

**Langstane Housing Association Limited**

**Report and Financial Statements**

**Year Ended 31 March 2022**

**Registered Housing Association No. HAL 145**

**FCA Reference No. 1916RS**

**Scottish Charity No. SC011754**

# Langstane Housing Association

## Report and Financial Statements For the year ended 31 March 2022

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## Langstane Housing Association Company Information

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### Board of Management

Mr J Drummond	
Mr J Fraser	Vice Chairperson
Ms J Greener	Resigned 03/05/22
Mr A Habib	
Mr I Jamieson	
Mr M Keith	Resigned 16/05/22
Mr J Knowles	Chairperson
Mr J Marshall	Resigned 22/09/21
Mr M Martin	
Mr K McIntosh	Resigned 18/10/21
Ms A Stevenson	
Mrs G Urquhart	

### Key Management Personnel

Marcie Ballance	Director of Property
Helen Gauld	Chief Executive
Lynne Macfarlan	Director of Finance and Corporate Services
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

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

BTO Solicitors LLP  
48 St Vincent Street  
Glasgow G2  
G2 5HS

TC Young LLP  
7 West George Street  
Glasgow  
G2 1BA

## Langstane Housing Association

### Report of the Board of Management For the year ended 31 March 2022

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The Board of Management present their report and audited financial statements for the year ended 31 March 2022.

#### Legal status

Langstane Housing Association is a non-profit making organisation registered with the Financial Conduct Authority as a Co-operative and Community Benefit Societies (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: SCO011754), 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 2,886 self-contained homes, 4 hostels, 8 commercial units, 58 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 Development 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.

**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.

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 Association's strengthened governance and financial management activities provided resilience during recent global challenges whilst delivering, ahead of schedule, on an ambitious efficiency agenda.

Future reporting will highlight and demonstrate ways in which the Association delivers value for money, as will its journey to ensure excellent Environmental, Social and Governance (ESG) measures are adopted.

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

The Association's modernisation agenda continues to deliver transformational change and following the staffing structure review, a new dedicated customer service team ensures customer service is at its heart.

During 2022-23 the Association will consider its future direction. Langstane is working with a consultant to analyse whether or not a return to development activities and / or further acquisition of homes is feasible. Any decision will be made taking into account future challenges not least the ambitious Scottish Government 'Housing to 2040' agenda.

### **b) Operational Performance**

#### **▪ Housing**

Langstane provides homes and support to some of the most vulnerable members of our community with homelessness referrals from the local authorities across Grampian being historically high.

Re-letting empty homes as quickly as possible continues to be a priority for the Association. With a higher number of vacancies arising in 2021-22, focus continues to be on tenancy sustainment and improving performance. Allocating vacant properties has proved challenging due to the level of new builds, particularly in Aberdeen City, allowing waiting list applicants more choice. As a result, re-let times have increased in some areas. In order to mitigate against this trend, the Association has registered with 'These Homes' to encourage a choice-based lettings approach for lower demand areas. The Association has also reviewed the waiting list to ensure applicants are ready and willing to move and has streamlined its processes.

Another priority area is rent collection. Arrears levels increased slightly in 2021-22 and as the cost of living rises, every effort is being made to provide tenants who are struggling with appropriate information and advice. The aim is to maximise benefits, allowing rent payments to be made.

The tenant satisfaction survey carried out in 2021-22 brought positive results with increases in satisfaction for:

- opportunities for tenants to become involved in Langstane's decision making processes;
- keeping tenants informed;
- satisfaction with the neighbourhoods; and
- value for money.

There is still work to be done around overall satisfaction and repairs. With an action plan in place, these areas are set to improve.

During the year, and following a staffing re-structure, there is a re-focus on customer services. With the appointment of a Customer Service Manager, a strengthening of the team, and a robust training programme, an improvement in overall satisfaction is anticipated.

## Review of business and future developments (continued)

### ▪ 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 Committee' 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 new website has seen more interaction with tenants and Digital Champions remain available to assist tenants stay connected.

### ▪ Communities

Langstane continues to work closely with a number of agencies to build on the relationships currently in place and, through a revised Community Investment Strategy, will seek to strengthen these.

Appropriate use of Community Benefit clauses is being made in appropriate tenders and these will be distributed following consultation to improve neighbourhoods, benefiting the wider community.

### ▪ Property

The focus for the early part of 2021-22 was on clearing the backlog of Covid repairs. Around 200 backlog repairs were carried out in 2021-22 and all were completed by September 2021. Generally, more repairs were carried out in 2021-22 than usual, with 6,900 non-emergency repairs being completed in comparison to an average of 5,500 repairs per year over the previous three years. The increase was partly due to the Covid backlog but was also due to storm damage following Storm Arwen in November 2021 and Storms Malik and Corrie in January 2022. In particular there was substantial fence damage and roof damage to be dealt with.

2021-22 was a busy year for procurement activity with a new voids contractor procured in September 2021 and a new framework of repairs contractors procured in August 2021. New major works contracts were also procured for 2021-22 including kitchens, bathrooms and heating replacements. The focus is on getting these new contracts implemented and ensuring they deliver the expected standards.

