

Langstane Housing Association Limited

Report and Financial Statements

Year Ended 31 March 2023

Registered Housing Association No. HEP 145 AL

FCA Reference No. 1916RS

Scottish Charity No. SC011754

Langstane Housing Association Limited

**Report and Financial Statements
For the year ended 31 March 2023**

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Langstane Housing Association Limited
Company Information

Board of Management

D Bain	Appointed December 14, 2022
J Drummond	
J Fraser	
A Habib	
I Jamieson	
J Knowles	Vice Chairperson
M Martin	Chairperson
A Stevenson	
G Urquhart	

Key Management Personnel

Helen Gauld	Chief Executive
Marcie Ballance	Director of Property
Lynne Macfarlan	Director of Finance and Corporate Services (resigned June 30,2023)
Mandy Macarthur	Director of Finance and Corporate Services (appointed June 30,2023)
Judith Sutherland	Director of Housing

Registered Office

680 King Street
Aberdeen
AB24 1SL

External Auditor
RSM UK Audit LLP
3rd Floor
2 Semple Street
Edinburgh
EH3 8BL

Internal Auditor
TIAA Limited
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers

Royal Bank of Scotland
Aberdeen Queen's Cross
40 Albyn Place
AB10 1YN

Lenders

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

Santander Business Banking Group
Santander House
100 Ludgate House
London
EC4M 7RE

Solicitors

Harper MacLeod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

TC Young LLP
7 West George Street
Glasgow
G2 1BA

Langstane Housing Association Limited

Report of the Board of Management For the year ended 31 March 2023

The Board of Management present their report and audited financial statements for the year ended 31 March 2023.

Legal status

Langstane Housing Association Limited is a non-profit making organisation registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No: 1916R(S)). Registered with the Scottish Housing Regulator (No: HAL 145), Langstane is governed by its Rules which were updated in 2020. In recognition of the wide range of services provided Langstane is also a registered Scottish Charity (No: SC011754), a registered Property Factor (No: PF 000666), and a registered Scottish Letting Agent (No: LARN2001005).

Principal activities

The principal activity of Langstane Housing Association is the provision and management of affordable homes and services to primarily single working age people in housing need. Langstane has a portfolio of 2,879 self-contained homes, 4 hostels, 7 commercial units, 57 shared ownership homes, and manages 14 lead tenancies. 41 properties are leased as mid-market rental through Langstane Property Limited which is a wholly owned subsidiary of Langstane Housing Association.

Operating in the Northeast of Scotland for over 40 years, Langstane is embedded in the Seaton community and heavily involved with support agencies across all three local authority areas (Aberdeen, Aberdeenshire and Moray). Alongside regularly housing a higher percentage of people who have been homeless (pro rata), a number of homes are provided to local authorities and support agencies to alleviate homelessness and support vulnerable members of the community.

Subsidiaries

Langstane has three wholly owned subsidiary companies one of which is active. All are non-charitable companies limited by shares. These are:

- Langstane Property Limited
- Langstane Developments Limited – currently dormant
- Langstane Maintenance Limited – currently dormant

Langstane Property Limited assists Langstane Housing Association to widen its reach with the provision of 41 mid-market homes in Aberdeen. Whilst private rent levels have dropped in Aberdeen and parts of Aberdeenshire, this is still an important tenure, providing a professional service with a social ethos.

Langstane Housing Association and its subsidiary companies are known informally as the Langstane Group.

Mission, vision and values

Langstane's vision is to **"be the best we can be"** to achieve the stated mission of **providing homes and services that make a positive difference to people's lives**. The Group's principal area of operation continues to be Aberdeen City, together with Aberdeenshire and Moray.

To achieve its vision, Langstane will continue to invest in:

- our customers
- our people
- our homes
- our organisation, and
- our communities.

Langstane Housing Association Limited

Report of the Board of Management For the year ended 31 March 2023

Mission, vision and values (continued)

Langstane's values are reviewed annually and these continue to be:

We value people

- We put people at the heart of our decision making, retaining a positive outlook regarding the housing industry and those we assist
- We consult and listen to the views of those involved with the Langstane Group

We aim high

- We work hard to continually improve our services and deliver the services our customers want
- We have a 'can do' approach

We are proud of our roots

- We remember our origins - that Langstane Housing Association was set up to help and support single person households who were among the most vulnerable members of our society
- We provide homes not houses and support our tenants to live independently and be active members of our communities

We rely on teamwork

- We work together as one team and with one voice
- We work with our partners to achieve our goals, delivering more together

We are prudent financial managers

- We recognise the importance of maintaining financial strength and use effective financial management to underpin everything we do and help us grow
- We deliver value for money

We are open and accountable

- We provide relevant, accurate, user-friendly information about our performance that allows our tenants and others to hold us to account
- If we make mistakes we apologise and put things right as soon as possible

We move with the times

- We influence decision making to benefit our tenants and our organisation
- We respond to change with imagination and innovation

Corporate governance

Langstane's voluntary Board of Management is elected by members of the Association. It is the Board's responsibility to provide strategic direction, to set the policies and overall direction taken.

Risk management is embedded within the Association and a five-year business plan sets out how the Association and its subsidiary companies will prioritise its activities year on year, mitigating risks as far as reasonably practical. The business plan is designed to ensure Langstane's strategies, policies, and services are delivered in accordance with its overall ambition and goals; that sufficient resources are in place to achieve such agreed ambitions and goals; and risks are identified, recorded and mitigated as far as reasonably practical.

Day to day responsibility for delivering the business plan rests with the leadership team supported by an internal management plan and a performance framework that sets down actions and targets for individual departments, teams and employees. Key performance indicators are reported to the Board on a regular basis and published on Langstane's website.

Langstane's governance structure consists of three permanent sub-Committees - Audit and Governance; People; and Performance Committee. Ad hoc sub-Committees are set up to deal with specific matters. Decision making is governed by Langstane's Rules, its Standing Orders and its policies.

Langstane Housing Association Limited

Report of the Board of Management For the year ended 31 March 2023

Mission, vision and values (continued)

Training and support is provided to governing body members to ensure overall governance standards remain high and in keeping with regulatory requirements.

Review of business and future developments

a) Overview

The financial year 2022-23 has seen strong progress made in a number of areas.

The Association's strengthened governance and financial management activities provided resilience during recent global challenges whilst delivering, ahead of schedule, on an ambitious efficiency agenda. This resilience continues as the Association and its customers experience the longer term impacts of not just Covid, but the economic crisis, Brexit and climate change.

Compliance with the Scottish Housing Regulator's regulatory framework continues and work is ongoing to deliver Langstane's objectives.

ICT upgrades were further advanced throughout the year with the full ICT infrastructure moving to the cloud. New HR and Payroll systems were introduced and integrated to allow the smooth transition of information. These cloud based technologies increased operational efficiency and improved agility. They also ensure the Association's data is held in a safe, secure environment.

A fully integrated cloud based housing and finance system was tendered and the contract was allocated to HomeMaster. Implementation has begun and is scheduled to complete in October 2023. It is anticipated this system will further enhance the operational efficiency of the Association and allow customers, contractors and employees to use technology to improve their daily activities.

The Association's investment in technology forms part of the modernisation programme and is closely linked to the Association's desire to enhance and improve customer service standards. This commitment is evidenced through further investment in the Association's customer service team and in employee training. Executive coaching was advanced for the leadership team as was Learn to Lead coaching for all other people managers. This training complemented a range of courses and modules provided throughout the year aiming to improve work performance, leading to more efficient and effective employees.

The Association is committed to environmental improvement and, alongside a commitment to be the best we can be, Langstane's first Environmental, Social and Governance (ESG) policy was produced with an associated Action Plan.

Work progressed to update the Association's Health and Safety processes, including areas of compliance, and to further encourage employees to understand their role and that of the Association as an employer, a contractor and a landlord.

