



Alexander Sloan
Accountants and Business Advisers

Loreburn Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2023

Registered Social Landlord No. HAL153

FCA Reference No. 2110R(S)

Scottish Charity No. SC029917

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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LOREBURN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2023

MANAGEMENT COMMITTEE

Russell Brown	Convener
Jane Connechen	Vice Convener
Peter Nelson	Secretary
Peter Ward	Left on 24/01/23
Robert Sneddon	Left on 07/10/22
Michael Clarke	Co-optee Left on 14/12/22, re-appointed on 07/06/23
Katie Russell	Left on 14/12/22
Laura Grieve	Left on 06/09/22
Alison Coupe	Left on 06/09/22
Clare Benson	Left on 29/09/22
Myra Macbeth	Left on 20/07/22
Paul Buchanan	Appointed on 14/12/22
Lynsey Brydson	Appointed on 14/12/22
Alan Sandey	Appointed on 14/12/22
Malcom Rogerson	Filled casual vacancy from 14/12/22 to 02/06/23
Mark Wilkinson	Filled casual vacancy from 21/06/23

EXECUTIVE OFFICERS

Lorraine Usher	Chief Executive Officer - Left on 30/04/23
Lawrie West	Interim Chief Executive Officer - Started on 03/04/23 and left on 06/07/23
Kirsteen McGinn	Chief Executive Officer - Started on 26/06/23
Gary Alison	Director of Property & Development - Left on 30/04/23
Gavin Johnston	Director of Property & Development - Started on 09/05/23
Sue Irving	Director of Housing Services - Left on 31/03/23
Kirsty Paul	Director of Finance
Elkie Astley	Director of Corporate Services

SECRETARY

Peter Nelson

REGISTERED OFFICE

7 Gifhorn House
Shakespeare Street
Dumfries
DG1 2JB

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

TIAA
Artillery House, Fort Fareham
Newgate Lane
Fareham, Hants
PO14 1AH

LOREBURN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS (continued) FOR THE YEAR ENDED 31 MARCH 2023

BANKERS

Royal Bank of Scotland
UK Corporate Banking
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

SOLICITORS

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

The Management Committee presents its report and the financial statements for the year ended 31 March 2023.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No. 2110R(S)), the Scottish Housing Regulator as a registered social landlord (No. HAL153) under the Housing (Scotland) Act 2010 and as is a registered Scottish Charity with the charity number SC029917.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation. The Association continues to operate across Dumfries and Galloway, Scotland with new development programmed across the region. The Association is registered with the Financial Conduct Authority as a Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association is primarily regulated by the Scottish Housing Regulator.

Review of Business and Future Developments

The financial year past has been a challenging operating environment - our customers, employees, suppliers, and us as an organisation have seen the effects of the increasing levels of inflation, interest, and cost of living. We, like many organisations, continue to face significant additional costs, pressures, and unprecedented change but against a challenging backdrop we have again been able to achieve a great deal and remain on track to deliver many of our strategic objectives.

This year is year four of our five-year strategic plan and many customers, long-standing and new, are experiencing the exceptional customer service that everyone at Loreburn is signed up to. Our performance highlights include:

- A total of 70 new homes were handed over to delighted new tenants, with a further 75 units under construction over 5 building sites
- Empty properties were relet in under 15 days against a Scottish average of 52 days
- Emergency Repairs were complete in 2.12 hours against a Scottish average of 4.2 hours
- £1.56m invested in existing homes to improve comfort, quality, and energy efficiency
- Our in-house repairs service is delivering high levels of satisfaction at 94%, and planned works customers satisfaction up at 100%
- 93% of stock meeting Scottish Housing Quality Standard (SHQS) compared to Scottish RSL average of 80%

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Review of Business and Future Developments (Contd.)

