<b>Operating surplus</b>		<b>5,419</b>	<b>8,050</b>
Interest receivable	7	8	1
Finance costs	8	(2,420)	(2,082)
<b>Surplus before taxation</b>	<b>9</b>	<b>3,007</b>	<b>5,969</b>
Taxation		-	-
<b>Surplus for the year</b>		<b>3,007</b>	<b>5,969</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>3,007</b>	<b>5,969</b>

All activities of the Association are classed as continuing.

There are no other surpluses or deficits to be recognised in the current or prior year other than the surplus for the year reported above.

The notes on pages 17 to 32 form part of the financial statements.

The financial statements on pages 13 to 32 were approved by the Board on 22 August 2023 and were signed on its behalf by:



Susan Deacon  
Chair



Gavin Mackenzie  
Board member



Charlotte Burnham  
Company Secretary

# Statement of Financial Position as at 31 March 2023

	Notes	2023 £000	2022 £000
<b>Fixed assets</b>			
Tangible fixed assets	10 & 11	363,749	320,005
Other investments	12	437	435
		<b>364,186</b>	<b>320,440</b>
<b>Current assets</b>			
Properties held for sale	13	1,358	385
Debtors	14	1,698	1,113
Cash and cash equivalents		6	-
		<b>3,062</b>	<b>1,498</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(13,896)</b>	<b>(9,152)</b>
<b>Net current liabilities</b>		<b>(10,834)</b>	<b>(7,654)</b>
<b>Total assets less current liabilities</b>		<b>353,352</b>	<b>312,786</b>
<b>Creditors: amount falling due after more than one year</b>	16	<b>(284,107)</b>	<b>(246,548)</b>
<b>Net assets</b>		<b>69,245</b>	<b>66,238</b>
<b>Capital and reserves</b>			
Non-equity share capital	18	-	-
Income and expenditure reserve		69,245	66,238
<b>Total capital and reserves</b>		<b>69,245</b>	<b>66,238</b>

The notes on pages 17 to 32 form part of the financial statements.

The financial statements on pages 13 to 32 were approved by the Board on 22 August 2023 and were signed on its behalf by:



Susan Deacon  
Chair



Gavin Mackenzie  
Board member



Charlotte Burnham  
Company Secretary

# Statement of Changes in Reserves for the year ended 31 March 2023

	Income and expenditure reserve £000
As at 1 April 2021	60,269
Total comprehensive income for the year	5,969
As at 31 March 2022	66,238
Total comprehensive income for the year	3,007
<b>As at 31 March 2023</b>	<b>69,245</b>

The notes on pages 17 to 32 form part of the financial statements.



# Cash Flow Statement for the year ended 31 March 2023

	Notes	2023 £000	2022 £000
<b>Net cash inflow from operating activities</b>	19	11,895	11,637
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(48,748)	(30,729)
Additions to investments		(2)	(1)
Disposals of investments		-	-
Proceeds from sale of tangible fixed assets		310	588
Capital grants received		17,337	22,595
Interest received		8	1
<b>Net cash outflow from investing activities</b>		<b>(31,095)</b>	<b>(7,546)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(2,783)	(2,106)
New secured loans		24,150	-
Repayment of borrowings		(2,161)	(2,226)
Withdrawal from deposits		-	34
<b>Net cash inflow/(outflow) from financing activities</b>		<b>19,206</b>	<b>(4,298)</b>
<b>Net change in cash and cash equivalents</b>		<b>6</b>	<b>(207)</b>
Cash and cash equivalents at the beginning of the year		-	207
<b>Cash and cash equivalents at the end of the year</b>		<b>6</b>	<b>-</b>

The notes on pages 17 to 32 form part of the financial statements.

# 1. Principal accounting policies

## Basis of accounting

The financial statements have been prepared in accordance with UK Accounting FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Co-operative and Community Benefit Societies and Credit Unions Act 2014, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2019 and the Statement of Recommended Practice for registered social housing providers Update 2018 ('SORP 2018').