Covid brought a stop to major works in 2020-21 so it was pleasing to get some major works contracts underway in 2021-22 with 200 heating systems upgraded, and around 135 kitchens and bathroom replacements completed alongside an extensive communal decoration programme. Unfortunately plans to replace a small number of windows and fire doors were not fulfilled due to material shortages and difficulties accessing properties but these will be completed in 2022-23.

Generally, 2021-22 saw increasing difficulties obtaining certain materials and increasing material costs associated with certain products, particularly timber, metal and ventilation products and these issues are expected to continue into 2022-23.

Tenant safety work has continued throughout Covid, with a focus on meeting the requirement to upgrade smoke detection in all homes by February 2022, and to ensure that all properties had a compliant EICR by 31 March 2022 but also in maintaining standards for other safety areas such as gas servicing, lift safety, fire

**Review of business and future developments (continued)**

safety, water hygiene and play park safety. Unfortunately target dates for smoke detector upgrades and EICRs were not met – difficulties sourcing smoke detectors and accessing properties hindered progress. The target for smoke detectors was met by end of July 2022. EICRs are 99% complete currently with access being the ongoing issue. These will be completed as a priority during August using master key access.

▪ **Health and Safety**

During 2021-22 the focus for health and safety activities continued to be keeping employees and tenants safe and minimising the risk of Covid infection through robust risk assessments, adequate supplies of PPE and adherence to Covid guidance. Detailed plans continued, ensuring a safe working environment for all those involved in Langstane Housing Association.

At all times emergency repairs were undertaken, gas servicing was carried out, and all health and safety related services / checks carried out. Depending on the restrictions in place at the time, day to day and planned works were carried out with electrical and smoke detection systems upgraded / installed to meet legislative requirements.

▪ **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 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.



## Review of business and future developments (continued)

### ▪ Challenges

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

- 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 global events on the supply and cost of materials and labour
- To meet the standards of Environmental, Social and Governance criteria
- To invest in modernising outdated and non-integrated ICT systems and applications
- To have staff who are engaged and motivated.

The Covid pandemic has had an ongoing impact on Langstane's ability to deal with the challenges in the year but we have:

- successfully delivered services whilst working either remotely or within a fluid hybrid arrangement
- undertaken a staffing structure review and job evaluation exercise
- continued to fulfil our statutory obligations for properties
- undertaken a partial stock condition survey
- exceeded the efficiencies target for the year without adversely affecting tenant services
- improved the energy efficiency and safety of our homes
- upgraded all employee's work stations and the Association's conference facilities to facilitate home working where appropriate, and
- upgraded the telephone system as part of the ICT Road Map.

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
- moving the ICT infrastructure to the Cloud
- implementing an integrated housing and finance system
- continuing to deliver value for money and reporting on this
- being flexible and adaptable in our approach to problem solving

### 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.

It has been a challenge to manage the level of arrears and minimise lost rental income from void properties. Gross arrears were 8.86% of rent due for the year and the voids level was 3% for the year (2% budgeted). These were priority focus areas for teams throughout the year and a lot of work was put into supporting tenants who were having financial difficulty.

Langstane made a surplus of £2,798,510 in the year (2021: £1,858,709) which is £758,691 higher than originally forecast and is due to the delay in planned asset management spend, savings made in operational efficiencies due to employees continuing to work remotely and the ongoing efficiencies agenda. The asset management planned activity has been re-profiled and deferred to next financial year.

After adjusting for the actuarial gains on the Defined Benefit Pension Scheme of £1,235,620, the result is a Total Comprehensive Surplus of £4,034,130 (2021: deficit £128,291).

The Net Asset position is £24,406,065 (2021: £20,371,934) although within this there is a Net Current Liability of £1,817,463 (2021: £2,655,055). This arises primarily as a result of the level of Social Housing Grant due to be released to the Statement of Comprehensive Income within 12 months. This is a non-cash

**Review of business and future developments (continued)**

movement as the grant has already been received.

The actual Cash position was £4,035,947 as at 31 March 2022 (2021: £2,672,903). The increase in the level of cash held is due to planned component spend being delayed and weighted in the last quarter of the financial year with the timing of payments being pushed into the next financial year.

Due to the delay in planned spend, cash levels have been higher than originally forecast and funds held by Langstane's banks have occasionally been in excess of the £1m Treasury Management Policy limit for any one investment institution. It was therefore agreed, at the meeting of the Board on 25 August 2021, to increase the limit of funds held by any one approved institution from £1,000,000 to £2,000,000.

The London Interbank Offered Rate (LIBOR) ceased to be an underlying basis for interest calculations from 1 January 2022. It was therefore necessary to amend the Association's loan agreements and Revolving Credit Facility (RCF) to reflect one of the new options that were available. The Sterling Overnight Index Average (SONIA) compounded in arrears replaced the LIBOR as the reference rate for Langstane's facilities. The Bank of England has stated that the basis of the transition process is to achieve economic equivalence for both parties. The transition took place on 30 June 2021 for Lloyds / Bank of Scotland loans and the transition for Santander loans occurred on 31 December 2021.

The Scottish Housing Association Pension Scheme triennial valuation for funding purposes was carried out as at 30 September 2021. The outcome of this is that, at 31 March 2022, the past service deficit liability has decreased to £nil (2021: £1,697,000) and the payment of deficit contributions ceases from September 2022.