A consultant was appointed during the year with the remit to review the potential for resuming development activities. Langstane's Board of Management subsequently approved, in principle, a return to development activities within the next 2-4 years depending on the housing market and economic position. In anticipation of this an in-depth analysis of our existing homes will be carried out to ensure they remain fit for purpose against changing legal and regulatory requirements and tenant demands. During the year the Association disposed of a small block of flats that did not meet requirements.

Review of business and future developments (continued)

b) Operational Performance

▪ **Housing**

Allocating homes this year continued to be challenging with higher re-let times caused by low demand for some areas in Aberdeen City Centre and parts of North Aberdeenshire. There were challenges with void repairs being completed outwith target timescales. However the end of the financial year saw the time to re-let vacancies reducing and an improved position seen as we moved to the 2023-24 financial year.

Despite the higher turnover, tenancy sustainment improved, particularly for homeless applicants allocated housing through nominations from the local authorities.

Arrears reduced slightly at year end with the improved position welcomed, particularly during a cost of living crisis when tenants were struggling and national trends in social housing were seeing increasing arrears levels.

Improving customer service continues to be a priority. Progress is being made on a new housing and finance management system which will see tenants being able to access a self-service portal allowing up to date online access to rent accounts and payment details.

▪ **Annual Assurance Statement**

From April 2019 all social landlords are required to make an Annual Assurance Statement to the Scottish Housing Regulator. This is in relation to their compliance with regulatory governance and financial management standards. This annual statement is a way for Boards to assure themselves, and their tenants and other customers, they comply with regulatory requirements or disclose areas where improvements are required.

Following Audit and Governance Committees' review of significant evidence, and reporting to the full Board of Management, Langstane Housing Association continues to report a compliant status.

▪ **Customer engagement**

The Association continues to promote a tenant-led approach to service delivery and encourages engagement through a variety of methods including social media and focused consultations on a range of topics. Tenants, who have registered to participate in specific areas of the Association's work, continue to provide useful feedback as customer facing policies and working practices are reviewed. A scrutiny group has been established with a first task of reviewing the lettable standard, other projects are planned.

▪ **Communities**

The Association has established a number of new formal partnerships this year including AberNecessities, CFine and SCARF. SCARF partnered with the Association to jointly deliver assistance to tenants during the cost of living crisis with funds from the Scottish Government. Walkabouts in schemes continue to be popular with tenants. Feedback on estates is vital to improving community engagement. Additional funds are in place to increase the use of CCTV to ensure safe and secure communities.

▪ **Property**

2022-23 has been another busy year for the Property team who completed 1,591 emergency and 6,173 non-emergency repairs in the year and successfully reduced the average time for a non-emergency repair to 7.82 days (from 13.92 days in the previous year). The team has focussed on completing repair pre-inspections more quickly which has driven the timescale improvement. Just over 30% of repairs were carried out by Langstane's in-house electrician, plumber and joiners with the remainder being delivered by external contractors.

The average cost of a repair increased by £9 compared to 2021-22 from £118 to £127. During the year, Langstane invested in a third General Assistant in the in-house Direct Labour Organisation (DLO). The in

Langstane Housing Association Limited

Report of the Board of Management For the year ended 31 March 2023

Review of business and future developments (continued)

General Assistants are vital in keeping our schemes tidy and they completed over 2,000 visits to schemes over the year to carry out general scheme tidies, remove fly tipping, tidy bin stores, deal with graffiti and dog fouling and carry out minor repairs.

The repairs budget was overspent this year due to a combination of volume (over 10,000 orders were processed against the budget compared to just over 8,500 the previous year) and an increase in the average cost of a repair.

There were 354 new vacancies in 2022-23 requiring void works to bring the properties up to Langstane's lettable standard. A number of issues led to void works taking longer than the target timescale to complete, primarily utility delays and issues sourcing certain trades, particularly decorators. It is a priority for the team to reduce the void maintenance timescale in 2023-24. The lettable standard is currently being reviewed by a working group comprised of employees, Board members and customers with the aim of ensuring that properties for let meet the expectations of customers whilst also complying with all safety and other legislation.

The start of 2022-23 saw a slow start to some major improvement works due to contractor issues (kitchens and bathrooms) and procurement delays (communal decoration) but these were resolved by late summer and the majority of properties identified as needing work had their improvement completed or will have it completed early in 2023-24. Heating works progressed more smoothly and were complete before year end. 125 properties had planned heating upgrades and a further 70 had reactive boiler upgrades. A number of properties also had window upgrades during the year.

Alongside the component replacements, a number of major repairs were progressed including render repairs to various schemes, structural work to a retaining wall in Stonehaven and work to replace patio doors in Fraserburgh. The team also progressed the installation of smart heat metering at Crombie Court to ensure it is compliant with heat metering regulations.

▪ **Health and Safety**

Tenant safety works continued throughout the year, including gas servicing, electrical safety inspection, asbestos and legionella management, lift safety inspections and fire safety work. This year saw an increase in the need for master key accesses which was disappointing as it adds an unnecessary cost to the Association and requires an employee to be present so takes financial and people resources away from other areas. However, the Association maintains a record of no missed gas services and reduced the number of properties with a late electrical inspection to only 26 by year end, and some of those without their EICR could not be assessed due to no electricity at the meter at the time of inspection.

In terms of organisational health & safety, Langstane's Safety Advisors (Safety Scotland) carried out a review of our approach to health and safety in July 2022 and made a number of recommendations that have been compiled into an action plan and incorporated into the Health & Safety Annual Report, which is produced as part of the Annual Assurance process. The focus for 2023-24 will be on encouraging employees to take a more active role in health and safety in a number of different ways, including the formation of an employee safety forum.

▪ **Employee involvement**

Langstane's policy is to be open and transparent and to discuss and consult with employees on all matters likely to affect their interests. Employee involvement in initiatives is encouraged and the Association strives to ensure training, career development and promotion opportunities are available.

Langstane strives to afford equal opportunities to all individuals and supports the guaranteed job interview scheme. This scheme guarantees an interview for applicants who have, or consider themselves to have, a disability and they meet the essential criteria for any post advertised.

The objective is for employees to regard Langstane as being a great place to work and the aim is to create a place where people are committed to the ethos of the Association, productive and effective by endorsing the

Review of business and future developments (continued)

following objectives:

- **Leadership:** Managers are accessible and approachable. Employees can trust their manager to give them direction in the context of a bigger picture or agenda; to share responsibility for their team's performance and to include them appropriately.
- **Communication:** Timely and relevant corporate communication flows effectively and consistently through the organisation, keeping our people updated, informed and enfranchised.
- **Professional development:** Employees can develop their knowledge and skills and enhance their ability to perform their current job. They can access opportunities to grow their career and realise their personal potential.
- **Engagement:** Employees understand Langstane's goals; they have the desire and the means to contribute to achieving these goals to the best of their ability.
- **Recognition and reward:** Employee contributions are recognised by managers, who find and use opportunities to celebrate and reward good work.
- **Employee wellbeing:** Work is a safe place that supports and enhances employee wellbeing, creating an environment where people can give their best.

▪ **Challenges**

Like all social housing associations Langstane has challenges to face and these include:

- to support our tenants in a time of economic difficulty;
- to be as efficient as possible whilst improving customer service standards and therefore customer satisfaction levels;
- to control the escalating costs of property compliance requirements;
- to manage the impact of economic events on the supply and cost of materials and labour;
- to meet the standards of Environmental, Social and Governance criteria; and
- to have employees who are engaged and motivated.

We have:

- secured a number of grants to provide support to those tenants facing fuel poverty;
- continued to fulfil our statutory obligations for properties;
- improved the energy efficiency and safety of our homes;
- developed an ESG report with an Action Plan;
- continued to carry out regular procurement exercises to ensure value for money and quality services;
- provided training and coaching for our managers and directors; and
- implemented ICT infrastructure and software training to ensure employees have the best tools available to deliver services.