As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The Association's parent undertaking, Home Group Limited (HGL), includes the Association in its consolidated financial statements, and these are the smallest and largest set of financial statements that the Association is consolidated into. The consolidated financial statements of HGL are available to the public and may be obtained from The Secretary, Home Group Limited, 1 Strawberry Lane, Newcastle upon Tyne, NE1 4BX.

As the consolidated financial statements of HGL include the equivalent disclosures and the Association is a wholly owned subsidiary of HGL, it has also taken the exemptions under FRS 102 available in respect of the following:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1; and
- The disclosures required by FRS 102.33A Related Party Disclosures in respect of transactions or balances with subsidiaries which form part of the group.

The financial statements are prepared on the historical cost basis of accounting. There are no material differences between the surplus before taxation and the surplus for the current or prior year and their historical cost equivalents.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board. Whilst the Statement of Financial Position shows net current liabilities, the Association has in place loan agreements which allow the Association sufficient funding to pay its liabilities as they fall due; these are set out in note 15 and 16. When considering our ability to continue as a going concern we have paid particular attention to the impact of the cost of living crisis, as detailed on pages 5-6.

### Impact of the current macro-economic environment

Our reported surplus before tax of £3.0 million was below our 2023 budget (£4.4 million), driven by rising cost inflation and building safety investigation works. The most significant external factor that has impacted us during the year has been the impact of persistently high cost inflation which has directly impacted the business as well as our customers. Our key loan covenants were not stretched and we retained significant (£29.9 million) headroom against our borrowing limits.

### Looking forwards

From the outputs of our detailed five-year financial forecasting exercise we can see the Association expects to be growing and building on its current financial strength:

- Continued surpluses in the face of new costs arising from building safety works and our sustainability agenda;
- We will see higher net assets year on year;
- We expect to have significant liquidity each year - we aim to have a minimum of 18 months at any one time and our minimum headroom against this benchmark is £17 million at 31 March 2026; and
- We expect to remain well within our loan covenant limitations at all times.

When reviewing our financial projections we have paid particular focus on the period to September 2024, which would be one year from the time the financial statements are submitted to the Scottish Housing Regulator (SHR).

## 1. Principal accounting policies (continued)

### Stress testing

We regularly stress test our financial forecasts to understand the risks they face and the impact of them transpiring. We also model the impact of the mitigations we have identified to address these events if they occur. We continue to be mindful of the external factors - we expect its impact to continue for some time both for the UK as a whole and Scotland.

The detailed stress testing our financial forecasts have been subjected to include:

- Rising unemployment and cost of living impact our customers' ability to pay their rent and service charges
- Increased inflationary pressures
- Rent freeze
- Supply chain disruption
- Restricted lender credit
- Higher staff costs
- Fines and/or litigation
- A reduction in grant received to develop new homes.

We always stress test our five-year financial projections to identify what would 'break' them. This is an important step in making sure our plans are robust and the SHR expects to see this. To breach our loan covenants would require more than one of the above stresses being realised together. Our work shows that in all scenarios we can implement mitigations so that covenants are adhered to.

On this basis, the Board has a reasonable expectation that the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months after the date on which the report and financial statements are signed. For this reason, the Association continues to adopt the going concern basis in the financial statements.

### Turnover

Rental income is recognised on a straight line basis in accordance with the terms of the tenancy agreement on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Fees receivable are recognised in line with the underlying management agreements.

### Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment. Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed. The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development, finance and legal colleagues, and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

Housing properties are split under component accounting between their land, structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as follows:

## 1. Principal accounting policies (continued)

<u>Component</u>	<u>Estimated useful economic life (years)</u>
Property structure	100
Roof	40 - 55
Insulated render	35
Central heating	30
Windows	30
Bathroom	25 - 30
Electrical	25 - 30
Solar panels	25
Doors	20 - 25
Kitchen	15 - 20
Boiler	15
External boundaries	15
Lift	15
Specialist equipment	5 - 15
Land	Not depreciated

### Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

<u>Asset type</u>	<u>Estimated useful economic life (years)</u>
Plant, machinery and fixtures	4 - 8
Motor vehicles	4
Computer equipment	3 - 5
Leased equipment	Over the life of the lease

### Housing Association Grant

Government grants include grants receivable from the Scottish Housing Regulator, Scottish Ministers and local authorities. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but such repayment will normally be restricted to the net proceeds of sale.

### Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

### Disposals of housing properties

Where properties built for sale are disposed of during the year, the disposal proceeds are included in turnover and the attributable costs included in cost of sales. Where properties previously rented out to customers are disposed of, the surplus on disposal is included in operating surplus.

Where a component is replaced or restored, the old component is written off to the Statement of Comprehensive Income, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Where any Housing Association Grant (HAG) to be repaid is less than the HAG relating to the disposal, the difference is treated as abated HAG and included as a component of the surplus or deficit on disposal.

## 1. Principal accounting policies (continued)

### Properties for sale

Completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value.

Grants are received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs net of grants up to the point of sale are reflected as stock within current assets. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the Statement of Comprehensive Income as other activities; within turnover and operating costs respectively. 100% of the property is sold between the owner and the Government.

### Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the element retained and held in liabilities. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties, as noted above.

### Improvements to properties

Expenditure on housing properties which is capable of generating increased future rents, or extends their useful lives, or significantly reduces future maintenance costs, is capitalised.

### Finance costs

Interest is capitalised on borrowings related to the development of qualifying assets, to the extent that it accrues in respect of the period of development if it represents interest on borrowings specifically financing the development programme after deduction of related grants received in advance. Other interest payable is charged to income and expenditure in the year.

### Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

### Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms has been agreed and the impact of discounting is material, the balance is shown at the present value, discounted at a market rate.

### Creditors

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

### Provisions for liabilities and charges

The Association recognises in the financial statements provisions to meet liabilities arising from past events, which are likely or certain to be incurred, but for which the amount or timing cannot be determined accurately.

## 1. Principal accounting policies (continued)

### Significant estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out below.

#### Significant management judgement

##### Carrying value of housing properties and stock

Judgement is exercised in determining the carrying value of housing properties and stock in line with the accounting policies set out on pages 18 to 20.

The Association has conducted a review of the financial performance and future prospects of its full portfolio of existing rented housing properties to assess whether there has been a trigger event for an impairment review. Indicators of impairment used as part of the review were:

- a fall in market values;
- a significant change in our operating environment;
- change in market interest rates;
- a change in the strength of our balance sheet;
- evidence of obsolescence in our stock;
- a change in how we use our stock; or
- a deterioration in asset performance.

Specifically, we have considered whether properties are planned to be sold, demolished or earmarked for regeneration, whether they require major works or whether they have been void for an extended period of time. As the circumstances of individual properties varies from year to year, the size of any impairment charge (or release of prior year's impairments) is expected to fluctuate.

Impairment charges and reversals identified and included in the Statement of Comprehensive Income are set out in note 9 to the financial statements.

#### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below. The estimates used relate to the current year and are not expected to impact the next financial year: they will be revaluated at the next reporting date.

##### Impairment testing

Where indicators of impairment have been identified we have tested the carrying values of both our housing properties and our development work in progress. In doing so we make a number of estimates.

When considering housing properties, we compare our carrying values against the sector standard valuation of Existing Use Value for Social Housing (EUV-SH). This is the value at which we would expect to transfer properties to another registered provider. Where the carrying value of identified properties is higher than EUV-SH, the properties have been impaired by the difference and the cost has been taken to the Statement of Comprehensive Income. This year's assessment resulted in a release of previous impairment by £25k (last year: reversal of £156k). This is disclosed in notes 2b, 9 and 10. For housing properties under development there is limited estimation uncertainty as we contract with our group development company, Home Group Developments Limited, who operate on a fixed price contracts basis.