Management Committee recognise many of our tenants have not seen increases in their income relative to the increased cost of living. Against a background of households facing increasing pressure with the rising costs of living, we see low-income households spending a larger proportion than average on energy and food. Our levels of rent collection however have remained steady throughout the year, with an improvement in collection levels of 0.48% to 99.11%, but our gross rent arrears have increased by 0.19% to 3.92%. Tackling the cost-of-living crisis is no small feat and the provision of affordable, warm, quality homes help. Loreburn have actively sought grant funding to continue to support those in need. Proactive colleagues have, this year, secured external funding to assist tenants with the cost-of-living crisis. We secured Scottish Federation of Housing Associations funding of £25k and with that 375 customers have received Tesco e-vouchers. Households with 1 or 2 children received a £60 voucher and with three or more children £150 vouchers. We also received a grant of £100k from the Fuel Support Fund which enabled us to give direct support to 50% of our general needs tenants which is an amazing achievement.

Investment in existing stock remains a key priority and we are working towards meeting both the Energy Efficiency Standard for Social Housing (EESH) standards and to meet the Scottish Housing Quality Standard (SHQS). Our current performance shows that over 93% of our stock meetings the SHQS standard with further improvement to take this over 95% projected next year. Work is underway to improve the information that we hold about our existing as we continue to survey and collate this information through a 5-year stock condition survey program. A retrofit project previously identified has not been progressed in the year due to both the increased cost of the project and the current economic challenges; however, this information and the retrofit designs produced by the architect have enabled us to build an in depth understanding of what retrofit measures would be required on the most common types of our homes to potentially meet net zero targets. Again, this will inform what and how retrofitting existing stock to reduce heat demand may look like and how we intend to use technology to deliver this. We are planning more active engagement with funding partners to look at ways to support enhanced levels of investment to improve the energy performance of our homes. This follows success in earlier years of securing £1.2m cavity wall insulation program that benefited 600 properties.

The use of innovation and technology has continued to grow throughout the year - heat and humidity sensors have been installed in several properties to build an understanding of both the patterns of use for energy of our customers and the how the properties perform in relation this. This will give us a greater understanding and information base to allow us to tackle damp, mould, and ventilation issues more effectively. We are confident this will help customers in relation to health and wellbeing and to date has allowed us to put in place support for households in fuel poverty. We have also used sensor technology to monitor legionella by installing sensors to all properties where there are communal water outlets. This project has had the added benefit of identifying boiler and plumbing issues which on resolution has resulted in some cost savings. Further pilot projects are being undertaken to carry out remote monitoring of emergency lighting and discharging of lights with a view to roll this out further and possibly reduce servicing costs.

Within the year we handed over 70 new homes, and as the year closes have a further 75 units in build over 5 building sites. When starting on a new build development there is a layer of risk associated within unknown costs attached to delivery - as we have progressed with these sites we have been faced with additional and increased costs, with many of these sites having started pre-covid 19. Just as we closed the financial year a contractor for one of the developments, The Garrick, went into liquidation and we are currently working closely with an alternative contractor to enable this project through to completion.

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Review of Business and Future Developments (Contd.)

We have increased the number of hubs across the region for our fully home-working operating model – hub, home, and roam. The flexible working model enables employees to flex work times to meet customer expectations outside the usual 9-5 office hours. The model appears to be working well as we can evidence high levels of staff satisfaction; at the end of 2022, Loreburn reported staff satisfaction at 94% and this helped Loreburn in its award of Investors in People Gold Standard in September. We continue to adopt ways of working that help us move towards the exceptional customer experience to which we aspire.

With all the above in mind rent increases for 2023/24 have been set at 6.5%; a difficult decision made by the Management Committee to ensure we keep a balance between our rents being affordable against a backdrop of costs increasing beyond this rate, and the need to continue to invest in planned improvements to tenants' homes and build new quality homes. Our long-term business plan continues to focus on 'affordable in use' which includes keeping rents in line with CPI. Our business plan targets a neutral or positive cash working capital position, and a level of realistic cost reduction within the current operating environment. In the year ahead we will continue to maintain our focus on finding more efficient and effective ways of working, providing a good service, and delivering value for money.