The subsidiary company, Langstane Property Limited, made a small loss in the year due to having to compete with falling private market rents due to the pandemic, the current economic situation being experienced locally and an oversupply of 2-bedroom properties in Aberdeen City. This has had an adverse impact on Langstane Property Limited's financial position, with a number of tenancies being terminated and subsequently difficult to let in the current market. Given Langstane Property Limited manages only 41 mid-market rental properties, the 14 vacancies during the year had a material impact with a loss of rental income of over £18,000.

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 were reviewed and, given 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, calculations were done to ascertain the benefits of a small reduction in the lease charge from Langstane Housing to Langstane Property to recognise this situation. The Langstane Housing Board, taking into consideration that a precedent had already been established with reducing lease charges on Shared Ownership properties, agreed to a 10% reduction in lease charges for the current and future financial years. The impact of this is a reduced rental income to Langstane Housing of £21k per annum. Any profits made by Langstane Property are gift aided to Langstane Housing.

The Board consider that the pandemic should be regarded as exceptional, and their expectation is that the year ahead will see an 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. Priority continues to be given to re-letting vacant properties as quickly as possible and rent levels are benchmarked. The budget for financial year 2022-2023 assumes a return to 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 further operating and efficiency improvements, enabled by economies of scale, technology, good organisation and more streamlined ways of working.

### **Review of business and future developments (continued)**

The importance of delivering value for money is a key concept for Langstane and we monitor delivery of value for money 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.

#### **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.

### **Future developments**

Continuous improvement is embedded within the Association and 2021-22 saw this continue with further methods of efficient working practice introduced.

A pension salary sacrifice scheme was introduced from 1 June 2021 to allow staff and Langstane to benefit from paying less National Insurance Contributions.

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 we are preparing to review our long-term funding requirements to ensure they meet our future plans. 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.

An external stock condition survey was carried out during 2021-22, the findings of which will inform the Board of Management's decision regarding future stock acquisition activities.

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 incomes 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.

### **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

**Risk Management (continued)**

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
- Significant IT failure / failure to deliver on the required ICT improvements
- Fraud / Cyber fraud
- Vulnerability of client group - significant challenges in terms of rent arrears levels, antisocial behaviour, tenant health and safety and tenancy sustainment
- Current economic position – supply chain crisis, rising inflation and energy costs, increased interest rates
- Performance outturn is negatively impacted by the ongoing Covid-19 pandemic and Brexit.
- Environmental, social and governance challenges – cost and solutions

**Going Concern position**

In March 2020 the country went into lockdown as a response to the Covid-19 pandemic. Langstane's offices closed, staff adjusted to working remotely and services moved to emergency repairs only, otherwise the Association strived for business as usual. During 2021-22, whilst there were periods of localised and continued national lockdown, and the impact of global events were seen, when practical to do so routine services were provided.

Financially, Langstane has closely monitored the level of rent arrears and empty properties and continues to do so in the current economic climate. Spend on maintenance and capital investment has been delayed in 2021-22 and some cost savings were achieved in operating costs. The planned programme of investment in our properties will continue in 2022-23 and the high year end cash balance will reduce accordingly. 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 no new debt, 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 £15.5m is due for renewal in October 2023 and positive discussions have already begun with lenders about replacement.

**Going Concern position (continued)**

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.

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 of the Charity. 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;
- 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
- 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 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;
- 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 2022. 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**

  
**Lynne Macfarlan**  
Company Secretary

Date: 06/09/22

**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 2022**

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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: 15/09/22

## **Opinion**

We have audited the financial statements of Langstane Housing Association (the 'Association') for the year ended 31 March 2022 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 2022 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, 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.

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 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 as the area 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.

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

15/09/22

**Langstane Housing Association**  
**Statement of Comprehensive Income**  
**For the year ended 31 March 2022**

	Notes	2022		2021	
		£	£	£	£
<b>TURNOVER</b>	2.		16,653,023		16,304,483
Operating Costs	2.		(12,369,613)		(12,605,465)
Gain/(Loss) on Sale of Housing Property	7.		<u>168,603</u>		<u>(76,701)</u>
<b>OPERATING SURPLUS</b>	9.		4,452,013		3,622,317
Interest Receivable and Other Income		1,576		8,128	
Interest Payable and Similar Charges	8.	(1,623,079)		(1,773,736)	
Other Finance Charges	11.	<u>(32,000)</u>		<u>2,000</u>	
			(1,653,503)		(1,763,608)
<b>Surplus for the year</b>			<u>2 798 510</u>		<u>1 858 709</u>
<b>Other Comprehensive Income</b>					
Actuarial Gains/(Losses) on defined benefit pension plan	25.		1,235,620		(1,987,000)
<b>TOTAL COMPREHENSIVE SURPLUS / (DEFICIT)</b>			<u><b>4,034,130</b></u>		<u><b>(128,291)</b></u>

The notes on pages 21 to 38 form part of these financial statements.