## 2a. Particulars of turnover, operating costs and operating surplus / (deficit)

	Note	Turnover	Operating costs	Operating surplus 2023	Operating surplus 2022
		£000	£000	£000	£000
Affordable letting activities	2(b)	25,700	(19,718)	5,982	8,040
Other activities	2(c)	121	(798)	(677)	(330)
<b>Total</b>		<b>25,821</b>	<b>(20,516)</b>	<b>5,305</b>	
Total for the year ended 31 March 2022		24,304	(16,594)		7,710

Turnover and operating costs are all derived from UK customers and suppliers.

## 2b. Particulars of turnover, operating costs and operating surplus / (deficit) from affordable letting activities

	General needs social housing	Shared ownership housing	Mid-market rent	2023 Total	2022 Total
	£000	£000	£000	£000	£000
Rent receivable net of service charges	19,708	76	2,928	22,712	21,306
Service charges	1,118	1	179	1,298	1,060
<b>Gross income from rents and service charges</b>	<b>20,826</b>	<b>77</b>	<b>3,107</b>	<b>24,010</b>	<b>22,366</b>
Less voids	(139)	-	(68)	(207)	(246)
<b>Net income from rents and service charges</b>	<b>20,687</b>	<b>77</b>	<b>3,039</b>	<b>23,803</b>	<b>22,120</b>
Grants released from deferred income	1,430	6	126	1,562	1,691
Revenue grants from Scottish Ministers	335	-	-	335	385
<b>Total turnover from affordable letting activities</b>	<b>22,452</b>	<b>83</b>	<b>3,165</b>	<b>25,700</b>	<b>24,196</b>
Management and maintenance administration costs	(4,105)	(7)	(371)	(4,483)	(3,618)
Service costs	(1,092)	(4)	(158)	(1,254)	(1,008)
Planned and cyclical maintenance including major repairs costs	(2,938)	(2)	(1,257)	(4,197)	(2,050)
Reactive maintenance costs	(3,218)	(2)	(508)	(3,728)	(3,226)
Bad debts - rent and service charges	(299)	-	(22)	(321)	(264)
Depreciation of affordable let properties	(4,920)	(8)	(832)	(5,760)	(6,146)
Reversal of impairment of affordable let properties	25	-	-	25	156
<b>Operating costs for affordable letting activities</b>	<b>(16,547)</b>	<b>(23)</b>	<b>(3,148)</b>	<b>(19,718)</b>	<b>(16,156)</b>
<b>Operating surplus for affordable letting activities</b>	<b>5,905</b>	<b>60</b>	<b>17</b>	<b>5,982</b>	
Operating surplus for affordable letting activities for the year ended 31 March 2022	7,152	67	821		8,040

## 2c. Particulars of turnover, operating costs and operating surplus / (deficit) from other activities

	Turnover	Other operating costs	Operating surplus / (deficit) 2023	Operating surplus / (deficit) 2022
	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	(166)	(166)	(65)
Factoring	121	(118)	3	(13)
Uncapitalised development administration costs	-	(514)	(514)	(252)
<b>Total</b>	<b>121</b>	<b>(798)</b>	<b>(677)</b>	
Total for the year ended 31 March 2022	108	(438)		(330)

## 3. Surplus on disposal of social housing properties

	2023	2022
	£000	£000
Sales proceeds	319	591
Cost of sales	(205)	(251)
	<b>114</b>	<b>340</b>



## 4. Housing stock

The disclosure below relates to units of housing accommodation and therefore excludes commercial properties and garages.