We will continue to address the challenges we face by:

- putting customers at the heart of decision making;
- minimising void timescales and arrear levels;
- ensuring we work with contractors to achieve optimum procurement value and a reliable supply chain;
- implementing an integrated housing and finance system;
- continuing to deliver value for money and reporting on this;
- investing in training and performance management for our people; and
- being flexible and adaptable in our approach to problem solving.

Review of business and future developments (continued)

c) Financial performance

Rental income remains the primary revenue stream. The aim is to maintain and grow this income by maintaining high occupancy rates while decreasing the number and length of time our homes remain empty alongside reducing rent arrear levels.

At the end of March 2023 rent lost because of void / empty properties was 3.37%. Although this was less than the 4% budgeted it was an increase from the previous year of 0.37%. Low demand in some areas was a factor in re-letting properties quickly in conjunction with an increase in the number of properties being terminated. 2023-24 has started on a much more positive note.

There was a slight increase in gross arrears from 8.86% in 2021-22 to 8.95% in 2022-23. Given the current cost of living crisis this was to be expected but this has been a priority focus area for teams who have supported tenants experiencing financial difficulties.

Langstane made a surplus of £2,262,463 in the year (2022: £2,798,510) which is £591,065 higher than originally forecast. This is due to an exceptional disposal of deferred capital grant following the sale of properties as referred to below, and an exercise undertaken in the year to align the Asset Management system, and reduction in Depreciation charge totaling £621,677 following the same exercise.

One general needs property and one shared ownership property were sold in the financial year. Also, following a detailed review and reconciliation between the general ledger and the RAM asset management system (RAM) four further properties were also found to have been sold or transferred prior to March 23, 2023. The disposal of these 6 properties have created a gain on disposal of £865,107, see note 7 to the financial statements. Also an Impairment provision of £576,534 has been made for land sites following a review and updated external valuation.

Total planned repairs for the year per Note 3 to the financial statements was £1,251,327 (2022: £1,555,403) this is comprised of higher Repair costs of £616,721 as a result of increased volume and cost which has been offset by lower Cyclical Maintenance costs of £634,606 unfortunately due to issues with resource and materials as a result of the economic situation.

Interest payable has increased due to the changes in the Bank of England interest rates throughout the year.

After adjusting for the actuarial losses on the Defined Benefit Pension Scheme of £775,000 (2022: Gain £1,235,620), the result is a Total Comprehensive Surplus of £1,487,463 (2022: £4,034,130).

The Net Asset position is £25,893,525 (2022: £24,406,065) although within this there is a Net Current Liability position of £17,100,803 (2022: £1,817,463). At the year end the Revolving Credit Facility with Bank of Scotland of £25,000,000 was due to expire in October 2023 therefore the amount drawn down of £15,000,000 has to be disclosed as a current liability within the financial statements. This facility has been replaced in April 2023 with a new 5 year facility of £20,000,000.

The level of Social Housing Grant due to be released to the Statement of Comprehensive Income within 12 months of £1,909,442 is also classed as a current liability. This is a non-cash movement as the grant has already been received. Overall the net current liability position therefore is not a concern.

The actual Cash position was £4,086,045 as at 31 March 2023 (2022: £4,035,947).

The subsidiary company, Langstane Property Limited, made a small profit in the year despite the private rented sector going through a turbulent time with a rent freeze, a rent cap imposed and then a cap on any increase by the Scottish Government. Anecdotally private sector landlords are said to be leaving the sector because increased costs cannot be recovered through increased rental income. However this improves demand for Langstane Property Limited's properties and the outlook is positive.

Langstane Housing Association Limited

Report of the Board of Management For the year ended 31 March 2023

Review of business and future developments (continued)

The properties are formally leased to Langstane Property Limited by Langstane Housing Association with Independence and Management Agreements in place to ensure good governance. These agreements are reviewed annually on the basis that the charge from Langstane Housing to Langstane Property is equivalent to a social rent, but that Langstane Property meets the cost of day to day repairs.

Any profits made by Langstane Property are gift aided to Langstane Housing Association.

The Board's expectation is that the year ahead will see continued improvement to Langstane Property Limited's financial performance. Measures have been taken to ensure Langstane Property Limited is competitive in the mid-market rental sector given the current economic challenges. The priority continues to be given to re-letting vacant properties as quickly as possible and rent levels are benchmarked. The budget for financial year 2023-24 assumes a profit on the basis that income and expenditure is being closely monitored and market indications are that demand is set to increase which will have a more positive impact.

As in previous years, there were no breaches of financial covenants or treasury management policy in the year.

Langstane is committed to the delivery of value for money through ongoing operating and efficiency improvements, enabled by economies of scale, technology, good organisation and more streamlined ways of working.

The importance of delivering value for money is a key concept for Langstane and we monitor delivery through different mechanisms:

- Tracking of projects and initiatives which deliver savings, efficiency improvements or additional benefits;
- Targeting and delivery of improved financial performance for the organisation;
- Calculation of the social value of our activities; and
- Benchmarking against other organisations to identify areas where we can make further improvements.

In order to track efficiencies and drive value for money, we place particular attention to a suite of key financial performance ratios used across the sector. These include a set of key performance indicators the Scottish Housing Regulator requires us to measure and report, along with other measures which help us gauge our performance and target further improvement. As part of this process, we benchmark ourselves against a number of comparable housing associations.

As part of our commitment to future proof our ICT capability, enhance security and improve efficiency, a number of projects were completed in the financial year including a shift to the Cloud using Microsoft 365 and implementation of an all-in-one Human Resources system and integrated Payroll system.

d) Credit payment policy

Langstane follows the guidance set out in the Prompt Payment Code with regards to payment of trade creditors. Where contracts are silent, the Association aims to ensure payment of trade creditors in 30 days.

e) Future developments

Langstane still has a desire to develop new homes where need is identified and our position on this is reviewed on an annual basis. In preparation for this, which is envisaged to be within the next 2-4 years, we are preparing to review our long-term funding requirements to ensure they meet our future plans. During the year 804 properties held as security against the Lloyds loan were released and the unencumbered stock has been revalued. Legal work is ongoing to ensure property titles are in order.

Equally important is our commitment to investment in our existing homes, especially in areas of priority for our tenants e.g. new kitchens and bathrooms, energy efficiency measures and fire safety.

Review of business and future developments (continued)

Affordability remains a priority with rent affordability assessed on an at least annual basis. The Association's 30-year plan strives to ensure inflation-only rental increases are seen in coming years. This is in addition to the energy efficiency measures being installed.

Langstane has heavily invested in its ICT systems to utilise new and emerging technology to improve the quality of its stock, data, strategic decision-making and customer service experience. Langstane will embrace technology which enhances its dynamic capability, allowing the Association to be more responsive to customer and employee needs, more efficient in business, and more informed in strategic decision-making. The main project in financial year 2023-24 is the implementation of an integrated Housing and Finance system.

The Association intends to implement an Electric Car Scheme via salary sacrifice for staff. An electric pool car is already in use.

Risk Management

The Audit and Governance Committee oversees the effectiveness of the assurance arrangements, systems and processes adopted by Langstane to manage risk with a focus on the strategic risks.

The Committee provides specialist advice to the Board on any particular risks that may threaten the delivery of objectives or undermine the financial strength of the business. The Leadership Team is responsible for the delivery of the strategy and managing risk, having day-to-day responsibility for operational performance and the management of risk within Langstane.

To be effective, risk management relies on the engagement of all parts of the business. This approach is an integral part of the way Langstane works, with all key parts of the business owning and managing their own operational risk registers. These are regularly reviewed allowing for their escalation as appropriate and potential inclusion in the strategic risk register.

The risk management process includes assessing each risk for its impact and probability, scored both before and after mitigating actions. A standardised risk-scoring methodology is used to ensure a consistent approach is adopted.

The Group's strategic risk register has been subject to audit and external review to ensure the risks detailed, alongside the control and mitigation actions, are proportionate and reasonable for the social housing sector and the Association.