**Langstane Housing Association**  
**Statement of Financial Position**  
**For the year ended 31 March 2022**

	Notes	2022		2021	
		£	£	£	£
<b>FIXED ASSETS</b>					
Housing Properties	12.(a)		140,571,885		143,160,780
Other Fixed Assets	12.(b)		<u>3,274,662</u>		<u>3,404,574</u>
			143,846,547		146,565,354
<b>INVESTMENTS</b>					
Investments in subsidiaries	14.		<u>4</u>		<u>4</u>
<b>CURRENT ASSETS</b>					
Stock		55,071		14,500	
Trade and other debtors	15.	1,000,239		959,824	
Cash and cash equivalents		<u>4,035,947</u>		<u>2,672,903</u>	
		5,091,257		3,647,227	
<b>CREDITORS:</b> Amounts falling due within one year	16.	<u>(6,908,720)</u>		<u>(6,302,282)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(1,817,463)</u>		<u>(2,655,055)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			142,029,088		143,910,303
<b>CREDITORS:</b> Amounts falling due after more than one year	17.		(37,650,467)		(39,533,751)
<b>PENSION LIABILITY</b>					
Scottish Housing Association Pension Scheme	25.		-		(1,697,000)
<b>DEFERRED GRANTS</b>					
Social Housing Grants	18.	(76,867,605)		(79,149,054)	
Other Grants	18.	<u>(3,104,951)</u>		<u>(3,158,564)</u>	
			(79,972,556)		(82,307,618)
<b>NET ASSETS</b>			<u><b>24,406,065</b></u>		<u><b>20,371,934</b></u>
<b>RESERVES</b>					
Share Capital	21.		107		106
Revenue Reserves			24,405,958		22,068,828
Pension Reserve			-		(1,697,000)
			<u><b>24,406,065</b></u>		<u><b>20,371,934</b></u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 06/09/22







**Chairperson**

**Vice Chairperson**

**Secretary**

The notes on pages 21 to 38 form part of these financial statements.

**Langstane Housing Association**  
**Statement of Cashflows**  
**For the year ended 31 March 2022**

	Notes	2022	2021
		£	£
<b>Net Cash Inflow from Operating Activities</b>	19.	5,686,134	4,577,083
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(1,371,341)	(55,691)	
Purchase of Other Fixed Assets	(84,982)	(153,662)	
Proceeds on Disposal of Properties	611,169	90,920	
<b>Net Cash Outflow from Investing Activities</b>		(845,154)	(118,433)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	1,576	8,129	
Interest Paid on Loans	(1,567,846)	(1,692,514)	
Loan Principal Repayments	(1,882,983)	(3,657,593)	
Other Finance Repayments	(25,046)	(26,719)	
Grant repaid	(3,638)		
Share Capital Issued		-	
<b>Net Cash Outflow from Financing</b>		<u>(3,477,936)</u>	<u>(5,368,697)</u>
<b>Increase/(Decrease) in Cash</b>		1,363,044	(910,047)
<b>Opening Cash &amp; Cash Equivalents</b>		2,672,903	3,582,950
<b>Closing Cash &amp; Cash Equivalents</b>	20.	<u>4,035,947</u>	<u>2,672,903</u>
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		4,035,947	2,672,903
		<u>4,035,947</u>	<u>2,672,903</u>

The notes on pages 21 to 38 form part of these financial statements.

**Langstane Housing Association**

**Statement of Changes in Reserves  
For the year ended 31 March 2021**

	<b>Share Capital</b>	<b>Pension Reserve</b>	<b>Revenue Reserves</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 1st April 2020</b>	113	(188,000)	20,688,119	20,500,232
Cancellation of Shares	(7)	-	-	(7)
Other comprehensive income – pension scheme	-	(1,987,000)	-	(1,987,000)
Statement of comprehensive income – pension scheme	-	478,000	(478,000)	-
Surplus for Year	-	-	1,858,709	1,858,709
<b>Balance as at 31st March 2021</b>	<u>106</u>	<u>(1 697 000)</u>	<u>22 068 828</u>	<u>20 371 934</u>
<b>Balance as at 1st April 2021</b>	106	(1,697,000)	22,068,828	20,371,934
Issue of Shares	1	-	-	1
Other comprehensive income – pension scheme	-	1,235,620	-	1,235,620
Statement of comprehensive income – pension scheme	-	461,380	(461,380)	-
Surplus for Year	-	-	2,798,510	2,798,510
<b>Balance as at 31st March 2022</b>	<u>107</u>	<u>-</u>	<u>24 405 958</u>	<u>24 406 065</u>

The notes on pages 21 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 2022-23, 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. On that basis, 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.

#### ***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.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### **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.

### **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.



## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 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.

This financial year there has been a change in the accounting treatment of boilers. The replacement cost has historically been treated as a major repair and expensed in the Statement of Comprehensive Income. Following an external review the accounting treatment of heating systems was evaluated and the decision taken to capitalise boilers over a lifespan of 10 years. A change of this nature would potentially require a prior year adjustment but management have calculated the net impact of this and consider it to be immaterial.

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.