	At 1 April 2022	New units developed or acquired	Units sold or demolished	At 31 March 2023
<b>General needs – social</b>				
Owned and managed	3,962	75	(38)	3,999
<b>Total general needs units</b>	<b>3,962</b>	<b>75</b>	<b>(38)</b>	<b>3,999</b>
<b>Low cost home ownership</b>				
Owned and managed	23	-	-	23
<b>Total low cost home ownership units</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>23</b>
<b>Total social housing</b>				
Owned and managed	3,985	75	(38)	4,022
<b>Total social housing</b>	<b>3,985</b>	<b>75</b>	<b>(38)</b>	<b>4,022</b>
<b>Mid-market rent units</b>				
Owned and managed	374	-	-	374
<b>Total non-social housing</b>	<b>374</b>	<b>-</b>	<b>-</b>	<b>374</b>
<b>Total social and non-social housing owned and / or managed</b>	<b>4,359</b>	<b>75</b>	<b>(38)</b>	<b>4,396</b>

Number of residential properties where we provide factoring services: 721 (2022: 700).

## 5. Directors' emoluments

The directors are paid through the parent undertaking, HGL. One director has been identified as key management personnel and the aggregate amount of emoluments payable was £78,383 (2022: £88,025) which includes £2,710 employer's pension contributions (2022: £5,808). Details of the remunerated members of the Board (Mark Henderson, John Hudson and Helen Meehan) are included within financial statements of HGL which are publicly available. No other Board members received any payment other than expenses.

	2023	2022
	£	£
Directors' expenses reimbursed to the directors not chargeable to United Kingdom income tax	2,440	273

## 6. Employee information

The employee costs of those persons employed by the Association who are utilised wholly and exclusively by the Association are summarised below:

	2023	2022
	Number	Number
Office staff	57	53
	<b>57</b>	<b>53</b>
	2023	2022
	£000	£000
Employee costs (for the above persons):		
Wages and salaries	2,151	1,977
Social security costs	237	206
Other pension costs	132	134
	<b>2,520</b>	<b>2,317</b>

Temporary staff costs in the year were £17,000 (2022: £Nil).

The full time equivalent number of staff whose remuneration payable in the year fell above £60,000 was:

	2023	2022
	Number	Number
£60,000 - £70,000	1	3
£70,001 - £80,000	1	1
£80,001 - £90,000	0	2

## 7. Interest receivable

	2023	2022
	£000	£000
Interest receivable from bank and building society deposits	8	1

## 8. Finance costs

	2023	2022
	£000	£000
Interest payable to other group companies	242	40
Interest payable on bank loans and overdrafts	1,437	889
Interest payable on other loans	1,437	1,278
	<b>3,116</b>	<b>2,207</b>
Less: Interest capitalised on housing property development	(696)	(125)
	<b>2,420</b>	<b>2,082</b>
Average rate applicable to capitalised interest	2.85%	2.07%

## 9. Surplus before taxation

	2023 £000	2022 £000
Surplus before taxation is stated after charging / (crediting):		
Depreciation	5,760	6,146
Impairment / (Reversal of impairment)	(25)	(156)
Grant amortisation	(1,563)	(1,691)
External auditor's remuneration for audit services	17	17
Operating lease rentals	103	149

## 10. Tangible fixed assets – housing properties

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Total £000
<b>Cost</b>				
At 1 April 2022	325,733	46,556	1,299	373,588
Additions	-	47,452	-	47,452
Capitalised interest	-	696	-	696
Capitalised works	1,527	-	-	1,527
Transfer to completed schemes	12,788	(12,788)	-	-
Disposals	(206)	-	-	(206)
<b>At 31 March 2023</b>	<b>339,842</b>	<b>81,916</b>	<b>1,299</b>	<b>423,057</b>
<b>Depreciation</b>				
At 1 April 2022	53,458	-	125	53,583
Charge for year	5,750	-	10	5,760
Impairment	(25)	-	-	(25)
Eliminated in respect of disposals	(10)	-	-	(10)
<b>At 31 March 2023</b>	<b>59,173</b>	<b>-</b>	<b>135</b>	<b>59,308</b>
<b>Net book value at 31 March 2023</b>	<b>280,669</b>	<b>81,916</b>	<b>1,164</b>	<b>363,749</b>
<b>Net book value at 31 March 2022</b>	<b>272,275</b>	<b>46,556</b>	<b>1,174</b>	<b>320,005</b>

	2023 £000	2022 £000
Completed housing properties, at net book value, comprise:		
Freeholds	281,833	273,449

### Works to existing properties in the year:

Components capitalised	1,527	1,350
Amounts charged to expenditure	4,197	2,050
	<b>5,610</b>	<b>3,400</b>

Additions to housing properties in the course of construction during the year included development administration costs of £355,000 (2022: £428,000). There were assets under charge included in the above net book value amount of £160,021,474 as at 31 March 2023 (2022: £164,774,410).