▪ **Risk appetite**

Langstane's risk appetite is determined by the Board of Management and is influenced by the capacity of the business to manage the risk if it were to materialise, the longer-term consequences of the risk and the return achieved by taking such risks.

The most significant judgements are associated with decisions on investing in development activities (currently on hold), Langstane's asset management strategy and reinvestment priorities, Langstane's customer offerings and obligations under regulation, legislation and financial stability.

In general, Langstane has a relatively low level of appetite for risk which would impact its record on regulatory compliance, health and safety record, and cause reputational damage. Langstane has a higher level of risk appetite for potential new opportunities for growth.

The current key risks are identified as:

- Langstane is unable to meet its financial commitments;
- Fraud / Cyber fraud;
- Vulnerability of client group - significant challenges in terms of rent arrears levels, antisocial behaviour, tenant health and safety and tenancy sustainment;

Langstane Housing Association Limited

Report of the Board of Management For the year ended 31 March 2023

Review of business and future developments (continued)

- Current economic position – supply chain crisis, rising inflation and energy costs, increased interest rates; and
- Environmental, social and governance challenges – cost and solutions.

These risks are mitigated by constant review by the Board of Management of cash flow projections, budgets and management information. Various sub-committees meet on a regular basis to discuss our clients and how to support them on an on-going basis and any issues would be communicated to the Board. The Association is of a size that senior management are responsible to the day-to-day handling of issues so would be aware of anything of concern.

Going Concern position

Financially, Langstane has closely monitored the level of rent arrears and empty properties and continues to do so in the current economic climate. Focus will continue on working efficiently to deliver value for money to tenants.

Langstane has complied with its lending covenants to date and, with the loan debt reducing and does not anticipate any issue going forward. Covenant compliance is monitored and reported to the Board of Management on a monthly basis.

The Revolving Credit Facility of £25m was due for renewal in October 2023 and has been replaced in April 2023 with a new £20m facility for a five year period. The Net Current Liabilities position in the Statement of Financial Position of £17,262,173 consists of the £15,000,000 drawn down on the RCF which has been repaid in April 2023. The Social Housing Grant of £1,909,442 is also classed as a current liability as it is due to be released to the Statement of Comprehensive Income within 12 months. This is a non-cash movement as the grant has already been received. Therefore the Board of Management are satisfied that the net current liability position has no impact on the going concern position.

The financial situation continues to be monitored given the current economic uncertainties and the budget and 30-year projections reviewed and stress tested for potential negative impacts. There is nothing that gives rise to any issue regarding going concern. Langstane will make cost savings and review its planned maintenance programme should inflation, interest rates and other cost pressures adversely impact on the financial position.

Based on the above the Board of Management has a reasonable expectation that Langstane has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Board of Management

The members of the Board of Management and the Executive Officers are listed on Page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. 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 Management.

The members of the Board of Management are also Trustees for Charity Law purposes. Members of the Board are appointed by the members at the Association's Annual General Meeting.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;

Statement of Board of Management's Responsibilities (continued)

- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Board is responsible for instituting adequate systems of internal control and for:

- safeguarding assets;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- the maintenance and integrity of the corporate and financial information included on the Langstane Housing website

The Board of Management is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board of Management must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements (February 2019) contained within the act. The Scottish Housing Regulator's standards of governance and financial management for Registered Social Landlords must be followed. The Board of Management is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board of Management's Statement of Internal Financial Control

The Board of Management 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; and
- the safeguarding of assets against unauthorised use or disposition.

The Board of Management 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. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives.

Key elements of the Association's systems include ensuring:

- 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 the Association's assets;
- experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Leadership Team and Board of Management to monitor key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly / quarterly management accounts 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 Management;

Langstane Housing Association Limited

**Report of the Board of Management
For the year ended 31 March 2023**

- the Audit and Governance Committee / Board of Management 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 a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Association's system of internal financial control has been reviewed by the Board of Management 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 these financial statements or in the auditor's report on the financial statements.

By Order of the Board of Management

Secretary
Date:

12/09/23

Langstane Housing Association

Report by the Auditors to the Members of Langstane Housing Association Limited on Corporate Governance Matters

For the year ended 31 March 2023

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 11 to 12 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 through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 11 to 12 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.

RSM UK Audit LLP
Statutory Auditor
Third Floor,
2 Semple Street
Edinburgh
EH3 8BL

Date: 13/09/23

Langstane Housing Association

Independent Auditor's Report to the Members of Langstane Housing Association Limited

For the year ended 31 March 2023

Opinion

We have audited the financial statements of Langstane Housing Association (the 'Association') for the year ended 31 March 2023 which comprise the statement of comprehensive income, statement of financial position, statement of cashflows, statement of changes in reserves and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 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;
- 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 – February 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Management'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 about 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 of Management with respect of going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of Management 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.

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Board of Management in respect of a previous year of account for subsidiaries to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Board of Management for that reason.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Board of Management's responsibilities statement set out on page 11 to 12, the Board of Management 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 of Management 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 of Management 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 of Management either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Langstane Housing Association

Independent Auditor's Report to the Members of Langstane Housing Association Limited

For the year ended 31 March 2023

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019 and Housing (Scotland) Act 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Co-operative and Community Benefit Societies Act 2014, the Data Protection Act 2018, the Housing (Scotland) Acts 2006 and 2014 and the Scottish Housing Regulator's Regulatory Framework (published 2019). We performed audit procedures to inquire of management and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls, cut-off in relation to grant and other income and existence of rental income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates. In respect of grant and rental income, audit procedures performed included assessing a sample of grants pre and post year end to confirm recorded in the correct period; and evaluating a sample of rent on properties to confirm that this was calculated correctly and any voids were appropriately treated.

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

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 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.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor,
2 Semple Street
Edinburgh
EH3 8BL

13/09/23

Langstane Housing Association Limited
Statement of Comprehensive Income
For the year ended 31 March 2023

	Notes	2023		2022	
		£	£	£	£
TURNOVER	2.		16,457,015		16,653,023
Operating Costs	2.		(13,258,355)		(12,369,613)
Gain on Sale of Housing Property	7.		865,107		168,603
Gain on Sale of Other Fixed Assets	8.		<u>41,160</u>		<u>-</u>
OPERATING SURPLUS	10.		4,104,927		4,452,013
Interest Receivable and Other Income		32,033		1,576	
Interest Payable and Similar Charges	9.	(1,880,497)		(1,623,079)	
Other Finance Credits/(Charges)	12.	<u>6,000</u>		<u>(32,000)</u>	
			(1,842,464)		(1,653,503)
Surplus for the year			<u>2,262,463</u>		<u>2,798,510</u>
Other Comprehensive Income					
Actuarial (Losses)/Gains on defined benefit pension plan	26.		(775,000)		1,235,620
TOTAL COMPREHENSIVE SURPLUS			<u>1,487,463</u>		<u>4,034,130</u>

The notes on pages 22 to 38 form part of these financial statements.

Langstane Housing Association Limited

Statement of Financial Position

For the year ended 31 March 2023

	Notes	2023		2022	
		£	£	£	£
FIXED ASSETS					
Housing Properties	13.(a)		137,455,771		140,571,885
Other Fixed Assets	13.(b)		<u>3,183,347</u>		<u>3,274,662</u>
			140,639,118		143,846,547
INVESTMENTS					
Investments in subsidiaries	15.		3		4
CURRENT ASSETS					
Stock		37,727		55,071	
Trade and other debtors	16.	1,652,160		1,000,239	
Cash and cash equivalents		<u>4,086,045</u>		<u>4,035,947</u>	
		5,775,932		5,091,257	
CREDITORS: Amounts falling due within one year	17.	<u>(22,876,735)</u>		<u>(6,908,720)</u>	
NET CURRENT LIABILITIES			<u>(17,100,803)</u>		<u>(1,817,463)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			123,538,318		142,029,088
CREDITORS: Amounts falling due after more than one year	18.		(20,267,485)		(37,650,467)
PENSION LIABILITY					
Scottish Housing Association Pension Scheme	26.		(490,000)		-
DEFERRED GRANTS					
Social Housing Grants	19.	(73,835,970)		(76,867,605)	
Other Grants	19.	<u>(3,051,338)</u>		<u>(3,104,951)</u>	
			(76,887,308)		(79,972,556)
NET ASSETS			<u>25,893,525</u>		<u>24,406,065</u>
RESERVES					
Share Capital	22.		104		107
Revenue Reserves			26,383,421		24,405,958
Pension Reserve			(490,000)		-
			<u>25,893,525</u>		<u>24,406,065</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 12/09/23

Chairperson

Vice Chairperson

Secretary

The notes on pages 22 to 38 form part of these financial statements.