## 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.

### 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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

# Langstane Housing Association

## Notes to the Financial Statements (continued)

For the year ended 31 March 2022

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

	Notes	Turnover £	Operating costs £	Gain on sale of housing stock £	2022 Operating Surplus / (Deficit) £	2021 Operating Surplus / (Deficit) £
Affordable letting activities	3.	16,273,374	(12,058,481)	168,603	4,383,496	3,607,549
Other activities	4.	<u>379,649</u>	<u>(311,132)</u>	<u>-</u>	<u>68,517</u>	<u>14,768</u>
		<u>16,653,023</u>	<u>(12,369,613)</u>	<u>168,603</u>	<u>4,452,013</u>	<u>3,622,317</u>

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

	General Needs Housing £	Supported Hostels £	Shared ownership £	2022 Total £	2021 Total £
<b>Revenue from Lettings</b>					
Rent Receivable Net of Service Charges	13,113,230	216,740	139,561	13,469,531	13,200,097
Service Charges	<u>642,015</u>	<u>3,518</u>	<u>16,367</u>	<u>661,900</u>	<u>628,939</u>
<b>Gross income from rent and service charges</b>	13,755,245	220,258	155,928	14,131,431	13,829,036
Less: Rent losses from voids	<u>(406,765)</u>	<u>(5,963)</u>	<u>(88)</u>	<u>(412,816)</u>	<u>(255,040)</u>
<b>Net Rents Receivable</b>	13,348,480	214,295	155,840	13,718,615	13,573,996
Grants released from deferred income	2,331,424	-	3,638	2,335,062	2,110,158
Rechargeable Repairs	<u>219,697</u>	<u>-</u>	<u>-</u>	<u>219,697</u>	<u>96,126</u>
<b>Total turnover from affordable letting activities</b>	15,899,601	214,295	159,478	16,273,374	15,780,280
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	3,854,671	7,860	26,463	3,888,994	3,342,942
Service Costs	673,067	3,487	-	676,554	668,837
Planned and cyclical maintenance, including major repairs	1,493,054	62,349	-	1,555,403	2,675,020
Reactive maintenance costs	2,047,659	32,824	-	2,080,483	1,706,772
Bad Debts - rents and service charges	198,763	-	(5,720)	193,043	131,484
Depreciation of affordable let properties	<u>3,664,004</u>	<u>-</u>	<u>-</u>	<u>3,664,004</u>	<u>3,570,975</u>
<b>Operating costs of affordable letting activities</b>	11,931,218	106,520	20,743	12,058,481	12,096,030
Gain / (Loss) on sale of housing property	168,603	-	-	168,603	(76,701)
<b>Operating surplus on affordable letting activities</b>	<u>4,136,986</u>	<u>107,775</u>	<u>138,735</u>	<u>4,383,496</u>	<u>3,607,549</u>

**Langstane Housing Association**

**Notes to the Financial Statements (continued)**

**For the year ended 31 March 2022**

**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) 2022	Surplus / (Deficit) 2021
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	29,923	29,923	-	32,004	(2,080)	1
Commercial leases	-	-	-	74,469	74,469	-	44,845	29,624	24,723
Managed Associations	-	-	-	-	-	-	5,082	(5,082)	(8,564)
Development administration	3,815	-	-	-	3,815	-	-	3,815	4,042
Coronavirus Job Retention Scheme	-	-	-	-	-	-	-	-	134,768
Other activities	-	-	-	57,205	57,205	-	-	57,205	29,945
Charitable donations	-	-	-	-	-	-	300	(300)	801
Rechargeable Repair - Bad Debts	-	-	-	-	-	198,211	-	(198,211)	(27,950)
Impairment – development site costs	-	-	-	-	-	-	-	-	(341,583)
Mid-Market Rent income	-	-	-	206,028	206,028	-	30,690	175,338	190,377
Management charge from subsidiaries	-	-	-	8,208	8,208	-	-	8,208	8,208
Total from Other Activities	<u>3,815</u>	<u>-</u>	<u>-</u>	<u>375,834</u>	<u>379,649</u>	<u>198,211</u>	<u>112,921</u>	<u>68,517</u>	<u>14,768</u>

# Langstane Housing Association

## Notes to the Financial Statements (continued)

For the year ended 31 March 2022

### 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.

	2022 £	2021 £
Aggregate Emoluments payable to Key Management Personnel (excluding Pension Contributions)	£277,127	£295,794
Pension contributions made on behalf of Key Management Personnel	<u>£57,248</u>	<u>£51,219</u>
Emoluments paid to Key Management Personnel	<u>£334,375</u>	<u>£347,013</u>
Emoluments payable to Chief Executive (excluding pension contributions)	£80,892	£89,751
Pension contributions made on behalf of Chief Executive	<u>£20,589</u>	<u>£17,697</u>
Emoluments paid to Chief Executive	<u>£101,481</u>	<u>£107,448</u>

Board of Management members received £0 (2021: £509) 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 2022	Number 2021
£60,001 to £70,000	3	3
£70,001 to £80,000	-	-
£80,001 to £90,000	<u>1</u>	<u>1</u>

**Langstane Housing Association**

**Notes to the Financial Statements (continued)**

**For the year ended 31 March 2022**

**6. EMPLOYEE INFORMATION**

	<b>2022 Number</b>	<b>2021 Number</b>
The average monthly number of full-time equivalent persons employed during the year was:	<u>72</u>	<u>70</u>
The average total number of Employees employed during the year was	<u>79</u>	<u>82</u>
Staff Costs were:		<b>£</b>
Wages and Salaries	2,356,891	2,326,581
Social Security Costs	223,203	227,035
Other Pension Costs	326,214	312,305
Temporary, Agency and Seconded Staff	39,946	-
	<u>2,946,254</u>	<u>2,865,921</u>