With general cost inflation and increases in interest costs impacting our cost base, sensitivity analysis testing is included in our business plan to ensure we can adapt to these should the levels rise above the rates our plans set out and maintain a similar level of service.

Success to date, some of which has been outlined above, reinforces our positivity about the direction of travel and the ambitions set out in our strategic plan. In the year ahead we are looking forward to outlining our plans for the next 5-year strategic plan and will be actively engaging with employees, key stakeholders and our tenants to ensure we are delivering on what matters most.

We thank everyone involved with Loreburn, Members, Management Committee, members, key stakeholders, strategic partners, and colleagues across the business for their continued contribution to our success.

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Management Committee and Executive Officers

The members of the Management Committee and the Executive officers are listed on page 1.

Each member of the Management Committee 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 Management Committee.

The members of the Management Committee are also trustees of the charity. Members of the Management Committee are either nominated and elected by the members at the Association's Annual General Meeting or are appointed by the Management Committee in accordance with the rules of the Association. The existing Management Committee has 8 members, of which 3 members were elected and 5 members appointed.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements the Management Committee is required to:

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Going Concern

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

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT OF THE Management Committee FOR THE YEAR ENDED 31 MARCH 2023

Statement on Internal Financial Control

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

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

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

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

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

Donations

During the year, the Association made charitable donations of £2,162 (2022 - £6,103).

Disclosure of Information to the Auditor

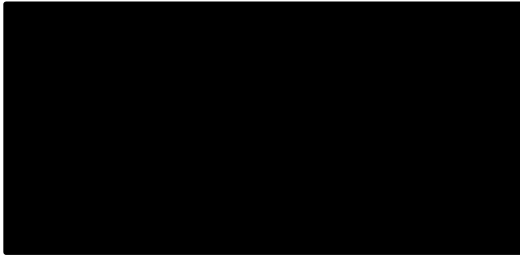
The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves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

LOREBURN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Auditor

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



LOREBURN HOUSING ASSOCIATION LIMITED

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

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

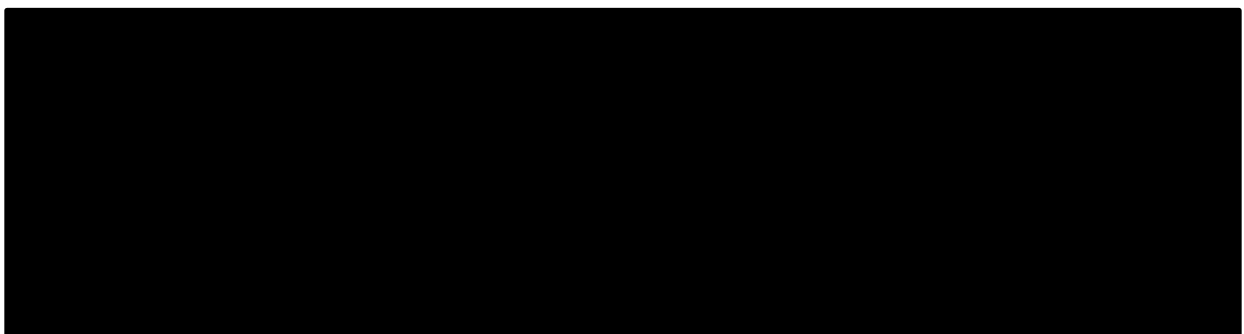
Basis of Opinion

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

Opinion

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

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



LOREBURN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOREBURN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of Loreburn Housing Association Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis of Opinion

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

Conclusions relating to going concern

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

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

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

Other Information

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

LOREBURN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOREBURN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Other Information (Contd.)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Management Committee

As explained more fully in the statement of Management Committee's responsibilities as set out on page 6, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee 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 Management Committee either intend 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.