## 11. Tangible fixed assets – other fixed assets

	Plant, machinery, fixtures and vehicles £000	Computer equipment and leased equipment £000	Total £000
<b>Cost</b>			
At 1 April 2022	87	2	89
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2023</b>	<b>87</b>	<b>2</b>	<b>89</b>
<b>Depreciation</b>			
At 1 April 2022	87	2	89
Charge for year	-	-	-
Eliminated in respect of disposals	-	-	-
<b>At 31 March 2023</b>	<b>87</b>	<b>2</b>	<b>89</b>
<b>Net book value at 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net book value at 31 March 2022	-	-	-

The cost of fixtures, furniture and equipment above has been reduced by an amount of £23,000, being grants received for the purchase of equipment and fittings (2022: £23,000).

## 12. Fixed asset investments

	2023 £000	2022 £000
At 1 April	435	434
Additions	2	1
<b>At 31 March</b>	<b>437</b>	<b>435</b>

## 13. Properties held for sale

	2023 £000	2022 £000
Outright sale properties:		
- Completed	-	-
- Work in progress	1,358	385
	<b>1,358</b>	<b>385</b>

## 14. Debtors

	2023	2022
	£000	£000
Amounts falling due within one year:		
Rental and service charges receivable	1,862	1,905
Less: Provision for bad debts	(906)	(1,021)
Net rental debtors	956	884
Prepayments and accrued income	621	75
Leasehold debtors	77	75
Other debtors	44	79
	<b>1,698</b>	<b>1,113</b>

## 15. Creditors: amounts falling due within one year

	2023	2022
	£000	£000
Housing loans from third parties	2,161	2,161
Trade creditors	3,719	1,400
Deferred capital grant	1,831	1,553
Other taxation and social security payable	34	-
Accruals and deferred income	3,071	2,269
Other amounts due to group undertakings	391	680
Retentions	2,681	1,089
Other creditors	8	-
	<b>13,896</b>	<b>9,152</b>

Whilst the Statement of Financial Position shows net current liabilities, the Association has in place external loan agreements which allow the Association sufficient funding to pay its liabilities as they fall due. The parent undertaking, HGL, acts as guarantor for some of these loans, as well as providing a £30 million intercompany facility. As at 31 March 2023, the Association had £29.9 million (2022: £54.0 million) committed and undrawn facilities which were immediately available for drawing.

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

	2023	2022
	£000	£000
Housing loans from third parties	88,115	71,202
Loans from group undertakings	8,100	2,950
Deferred capital grant	187,854	172,396
Recycled Capital Grant Fund	38	-
	<b>284,107</b>	<b>246,548</b>

Housing loans are secured by specific charges on the Association's housing properties. They are repayable at varying rates of interest due as follows:

	2023	2022
	£000	£000
In instalments:		
In one year or less	2,161	2,161
Between one and two years	2,161	2,161
Between two and five years	45,974	21,931
In five years or more	48,080	50,060
	<b>98,376</b>	<b>76,313</b>

## 17. Deferred capital grant

	2023	2022
	£000	£000
At 1 April	173,949	153,046
Grant received in the year	17,299	22,595
Released to income in the year	(1,563)	(1,692)
At 31 March	<b>189,685</b>	<b>173,949</b>
Amount due to be released within one year	1,831	1,553
Amount due to be released in more than one year	187,854	172,396
	<b>189,685</b>	<b>173,949</b>

## 18. Called up share capital

Each national member of the Association holds one voting share (nominal value £1). Each community member of the Association holds one non-voting share (nominal value £1). All shares are surrendered on the cessation of membership. Shares carry no rights to dividend or repayment of capital.