**7. GAIN ON SALE OF HOUSING PROPERTY**

	<b>2022 £</b>	<b>2021 £</b>
Sales Proceeds	495,975	100,000
Carrying value of assets disposed	(296,232)	(167,622)
Less Advertising / Legal Fees	<u>(31,140)</u>	<u>(9,079)</u>
Gain / (Loss) on Sale of Housing Property	<u>168,603</u>	<u>(76,701)</u>

**8. INTEREST PAYABLE & SIMILAR CHARGES**

	<b>2022 £</b>	<b>2021 £</b>
On Bank Loans & Overdrafts	1,622,334	1,786,571
On Other Loans	<u>745</u>	<u>2,273</u>
	1,623,079	1,788,844
Less: Interest Capitalised	<u>-</u>	<u>(15,108)</u>
	<u>1,623,079</u>	<u>1,773,736</u>

Interest capitalised was incurred in 2021: 4.16%.

**Langstane Housing Association****Notes to the Financial Statements (continued)****For the year ended 31 March 2022****9. OPERATING SURPLUS**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Operating Surplus is stated after charging/(crediting):-		
Depreciation - Tangible Owned Fixed Assets	3,841,098	3,701,556
Amounts charged under Operating Leases	44,184	38,179
Auditors' Remuneration - Audit Services	19,950	17,200
Auditors' Remuneration - Other Services	-	-
(Gain)/Loss on sale of fixed assets	<u>(168,603)</u>	<u>76,701</u>

**10. TAX ON OPERATING ACTIVITIES**

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

**11. OTHER FINANCE INCOME / CHARGES**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Net Interest on pension obligation	32,000	(2,000)
	<u>32,000</u>	<u>(2,000)</u>



## 12. FIXED ASSETS

<b>a) Housing Properties</b>	<b>Housing Properties Held for Letting £</b>	<b>Housing Properties In course of Construction £</b>	<b>Lead Tenancies Held for Letting £</b>	<b>Shared Ownership Held for Letting £</b>	<b>Total £</b>
<b>COST</b>					
As at 1st April 2021	194,567,666	1,069,406	416,937	1,974,175	198,028,184
Additions - Housing property	9,038	-	-	-	9,038
Additions – Works to existing properties	1,362,303	-	-	-	1,362,303
Disposal – Housing Property	(469,623)	-	-	(45,930)	(515,553)
Disposal – Works to Existing Properties	(402,449)	-	-	-	(402,449)
<b>As at 31st March 2022</b>	<b><u>195,066,935</u></b>	<b><u>1,069,406</u></b>	<b><u>416,937</u></b>	<b><u>1,928,245</u></b>	<b><u>198,481,523</u></b>
<b>DEPRECIATION</b>					
As at 1st April 2021	54,536,549	-	40,793	290,062	54,867,404
Charge for Year	3,559,491	-	34,908	69,605	3,664,004
Disposals – Housing Properties	(205,908)	-	-	(13,413)	(219,321)
Disposal – works to existing Properties	(402,449)	-	-	-	(402,449)
<b>As at 31st March 2022</b>	<b><u>57,487,683</u></b>	<b><u>-</u></b>	<b><u>75,701</u></b>	<b><u>346,254</u></b>	<b><u>57,909,638</u></b>
<b>NET BOOK VALUE</b>					
As at 31st March 2022	<b><u>137,579,252</u></b>	<b><u>1,069,406</u></b>	<b><u>341,236</u></b>	<b><u>1,581,991</u></b>	<b><u>140,571,885</u></b>
As at 31st March 2021	<b><u>140,031,117</u></b>	<b><u>1,069,406</u></b>	<b><u>376,144</u></b>	<b><u>1,684,113</u></b>	<b><u>143,160,780</u></b>

Additions to housing properties includes capitalised development administration costs of £nil (2021: £nil) and capitalised major repair costs to existing properties of £nil (2021: £nil). All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £4,685,578 (2021: £3,734,562). The amount capitalised is £1,371,341 (2021: £70,799) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,371,341 (2021: £70,799) and improvements of £nil (2021: £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £89,078,603 (2021: £91,680,394).

<b>b) Other Tangible Assets</b>	<b>Furniture, Fittings &amp; Equipment £</b>	<b>Office Premises £</b>	<b>Commercial Property £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>COST</b>					
As at 1st April 2021	1,441,847	3,480,434	1,279,705	157,263	6,359,249
Additions	84,982	-	-	-	84,982
Disposals	(50,400)	-	-	-	(50,400)
<b>As at 31st March 2022</b>	<b><u>1,476,429</u></b>	<b><u>3,480,434</u></b>	<b><u>1,279,705</u></b>	<b><u>157,263</u></b>	<b><u>6,393,831</u></b>
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2021	1,236,107	890,615	710,353	117,600	2,954,675
Charge for year	81,314	61,467	18,887	15,426	177,094
Disposals	(12,600)	-	-	-	(12,600)
<b>As at 31st March 2022</b>	<b><u>1,304,821</u></b>	<b><u>952,082</u></b>	<b><u>729,240</u></b>	<b><u>133,026</u></b>	<b><u>3,119,169</u></b>
<b>NET BOOK VALUE</b>					
As at 31st March 2022	<b><u>171,608</u></b>	<b><u>2,528,352</u></b>	<b><u>550,465</u></b>	<b><u>24,237</u></b>	<b><u>3,274,662</u></b>
As at 31st March 2021	<b><u>205,740</u></b>	<b><u>2,589,819</u></b>	<b><u>569,352</u></b>	<b><u>39,663</u></b>	<b><u>3,404,574</u></b>

The net book value of assets held under finance lease amounts to £116,912 (2021: £126,251).