Langstane Housing Association Limited

Statement of Cashflows

For the year ended 31 March 2023

	Notes	2023		2022	
		£	£	£	£
Net Cash Inflow from Operating Activities	20.		5,476,446		5,686,134
Investing Activities					
Acquisition and Construction of Properties		(1,805,744)		(1,371,341)	
Purchase of Other Fixed Assets		(83,431)		(84,982)	
Proceeds on Disposal of Properties		633,073		611,169	
Proceeds on disposal of Other Fixed Assets		61,992		-	
Interest Received on Cash and Cash Equivalents		32,033		1,576	
Net Cash Outflow from Investing Activities			(1,162,077)		(843,578)
Financing Activities					
Interest Paid on Loans		(1,880,490)		(1,567,846)	
Loan Principal Repayments		(2,382,982)		(1,882,983)	
Other Finance Repayments		(800)		(25,046)	
Grant repaid		-		(3,638)	
Share Capital Issued		1		1	
Net Cash Outflow from Financing Activities			(4,264,271)		(3,479,512)
Increase/(Decrease) in Cash			50,098		1,363,044
Opening Cash & Cash Equivalents			4,035,947		2,672,903
Closing Cash & Cash Equivalents	21.		<u>4,086,045</u>		<u>4,035,947</u>
Cash and Cash equivalents as at 31 March					
Cash			4,086,045		4,035,947
			<u>4,086,045</u>		<u>4,035,947</u>

The notes on pages 22 to 38 form part of these financial statements.

Langstane Housing Association Limited

Statement of Changes in Reserves

For the year ended 31 March 2023

	Share Capital	Pension Reserve	Revenue Reserves	Total
	£	£	£	£
Balance as at 1st April 2021	106	(1,697,000)	22,068,828	20,371,934
Cancellation of Shares	1	-	-	1
Other comprehensive income – pension scheme	-	1,235,620	-	1,235,620
Statement of comprehensive income – pension scheme, transfer between reserves	-	461,380	(461,380)	-
Surplus for Year	-	-	2,798,510	2,798,510
Balance as at 31st March 2022	<u>107</u>	<u>-</u>	<u>24,405,958</u>	<u>24,406,065</u>
Balance as at 1st April 2022	107	-	24,405,958	24,406,065
Issue of Shares	1	-	-	1
Cancellation of Shares	(4)	-	-	(4)
Other comprehensive income – pension scheme	-	(775,000)	-	(775,000)
Statement of comprehensive income – pension scheme, transfer between reserves	-	285,000	(285,000)	-
Surplus for Year	-	-	2,262,463	2,262,463
Balance as at 31st March 2023	<u>104</u>	<u>(490,000)</u>	<u>26,383,421</u>	<u>25,893,525</u>

The notes on pages 22 to 38 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

Legal Status

Langstane Housing Association Limited is a Registered Social Landlord incorporated under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 and is a Scottish Charity. Langstane Housing Association Limited meets the definition of a Public Benefit Entity. Details of the registered office are provided on page 1.

The principal activity of the Association is the provision of social housing and associated housing management and property maintenance services.

Basis of Preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention. There are no instruments at fair value.

These statements are presented in £'s Sterling, unless otherwise stated.

Going Concern

The Board of Management consider that it is appropriate to prepare the financial statements on the going concern basis. The Board of Management has reviewed the budget and cashflow projections as part of the annual budget discussion for 2023-24, the submission to the Scottish Housing Regulator of the five-year financial projections and the integrity of a 30-year financial plan. The Board recognises that the Association faces a number of challenges in the future, not all of which are within its control – increasing inflation, higher interest rates, legislative requirements – and reviews sensitivity analysis undertaken by management which includes updated forecasts and cashflow projections. Various scenarios are tested to establish what would breach loan covenants and cash levels set by the treasury management policy. Rent arrears and voids are closely managed as well as the planned maintenance activity. The Board are satisfied that there is no significant long-term impact on the Association's financial position and no material uncertainties have been identified at this time.

During April 2023 the revolving credit facility with the Bank of Scotland was replaced with a new 5 year facility. The total amount of the facility was reduced from £25,000,000 to £20,000,000. The Board of Management are comfortable with the reduction in facility and resulting lower charges and have reviewed various stress tests to ensure that the facility is sufficient.

On the basis of the above, the Board of Management has a reasonable expectation that the Association has adequate resources to continue for the foreseeable future and that it continues to be appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Key Judgements and Estimates

Preparation of the financial statements requires management to make significant judgements and estimates concerning the future. Judgements and estimates are based on experience, advice from experts and other factors. The resulting accounting may not equal the eventual results. The items in the financial statements where such judgements and estimates have been made are disclosed below.

a) The Categorisation of Housing and Commercial Properties

In the judgement of the Board of Management 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 Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

c) Financial Instruments

The Association's loans from its funders are judged by management to be basic financial instruments under the definition in FRS 102 and are accounted for under the amortised cost method as detailed below. This includes loans with break clauses.

d) 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.

e) 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. The useful lives are revisited at each reporting date.

f) Defined benefit pension liability

Management's estimate of the defined benefit pension obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the obligation and the annual defined benefit expenses.

g) Classification on gain on disposal of housing properties

Gains or losses on disposal of housing properties are deemed to be part of the operating activities of the Association.

Turnover

Turnover represents rental and service charge income receivable (net of voids), grants receivable from Government and non-government sources, Government grants released from deferred income and sales of housing, comprising first tranche sales of shared ownership properties.

Rental and service charge income is recognised from the date that the property is let. Income from first tranche sales of shared ownership properties is recognised on legal completion of the sales transaction. Grants are covered below.

Operating Surplus / (Deficit)

The operating surplus / (deficit) represents the difference between revenue and expenditure from normal business activity before taking account of any interest or similar charges payable on financial borrowings. Annual operating surpluses can be the result of events or circumstances which occur in a particular fiscal year which may not be anticipated to happen in future years. Generally, the Association forecasts an annual operating surplus which is used for investment in its housing stock.

Housing Association Grant and Other Grants

Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process. Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model. These are held as deferred capital grants.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

Other grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme where retirement benefits to employees of the Association are funded by 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 as a whole. The Association accounts for this Scheme as a defined benefit pension scheme in accordance with FRS102.

Tangible Fixed Assets – Housing Properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development expenditure and interest charged on the funds used to finance housing projects in the development period up to practical completion. Assets under Construction are not depreciated.

Works to existing properties will generally be capitalised under the following circumstances: where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to operating costs within the Statement of Comprehensive Income.

The major components of housing properties are summarised below. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below.

Component	Useful Economic Life
Land	Not depreciated
Structure	80 years
Roof	60 years
Kitchens	15 years
Electrics	30 years
Bathrooms	25 years
Heating Systems	20 years
Boilers	10 years
Radiators	20 years
Entry Systems	20 years
Windows	25 years
Lifts	30 years

Impairment

Reviews for impairment indicators of housing properties are carried out on an annual basis and any resultant impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. Indicators of impairment can be: contamination of land; a change in government policy that has a material impact on the net income; a change in demand with a material increase in the level of voids; impact of material change in market valuation or obsolescence of a property. If there is an indication of impairment, an impairment review is undertaken whereby the carrying amount of the asset is compared to the recoverable amount. If the recoverable amount is lower than the carrying value, the Association will record impairment. The recoverable amount is the higher of value in use of the asset, based on its service potential, and fair value less costs to sell.