Allotted, issued and fully paid:	£
At 1 April 2022	9
Issued during the year	2
Surrendered during the year	(3)
At 31 March 2023	<b>8</b>

## 19. Reconciliation of surplus to net cash inflow from operating activities

	2023 £000	2022 £000
Surplus for the year	3,007	5,969
<b>Adjustments for:</b>		
Depreciation of tangible fixed assets	5,760	6,145
(Reversal of impairment)/ Impairment	(25)	(156)
Increase in properties held for sale	(973)	(267)
Increase in debtors	(367)	(159)
Increase in trade and other creditors	3,758	56
Surplus on disposal of tangible fixed assets	(114)	(340)
<b>Adjustments for investing or financing activities:</b>		
Government grants utilised in the year	(1,563)	(1,692)
Finance costs	2,420	2,082
Interest receivable	(8)	(1)
<b>Net cash inflow from operating activities</b>	<b>11,895</b>	<b>11,637</b>

## 20. Analysis of changes in net debt

	At 1 April 2022 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2023 £000
Cash and cash equivalents	-	6	-	6
Debt due within one year:				
- Housing loans from third parties	(2,161)	2,161	(2,161)	(2,161)
Debt due after one year:				
- Housing loans from third parties	(71,202)	(19,000)	2,087	(88,115)
- Loans from group undertakings	(2,950)	(5,150)	-	(8,100)
<b>Total net debt</b>	<b>(76,313)</b>	<b>(21,983)</b>	<b>(74)</b>	<b>(98,370)</b>

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

	2023	2022
	£000	£000
Increase/(decrease) in cash in the period	6	(207)
Cash (outflow)/inflow from decrease in debt	(21,989)	2,226
Change in net debt resulting from cash flows	(21,983)	2,019
Non cash changes	(74)	(73)
Movement in net debt in the period	(22,057)	1,946
Opening net debt	(76,313)	(78,259)
<b>Closing net debt</b>	<b>(98,370)</b>	<b>(76,313)</b>

## 22. Capital commitments

	2023	2022
	£000	£000
Capital expenditure that has been contracted for but not provided for in the financial statements	21,327	62,318
Capital expenditure that has been authorised by the Board but has not yet been contracted for	27,849	13,173

The amounts contracted for at 31st March 2023 will be Housing Association Grant funded, loan financed and funded from the Association's reserves.

## 23. Financial commitments

At the year end the total contractual payments under non-cancellable operating leases were as follows:

	2023	2022
	£000	£000
Less than one year	47	44
Between one and five years	2	1
	<b>49</b>	<b>45</b>

The Association uses certain assets acquired under operating leases entered into by the parent association, HGL. The relevant lease charges are included in the Statement of Comprehensive Income, and the commitments under these leases have been included in the above note.

## 24. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31 March:

	2023	2022
	£000	£000
Held as deferred capital grant	189,685	173,949
Recognised as income in the Statement of Comprehensive Income	17,704	16,150
Grant within cost on properties at fair values at acquisition	8,043	8,043
	<b>215,432</b>	<b>198,142</b>



## 25. Related party transactions

The Association has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that it is a wholly owned subsidiary of a group headed by HGL, whose financial statements are publicly available.

During the year the Association entered into the following related party transactions with its customer board members:

	2023	2022
	£	£
Charges in respect of rent and service charges	9,160	10,740
Amounts owed to customer board members at the year-end	625	446

## 26. Parent association

The Board regards HGL as the ultimate parent company and the ultimate controlling party. Copies of the consolidated financial statements of HGL can be obtained from the Secretary, Home Group Limited, 1 Strawberry Lane, Newcastle upon Tyne, NE1 4BX.

## 27. Pension obligations

Employees of the parent undertaking, HGL, are eligible to participate in a number of pension schemes. Full disclosure of these schemes is included within the financial statements of HGL which are publicly available.