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

LOREBURN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOREBURN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Association through discussions with the Management Committee and other management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014 (and related regulations), the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

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

LOREBURN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOREBURN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

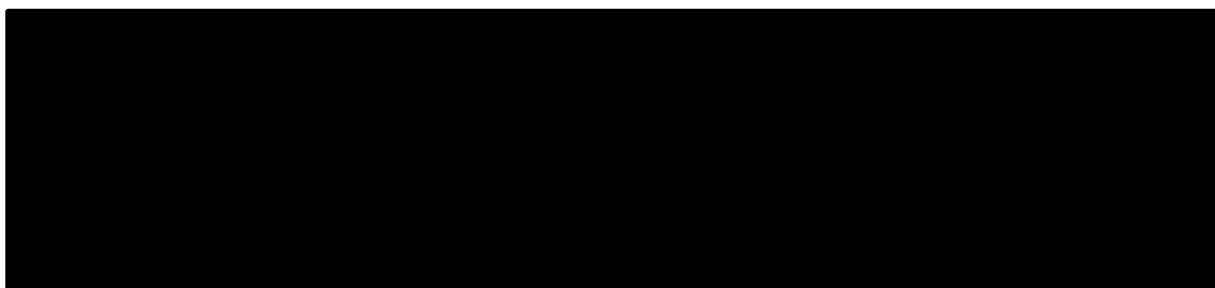
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance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

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

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

Use of our Report

This report is made solely to the 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.



LOREBURN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023	2022
		£	£
Revenue	2	15,455,277	14,995,172
Operating costs	2	14,819,689	14,180,835
OPERATING SURPLUS		635,589	814,337
Gain on sale of housing stock	7	(22,125)	109,800
Interest receivable and other income		79,419	39,374
Interest payable and similar charges	8	(1,488,466)	(1,209,262)
Other Finance income/(charges)	10	-	(21,000)
		<u>(1,431,172)</u>	<u>(1,081,088)</u>
Deficit on ordinary activities before taxation	9	(795,583)	(266,751)
DEFICIT FOR THE YEAR		(795,583)	(266,751)
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension plan	20	(516,000)	783,000
TOTAL COMPREHENSIVE INCOME		<u>(1,311,583)</u>	<u>516,249</u>

The results relate wholly to continuing activities.

The notes on pages 18 to 38 form an integral part of these financial statements.

LOREBURN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	12		192,665,119		183,384,909
Other tangible assets	12		467,403		652,746
Investments	13		3		3
			<u>193,132,525</u>		<u>184,037,658</u>
RECEIVABLES: Amounts falling due after more than one year					
	14		1,695,848		1,574,299
CURRENT ASSETS					
Receivables	15	2,097,517		1,997,187	
Cash and cash equivalents	16	1,570,671		4,411,812	
		<u>3,668,188</u>		<u>6,408,999</u>	
CREDITORS: Amounts falling due within one year					
	17	(7,146,507)		(7,320,065)	
NET CURRENT LIABILITIES					
			<u>(3,478,319)</u>		<u>(911,066)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			191,350,054		184,700,891
CREDITORS: Amounts falling due after more than one year					
	18		(54,239,489)		(49,425,622)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	20	(314,000)		-	
			<u>(314,000)</u>		<u>-</u>
DEFERRED INCOME					
Social housing grants	21	(116,254,724)		(113,421,848)	
			<u>(116,254,724)</u>		<u>(113,421,848)</u>
NET ASSETS					
			<u>20,541,841</u>		<u>21,853,421</u>
EQUITY					
Share capital	22		112		109
Revenue reserves			20,855,729		21,853,312
Pension reserves			(314,000)		-
			<u>20,541,841</u>		<u>21,853,421</u>