Langstane Housing Association Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Depreciation and Impairment - Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:-

Website and software	4 years
Commercial properties	50 years
Association office buildings	50 years
Vehicles	5 years
Office equipment	5 years
Computer equipment	4 years

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

Sales of Housing Properties

Langstane has developed properties for sale on a shared ownership basis, which allows prospective homeowners to purchase initial tranches at market value. After one year the sharing owner may increase his/her share of ownership. The apportioned cost of the initial tranche is recorded as a current asset with the remaining balance held as a tangible fixed asset. The sale of initial tranches is accounted for through income, where sales proceeds are shown in turnover and the appropriate proportion of the cost of the property sold charged to cost of sale. Sales of subsequent tranches are accounted as disposals of tangible fixed assets.

Any grants received that cannot be repaid from the proceeds of sale are abated and credited to income.

Disposals of housing property within operating surplus are treated as a non-current asset disposal and any gain or loss on disposal accounted for within operating surplus.

Leases/Leased Assets

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.

Investment in Subsidiaries

The Association's investment in its subsidiary companies is accounted for at cost less any impairment.

Taxation

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

Housing Property Managed by Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

Stock

Stock of maintenance materials have been valued at lower of cost and net realisable value. Cost is defined as supplier invoice price.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial Instruments

The Association has elected to apply the provisions of Section 11 “Basic Financial Instruments” and section 12 “Other Financial Instruments Issues” of FRS102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legal enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets – Trade and Other Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade and Other debtors are subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument. A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

Financial Liabilities – Trade and Other Creditors

Trade and Other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits maturing within one year.

Reserves

Reserves consist of the revenue reserve; which records all income and expenditure earned over time, and the pension reserve, which sets off against this revenue reserve equal to the pension liability value as at the year end date.

Langstane Housing Association Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

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

	Notes	Turnover £	Operating costs £	Gain on sale of housing stock £	Gain on sale of other fixed assets £	2023 Operating Surplus / (Deficit) £	2022 Operating Surplus / (Deficit) £
Affordable letting activities	3.	16,077,137	(12,990,594)	865,107	41,160	3,992,810	4,383,496
Other activities	4.	379,878	(267,761)	-	-	112,117	68,517
		<u>16,457,015</u>	<u>(13,258,355)</u>	<u>865,107</u>	<u>41,160</u>	<u>4,104,927</u>	<u>4,452,013</u>

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

	General Needs Housing £	Supported Hostels £	Shared ownership £	2023 Total £	2022 Total £
Revenue from Lettings					
Rent Receivable Net of Service Charges	13,436,177	222,185	153,286	13,811,648	13,469,531
Service Charges	<u>629,146</u>	<u>3,006</u>	<u>17,133</u>	<u>649,285</u>	<u>661,900</u>
Gross income from rent and service charges	14,065,323	225,191	170,419	14,460,933	14,131,431
Less: Rent losses from voids	<u>(492,907)</u>	<u>(2,765)</u>	<u>(627)</u>	<u>(496,299)</u>	<u>(412,816)</u>
Net Rents Receivable	13,572,416	222,426	169,792	13,964,634	13,718,615
Grants released from deferred income	1,944,024	-	-	1,944,024	2,335,062
Rechargeable Repairs	<u>168,479</u>	<u>-</u>	<u>-</u>	<u>168,479</u>	<u>219,697</u>
Total turnover from affordable letting activities	15,684,919	222,426	169,792	16,077,137	16,273,374
Expenditure on affordable letting activities					
Management and maintenance administration costs	4,036,770	56,624	24,671	4,118,065	3,888,994
Service Costs	663,611	2,734	-	666,345	676,554
Planned and cyclical maintenance, including major repairs	1,202,087	49,240	-	1,251,327	1,555,403
Reactive maintenance costs	2,982,470	-	131	2,982,601	2,080,483
Bad Debts - rents and service charges	231,071	-	-	231,071	193,043
Impairment of development sites	576,534	-	-	576,534	-
Depreciation of affordable let properties	<u>3,164,651</u>	<u>-</u>	<u>-</u>	<u>3,164,651</u>	<u>3,664,004</u>
Operating costs of affordable letting activities	12,857,194	108,598	24,802	12,990,594	12,058,481
Gain on sale of housing property	865,107	-	-	865,107	168,603
Gain on sale of other fixed assets	41,160	-	-	41,160	-
Operating surplus on affordable letting activities	<u>3,733,992</u>	<u>113,828</u>	<u>144,990</u>	<u>3,992,810</u>	<u>4,383,496</u>

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Operating Other Income	Total Turnover	Operating costs – bad debts	Operating Costs Other	Surplus / (Deficit) 2023	Surplus / (Deficit) 2022
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	28,348	-	28,348	-	28,359	(11)	(2,080)
Commercial leases	-	-	-	80,196	80,196	-	76,369	3,827	29,624
Managed Associations	-	-	-	-	-	-	5,536	(5,536)	(5,082)
Development administration	-	-	-	-	-	-	-	-	3,815
Other activities	-	-	-	60,635	60,635	-	-	60,635	57,205
Charitable donations	-	-	-	-	-	-	-	-	(300)
Rechargeable Repair - Bad Debts	-	-	-	-	-	119,197	-	(119,197)	(198,211)
Mid-Market Rental income	-	-	-	198,075	198,075	-	38,300	159,775	175,338
Management charge from subsidiary	-	-	-	12,624	12,624	-	-	12,624	8,208
Total from Other Activities	-	-	28,348	351,530	379,878	119,197	148,564	112,117	68,517

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

5. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the Board, the Chief Executive and the Directors as noted on page 1.

	2023	2022
	£	£
Aggregate Emoluments payable to Key Management Personnel (excluding Pension Contributions)	275,443	277,127
Pension contributions made on behalf of Key Management Personnel	<u>70,873</u>	<u>57,248</u>
Emoluments paid to Key Management Personnel	<u>346,316</u>	<u>334,375</u>
Emoluments payable to Chief Executive (excluding pension contributions)	77,497	80,892
Pension contributions made on behalf of Chief Executive	<u>28,753</u>	<u>20,589</u>
Total Emoluments paid to Chief Executive	<u>106,250</u>	<u>101,481</u>

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

The number of Key Management Personnel, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
	2023	2022
£60,001 to £70,000	3	3
£70,001 to £80,000	-	-
£80,001 to £90,000	<u>1</u>	<u>1</u>

6. EMPLOYEE INFORMATION

	2023	2022
	Number	Number
The average monthly number of full-time equivalent persons employed during the year was:	<u>74</u>	<u>72</u>
The average total number of Employees employed during the year was	<u>84</u>	<u>79</u>
Staff Costs were:	£	£
Wages and Salaries	2,639,358	2,471,688
Social Security Costs	259,350	223,203
Other Pension Costs	248,193	211,417
Temporary, Agency and Seconded Staff	7,584	39,946
	<u>3,154,485</u>	<u>2,946,254</u>

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

7. GAIN ON SALE OF HOUSING PROPERTY

	2023	2022
	£	£
Sales Proceeds	646,250	495,975
Carrying value of assets disposed	(1,109,906)	(296,232)
Less Advertising / Legal Fees	(13,177)	(31,140)
Disposals of deferred capital grant	<u>1,341,940</u>	<u>-</u>
Gain on Sale of Housing Property	<u>865,107</u>	<u>168,603</u>

8. GAIN ON SALE OF OTHER FIXED ASSETS

	2023	2022
	£	£
Sales Proceeds	61,992	-
Carrying value of assets disposed	<u>(20,832)</u>	<u>-</u>
Gain on Sale of Other Fixed Assets	<u>41,160</u>	<u>-</u>