### 13. COMMITMENTS UNDER OPERATING LEASES

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

	2022 £	2021 £
<b>Land and Buildings</b>		
Not later than one year	38,179	38,179
Later than one year and not later than five years	<u>69,349</u>	<u>108,631</u>
<b>Other</b>		
Not later than one year	9,032	1,182
Later than one year and not later than five years	<u>12,060</u>	<u>-</u>

### 14. INVESTMENTS

	2022 £	2021 £
Investments	<u>4</u>	<u>4</u>

Details of the Association's subsidiaries at 31 March 2022 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

### 15. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Arrears of Rent & Service Charges	2,150,122	2,010,381
Less: Provision for Doubtful Debts	<u>(1,801,161)</u>	<u>(1,684,174)</u>
	348,961	326,207
Prepayments and accrued income	618,402	591,958
Amounts owed from group undertakings	<u>32,876</u>	<u>41,659</u>
	<u>1,000,239</u>	<u>959,824</u>

Notes to the Financial Statements (continued)  
For the year ended 31 March 2022

16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR	2022 £	2021 £
Finance Leases	800	25,544
Housing Loans (note 17)	1,882,982	1,882,982
Trade Payables	443,907	460,723
Rent in Advance	267,454	218,193
Social Housing and Other Grants (note 18)	2,110,158	2,110,158
Other Taxation and Social Security	4,283	140,050
Amounts Due to Group Undertakings	-	-
Other Payables	23,058	17,158
Accruals and deferred income	2,176,078	1,447,474
	<u>6,908,720</u>	<u>6,302,282</u>

At the balance sheet date there were pension contributions outstanding of £72,053 (2021: £81,331).

17. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR	2022 £	2021 £
Finance Lease	-	302
Housing Loans	<u>37,650,467</u>	<u>39,533,449</u>
	<u>37,650,467</u>	<u>39,533,751</u>
<b>Housing Loans</b>		
Amounts due within one year	1,882,982	1,882,982
Amounts due in one year or more but less than two years	17,382,982	1,882,982
Amounts due in two years or more but less than five years	6,315,613	21,815,613
Amounts due in more than five years	<u>13,951,872</u>	<u>15,834,854</u>
	39,533,449	41,416,431
Less: Amount shown in Current Liabilities (note 16)	<u>(1,882,982)</u>	<u>(1,882,982)</u>
	<u>37,650,467</u>	<u>39,533,449</u>
<b>Finance Lease</b>		
Amounts due within one year	800	25,544
Amounts due in one year or more but less than two years	-	302
	800	25,846
Less: Amount shown in Current Liabilities	<u>(800)</u>	<u>(25,544)</u>
	-	302

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 1335 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	1.2%	2023	Variable

The Bank of Scotland finance constitutes a revolving credit facility which is repayable in one instalment due in 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.

Notes to the Financial Statements (continued)  
For the year ended 31 March 2022

18. DEFERRED GRANTS	2022 £	2021 £
Social Housing Grants		
Balance as at 1st April 2021	81,205,599	83,262,144
Additions	-	-
Released / Repaid as the result of property disposal	(224,904)	-
Amortisation in year	(2,056,545)	(2,056,545)
Balance as at 31st March 2022	<u>78,924,150</u>	<u>81,205,599</u>
Other Grants		
Balance as at 1st April 2021	3,212,177	3,265,790
Amortisation in year	(53,613)	(53,613)
Balance as at 31st March 2022	<u>3,158,564</u>	<u>3,212,177</u>

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

	2022 £	2021 £
Amounts due within one year	2,110,158	2,110,158
Amounts due in one year or more	79,972,556	82,307,618
	<u>82,082,714</u>	<u>84,417,776</u>

19. STATEMENT OF CASH FLOWS	2022 £	2021 £
<b>Reconciliation of operating surplus</b>		
Operating Surplus	4,452,013	3,622,317
Adjustment to SOCI – non-cash items	-	120,295
Depreciation	3,732,562	3,676,411
Loss / (Gain) on sale of housing stock	(168,603)	76,701
Amortisation of Capital Grants	(2,331,424)	(2,110,158)
Change in stocks	(40,571)	-
Impairment to development site	-	341,583
Change in debtors	(40,415)	(251,183)
Change in creditors	575,951	(443,546)
Unwinding of Discount on Pension Liability	(461,379)	(457,329)
Net interest on pension obligation	(32,000)	2,000
Share Capital Written Off	-	(8)
Balance as at 31st March 2022	<u>5 686 134</u>	<u>4 577 083</u>