9. INTEREST PAYABLE & SIMILAR CHARGES

	2023	2022
	£	£
On Bank Loans & Overdrafts	1,880,493	1,622,334
On Other Loans	<u>4</u>	<u>745</u>
	<u>1,880,497</u>	<u>1,623,079</u>

10. OPERATING SURPLUS

	2023	2022
	£	£
Operating Surplus is stated after charging/(crediting):-		
Depreciation – Housing Properties	3,164,651	3,664,004
Depreciation – Other Fixed Assets	153,914	177,094
Amounts charged under Operating Leases	46,291	44,184
Auditors' Remuneration - Audit Services	26,850	19,950
Impairment of Development Site Costs	576,534	-
Gain on sale of Other Fixed Assets	(41,160)	-
Gain on sale of Housing Properties	<u>(865,107)</u>	<u>(168,603)</u>

11. TAX ON OPERATING ACTIVITIES

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

12. OTHER FINANCE INCOME / CHARGES

	2023	2022
	£	£
Net Interest credit/(charge) on pension obligation	<u>6,000</u>	<u>(32,000)</u>

Langstane Housing Association Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

13. FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Lead Tenancies Held for Letting £	Shared Ownership Held for Letting £	Total £
COST					
As at 1st April 2022	195,066,935	1,069,406	416,937	1,928,245	198,481,523
Transfer between classes	(445,210)	518,708	(73,498)	-	-
Additions – Works to existing properties	1,805,744	-	-	-	1,805,744
Disposal – Housing Property	(2,255,372)	-	-	(24,500)	(2,279,872)
As at 31st March 2023	194,172,097	1,588,114	343,439	1,903,745	198,007,395
DEPRECIATION					
As at 1st April 2022	57,487,683	-	75,701	346,254	57,909,638
Transfer between classes	12,661	-	(12,661)	-	-
Charge for Year	3,086,274	-	9,595	68,782	3,164,651
Disposals – Housing Properties	(1,095,085)	-	-	(4,114)	(1,099,199)
Impairment	-	576,534	-	-	576,534
As at 31st March 2023	59,491,533	576,534	72,635	410,922	60,551,624
NET BOOK VALUE					
As at 31st March 2023	134,680,564	1,011,580	270,804	1,492,823	137,455,771
As at 31st March 2022	137,579,252	1,069,406	341,236	1,581,991	140,571,885

Additions to housing properties includes capitalised development administration costs of £nil (2022: £nil) and capitalised major repair costs to existing properties of £nil (2022: £nil). All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £3,496,869 (2022: £4,685,578). The amount capitalised is £1,805,744 (2022: £1,371,341) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,805,744 (2022: £1,371,341) and improvements of £nil (2022: £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £61,638,833 (2022: £89,078,603).

In the year the Association revisited the categorisation of some of its land banks and as a result some transfers have been made as noted in the table above in order to reflect the assets in the most appropriate category with respect to the assets' use or intended future use.

The value of land included in the above at March 31, 2023 was £25,885,278 (2022: £26,003,955).

During November 2022 Shepherd Commercial Chartered Surveyors performed a valuation of the Landbank sites held by the Association for future development. This valuation has resulted in a write down of £576,534 to the net book value of these 6 Landbank sites.

Langstane Housing Association Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

b) Other Tangible Assets	Furniture, Fittings & Equipment £	Office Premises £	Commercial Property £	Motor Vehicles £	Total £
COST					
As at 1st April 2022	1,476,429	3,480,434	1,279,705	157,263	6,393,831
Additions	83,431	-	-	-	83,431
Disposals	(801,487)	-	-	(157,263)	(958,750)
As at 31st March 2023	758,373	3,480,434	1,279,705	-	5,518,512
AGGREGATE DEPRECIATION					
As at 1st April 2022	1,304,821	952,082	729,240	133,026	3,119,169
Charge for year	69,381	62,852	18,884	2,797	153,914
Disposals	(802,095)	-	-	(135,823)	(937,918)
As at 31st March 2023	572,107	1,014,934	748,124	-	2,335,165
NET BOOK VALUE					
As at 31st March 2023	<u>186,266</u>	<u>2,465,500</u>	<u>531,581</u>	<u>-</u>	<u>3,183,347</u>
As at 31st March 2022	<u>171,608</u>	<u>2,528,352</u>	<u>550,465</u>	<u>24,237</u>	<u>3,274,662</u>

The net book value of assets held under finance lease amounts to £nil (2022: £116,912).

14. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

	2023 £	2022 £
Land and Buildings		
Not later than one year	38,179	38,179
Later than one year and not later than five years	<u>32,273</u>	<u>69,349</u>
Other		
Not later than one year	8,113	9,032
Later than one year and not later than five years	<u>2,768</u>	<u>12,060</u>

15. INVESTMENTS

	2023 £	2022 £
Investments	<u>3</u>	<u>4</u>

Details of the Association's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered Office	Nature of business	Class of shares held	Direct % Held
Langstane Developments Limited	680 King Street, Aberdeen, AB24 1SL	Dormant	Ordinary	100
Langstane Maintenance Limited	As above	Dormant	Ordinary	100
Langstane Property Limited	As above	Provision of rented accommodation	Ordinary	100

Stockethill Homes Limited (SC468688) was dissolved on May 3, 2022 reducing the investments value above by £1.

Langstane Housing Association Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

16. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Rent & Service Charges	2,523,145	2,150,122
Less: Provision for Doubtful Debts	<u>(1,843,615)</u>	<u>(1,801,161)</u>
	679,530	348,961
Prepayments and accrued income	785,445	415,174
Other debtors	140,407	175,029
HAG receivable	28,199	28,199
Amounts owed from group undertakings	<u>18,579</u>	<u>32,876</u>
	<u>1,652,160</u>	<u>1,000,239</u>

17. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Finance Leases	-	800
Housing Loans (note 18)	16,882,982	1,882,982
Trade Payables	540,689	443,907
Rent in Advance	306,580	267,454
Social Housing and Other Grants (note 19)	1,909,442	2,110,158
Other Taxation and Social Security	69,522	4,283
Other Payables	32,254	23,058
Accruals and deferred income	3,135,266	2,176,078
	<u>22,876,735</u>	<u>6,908,720</u>

At the balance sheet date there were pension contributions outstanding of £38,512 (2022: £72,053).

18. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2023	2022
	£	£
Finance Lease	-	-
Housing Loans	<u>20,267,485</u>	<u>37,650,467</u>
	<u>20,267,485</u>	<u>37,650,467</u>
Housing Loans		
Amounts due within one year	16,882,982	1,882,982
Amounts due in one year or more but less than two years	2,073,457	17,382,982
Amounts due in two years or more but less than five years	6,363,232	6,315,613
Amounts due in more than five years	<u>11,830,796</u>	<u>13,951,872</u>
	37,150,467	39,533,449
Less: Amount shown in Current Liabilities (note 16)	<u>(1,882,982)</u>	<u>(1,882,982)</u>
	<u>35,267,485</u>	<u>37,650,467</u>
Finance Lease		
Amounts due within one year	-	800
Amounts due in one year or more but less than two years	<u>-</u>	<u>-</u>
	-	800
Less: Amount shown in Current Liabilities	<u>-</u>	<u>(800)</u>
	<u>-</u>	<u>-</u>

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

The Association has a number of long-term housing loans the terms and conditions of which are as follows

Lender	Security	Effective interest rate	Maturity	Variable/fixed
Lloyds Bank PLC	Standard Security over 549 properties	5.4%	2028 & 2031	Fixed
Santander	Standard security over 251 properties	5.6%	2035	Fixed
Bank of Scotland PLC	Standard Security over 495 properties	3.2%	2023	Variable

The Bank of Scotland finance constitutes a revolving credit facility which was repayable in one instalment due in October 2023. It was replaced with a new 5 year facility in April 2023. The remaining borrowings are repayable on a quarterly, six monthly or annual basis with the principal being amortised over the terms of the loan.

19. DEFERRED GRANTS	2023	2022
	£	£
Social Housing Grants		
Balance as at 1st April 2022	78,924,150	81,205,599
Released/repaid as the result of property disposal	(1,341,940)	(224,904)
Amortisation in year	(1,890,411)	(2,056,545)
Balance as at 31st March 2023	<u>75,691,799</u>	<u>78,924,150</u>
Other Grants		
Balance as at 1st April 2022	3,158,564	3,212,177
Amortisation in year	(53,613)	(53,613)
Balance as at 31st March 2023	<u>3,104,951</u>	<u>3,158,564</u>

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

	2023	2022
	£	£
Amounts due within one year	1,909,442	2,110,158
Amounts due in one year or more	76,887,308	79,972,556
	<u>78,796,750</u>	<u>82,082,714</u>

20. STATEMENT OF CASH FLOWS	2023	2022
Reconciliation of operating surplus	£	£
Operating Surplus	4,104,927	4,452,013
Depreciation	3,318,565	3,732,562
(Gain) on sale of housing stock	(865,107)	(168,603)
(Gain) on sale of other fixed assets	(41,160)	-
Amortisation of Capital Grants	(1,944,024)	(2,331,424)
Change in stocks	17,345	(40,571)
Impairment to development site	576,534	-
Change in debtors	(651,921)	(40,415)
Change in creditors	1,240,291	575,951
Pension adjustments net of contribution paid	(279,000)	(493,379)
Share Capital Written Off	(4)	-
Balance as at 31st March 2023	<u>5,476,446</u>	<u>5,686,134</u>

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

21. CASH FLOW - NET DEBT ANALYSIS

Analysis of changes in net funds	1 April 2022 £	Cash Flows £	Non Cash Flows £	31 March 2023 £
Cash and cash equivalents				
Cash at bank and in hand	4,035,947	50,098	-	4,086,045
Borrowings				
Debt due within one year	(1,882,982)	1,882,982	(1,882,982)	(1,882,982)
Debt due after one year	(37,650,467)	500,000	1,882,982	(35,267,485)
	(39,533,449)	2,382,982	-	(37,150,467)
Total	<u>(35,497,502)</u>	<u>2,433,080</u>	<u>-</u>	<u>(33,064,422)</u>

22. SHARE CAPITAL

	2023 £	2022 £
Shares of £1 each Issued and Fully Paid		
At 1st April	107	106
Issued in year	1	1
Cancelled in year	(4)	-
At 31st March	<u>104</u>	<u>107</u>

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

23. HOUSING STOCK

	2023 No.	2022 No.
The number of units of accommodation in management at the year-end was:-		
General Needs	2,881	2,886
Hostels	4	4
Commercial units	7	7
Lead Tenancies	14	14
Shared Ownership	57	58
	<u>2,963</u>	<u>2,969</u>

Housing Units owned by the Association and leased to another body:

Name of Organisation	2023 No.	2022 No.
Langstane Property Limited	<u>41</u>	<u>41</u>

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

24. RELATED PARTY TRANSACTIONS

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

Those members that 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. There are no tenants on the Board of Management in 2022/23.

Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

	2023 £	2022 £
Transactions with Board of management (and their close family) were as follows:	-	-
Rent received from Tenants on the Board of management (and their close family):	-	4,402
At the year-end total rent arrears owed by the tenant members of the Board of Management (and their close family):	-	701

The Association has transactions with its wholly owned subsidiary, Langstane Property Limited. In the year Langstane Property Limited was charged £198,075 (2022: £206,028) in respect of mid-market rental leases. As at the year end a balance of £18,579 was owed from Langstane Property Limited (2022: £32,876).

25. CONTINGENT LIABILITIES

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2022. As of this date the estimated employer debt for the Association is £4,732,521.

The Association has been notified by the Trustees of the Scheme that it has performed a review of the changes made to the Scheme's benefits over recent years. The Trustees have been advised to seek clarification from the Court on potential changes to the pension liability. This process is ongoing and the Association understands that the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of the Scheme liabilities, but until the outcome of the Court process is known, it is not possible to calculate the impact on the liabilities of this issue, particularly on an individual employer basis, with any accuracy for the purposes of the 31 March 2023 financial statements. Accordingly no adjustment has been made in these financial statements in respect of this potential issue.

26. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association is an admitted body under the Scottish Housing Association Pension Fund, the assets of which are held in a separate trustee administered fund.

The last formal valuation of the Scheme was performed as at 30th September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions towards the past service deficit.

All employers in the Scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. For the year ended 31 March 2023, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. Under the defined benefit pension accounting approach, the SHAPS net deficit as at 31 March 2023 is £490,000 (2022: £nil). At the balance sheet date the present value of this obligation was £11,919,000 (2022: £17,763,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high-quality corporate bond with a similar term. The discount rate used was 4.87% (2022: 2.79%).

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

The Association made payments totalling £294,732 (2022: £496,878) to the Scheme during the year.

Assumptions as at:	2023 % p.a.	2022 % p.a.
Salary increases	3.75	4.19
Inflation (RPI)	3.19	3.57
Inflation (CPI)	2.75	3.19
Discount rate	4.87	2.79
Allowance for commutation for cash at retirement	75%	75%
	2023 No.	2022 No.
Employee members	25	28
Deferred pensioners	52	52
Pensioners	58	57
	<u>135</u>	<u>137</u>

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 as summarised below:

	Males (Years)	Females (Years)
Current Pensioners	20.5	23.0
Future Pensioners	21.7	24.4

Fair value of scheme assets by category	2023 £000	2022 £000
Growth Assets	5,332	10,758
Matching Plus	1,210	2,763
Liability Driven Investment	4,861	4,248
Net Current Assets	26	57
	<u>11,429</u>	<u>17,826</u>

None of the above assets includes any direct investment in the Association's assets.

Net Pension Asset / (Liability)	2023 £000	2022 £000
Fair value of employer's assets	11,429	17,826
Present value of scheme liabilities	(11,919)	(17,763)
Restriction on asset recognition	-	(63)
	<u>(490)</u>	<u>-</u>

Langstane Housing Association Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2023

26. RETIREMENT BENEFIT OBLIGATIONS (continued)		
Reconciliation of fair value of employer assets	2023	2022
	£000	£000
Opening fair value of employer assets	17,826	17,109
Interest income	493	372
Contributions by Members	-	11
Contributions by the Employer	295	497
Experience on plan assets (excluding amounts included in interest income)`	(6,569)	214
Estimated Benefits Paid	(616)	(377)
Closing fair value	11,429	17,826

The actual return on plan assets (including any changes in share of assets) over the period to 31 March 2023 was £586,000 (2022: £214,000).

Reconciliation of defined benefit obligations	2023	2022
	£000	£000
Opening Defined Benefit Obligation	17,763	18,806
Current Service Cost	-	(11)
Expenses	16	15
Interest expense	487	404
Contributions by members	-	11
Actuarial Losses / (Gains) due to scheme experience	(773)	366
Actuarial Losses / (Gains) due to changes in demographic assumptions	(306)	61
Actuarial (Gains) / Losses due to changes in financial assumptions	(4,652)	(1,512)
Benefits paid and expenses	(616)	(377)
Closing defined benefit obligation	11,919	17,763

Analysis of amount charged to the Statement of Comprehensive Income	2023	2022
	£000	£000
Charged to operating costs:		
Service cost	-	(11)
Expenses	16	15
Net interest expense	(6)	32
Net Charge to the Statement of Comprehensive Income	10	36

Actuarial Gain / (Loss) recognised in other comprehensive income	2023	2022
	£000	£000
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	(6,569)	214
Experience gains and losses arising on the plan liabilities – gain (loss)	773	(366)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	306	(61)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	4,652	1,512
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	63	(63)
	(775)	1,236