20. CASH FLOW - NET DEBT ANALYSIS

	1 April 2021 £	Cash Flows £	31 March 2022 £
<b>Analysis of changes in net funds</b>			
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	<u>2,672,903</u>	<u>1,363,044</u>	<u>4,035,947</u>
<b>Borrowings</b>			
Debt due within one year	(1,882,982)	-	(1,882,982)
Debt due after one year	<u>(39,533,449)</u>	<u>1,882,982</u>	<u>(37,650,467)</u>
	(41,416,431)	1,882,982	(39,533,449)
<b>Total</b>	<u><u>(38,743,528)</u></u>	<u><u>3,246,026</u></u>	<u><u>(35,497,502)</u></u>

21. SHARE CAPITAL

	2022 £	2021 £
<b>Shares of £1 each Issued and Fully Paid</b>		
At 1st April	106	113
Issued in year	1	-
Cancelled in year	-	(7)
At 31st March	<u><u>107</u></u>	<u><u>106</u></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.

22. HOUSING STOCK

	2022 No.	2021 No.
The number of units of accommodation in management at the year-end was:-		
General Needs	2,886	2,886
Hostels (bed spaces)	56	76
Lead Tenancies	14	14
Shared Ownership	58	59
	<u><u>3,014</u></u>	<u><u>3,035</u></u>

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

	2022 No.	2021 No.
<b>Name of Organisation</b>		
Langstane Property Limited	<u><u>41</u></u>	<u><u>41</u></u>

## 23. 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.

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.

	2022 £	2021 £
Transactions with Board of management (and their close family) were as follows:	-	9,336
Rent received from Tenants on the Board of management (and their close family):	4,402	688
At the year-end total rent arrears owed by the tenant members of the Board of Management (and their close family):	701	1

## 24. 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 2021.

As of this date the estimated employer debt for the Association is £7,904,709.

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 2022 financial statements. Accordingly no adjustment has been made in these financial statements in respect of this potential issue.

## 25. 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 2022, 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 2022 is £nil (2021: £1,697,000). At the balance sheet date the present value of this obligation was £17,763,000 (2021: £18,806,000). 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 2.79% (2021: 2.17%).

The Association made payments totalling £496,878 (2021: £679,053) to the Scheme during the year.

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Assumptions as at:	2022 % p.a.	2021 % p.a.
Salary increases	4.19	3.86
Inflation (RPI)	3.57	3.28
Inflation (CPI)	3.19	2.86
Discount rate	2.79	2.17
Allowance for commutation for cash at retirement	75%	75%
	2022 No.	2021 No.
Employee members	28	33
Deferred pensioners	52	50
Pensioners	57	56
	<u>137</u>	<u>139</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)
<b>Current Pensioners</b>	21.6	23.9
<b>Future Pensioners</b>	22.9	25.4

	2022 £000	2021 £000
<b>Fair value of scheme assets by category</b>		
Growth Assets	10,758	9,931
Matching Plus	2,763	2,937
Liability Driven Investment	4,248	4,114
Net Current Assets	57	127
	<u>17,826</u>	<u>17,109</u>

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

	2022 £000	2021 £000
<b>Net Pension Asset / (Liability)</b>		
Fair value of employer's assets	17,826	17,109
Present value of scheme liabilities	(17,763)	(18,806)
	<u>63</u>	<u>(1,697)</u>

Notes to the Financial Statements (continued)  
For the year ended 31 March 2022

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2022	2021
	£000	£000
<b>Reconciliation of fair value of employer assets</b>		
Opening fair value of employer assets	17,109	15,467
Interest income	372	372
Contributions by Members	11	136
Contributions by the Employer	497	679
Experience on plan assets (excluding amounts included in interest income)	214	953
Estimated Benefits Paid	(377)	(498)
<b>Closing fair value</b>	<b>17,826</b>	<b>17,106</b>

The actual return on plan assets (including any changes in share of assets) over the period to 31 March 2022 was £214,000 (2021: £1,325,000).

	2022	2021
	£000	£000
<b>Reconciliation of defined benefit obligations</b>		
Opening Defined Benefit Obligation	18,806	15,655
Current Service Cost	(11)	188
Expenses	15	15
Interest expense	404	370
Contributions by members	11	136
Actuarial Losses / (Gains) due to scheme experience	366	(168)
Actuarial Losses / (Gains) due to changes in demographic assumptions	61	-
Actuarial (Gains) / Losses due to changes in financial assumptions	(1,512)	3,108
Benefits paid and expenses	(377)	(498)
<b>Closing defined benefit obligation</b>	<b>17,763</b>	<b>18,806</b>

	2022	2021
	£000	£000
<b>Analysis of amount charged to the Statement of Comprehensive Income</b>		
Charged to operating costs:		
Service cost	(11)	188
Expenses	15	15
Net interest expense	32	(2)
<b>Net Charge to the Statement of Comprehensive Income</b>	<b>36</b>	<b>201</b>

	2022	2021
	£000	£000
<b>Actuarial Gain / (Loss) recognised in other comprehensive income</b>		
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	214	953
Experience gains and losses arising on the plan liabilities – gain (loss)	(366)	168
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	(61)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	1,512	(3,108)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	(63)	-
	<b>1,236</b>	<b>(1,987)</b>