LOREBURN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Surplus for the Year			(795,583)		(266,751)
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	12	3,564,179		3,212,138	
Impairment charge	12	1,392,066		1,336,440	
Amortisation of capital grants	21	(1,276,551)		(1,204,220)	
Gain on disposal of tangible fixed assets		22,125		(231,115)	
Non-cash adjustments to pension provisions		(202,000)		(372,000)	
Share capital written off	22	(7)		(5)	
			3,499,812		2,741,238
Interest receivable			(79,419)		(39,374)
Interest payable	8		1,606,511		1,282,041
Operating cash flows before movements in working capital			4,231,321		3,717,154
Change in debtors		475,375		64,332	
Change in creditors		(93,317)		733,646	
			382,058		797,978
Net cash inflow from operating activities			4,613,379		4,515,132
Investing Activities					
Acquisition and construction of properties		(14,673,024)		(18,051,488)	
Purchase of other fixed assets		(13,530)		(26,563)	
Social housing grant received		3,748,888		3,059,461	
Social housing grant repaid		(215,166)		(121,569)	
Proceeds on disposal of housing properties		518,863		554,718	
Net cash outflow from investing activities			(10,633,969)		(14,585,441)
Financing Activities					
Loan repayments from Subsidiary		(121,549)		83,711	
Loan Advances Received		6,250,000		13,663,277	
Interest received on cash and cash equivalents		79,419		39,374	
Interest paid on loans		(1,606,511)		(1,282,041)	
Loan principal repayments		(1,421,920)		(1,485,361)	
Share capital issued	22	10		5	
Net cash inflow from financing activities			3,179,449		11,018,965
(decrease)/increase in cash	23		(2,841,141)		948,656
Opening cash & cash equivalents			4,411,812		3,463,156
Closing cash & cash equivalents			1,570,671		4,411,812
Cash and cash equivalents as at 31 March					
Cash	23		1,570,671		4,411,812
			1,570,671		4,411,812

The notes on pages 18 to 38 form an integral part of these financial statements.

LOREBURN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2023

	Share Capital	Scottish Housing Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 31 March 2021	109	(1,155,000)	22,492,063	21,337,172
Issue of Shares	5	-	-	5
Cancellation of Shares	(5)	-	-	(5)
Other comprehensive income	-	783,000	-	783,000
Other movements	-	372,000	(372,000)	-
Deficit for the year	-	-	(266,751)	(266,751)
Balance as at 31 March 2022	109	-	21,853,312	21,853,421
Balance as at 1 April 2022	109	-	21,853,312	21,853,421
Issue of Shares	10	-	-	10
Cancellation of Shares	(7)	-	-	(7)
Other comprehensive income	-	(516,000)	-	(516,000)
Other movements	-	202,000	(202,000)	-
Deficit for the year	-	-	(795,583)	(795,583)
Balance as at 31 March 2023	112	(314,000)	20,855,729	20,541,841

The notes on pages 18 to 38 form an integral part of these financial statements.

LOREBURN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

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

Revenue

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

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

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

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

Going Concern

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

The balance sheet shows a net liability position at the year-end however there are loan facilities in place of £10.96m available to be drawn upon as required to meet these liabilities when they fall due. The internal policy is to maintain a cash balance on the main account over £750k.

LOREBURN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

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

<i>Component</i>	<i>Useful Economic Life</i>
Bathrooms	Over 25 years
Boilers	Over 15 years
Communal Entry	Over 20 years
Electrics	Over 40 years
FRA Works	Over 40 years
Gas Mains	Useful Life Remaining
Heating ex Boilers	Over 20 years
Hot Water Tanks/Cylinders	Over 15 years
Kitchens	Over 15 years
Roof	Over 60 years
Solar Panels	Over 20 years
Structure	Over 100 years
Windows & External Doors - Metal	Over 40 years
Windows & External Doors - PVC	Over 30 years
Windows & External Doors - Timber	Over 25 years

Depreciation and Impairment of Other Tangible Assets

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

<i>Asset Category</i>	<i>Depreciation Rate</i>
Premises	2% straight line per annum 20% straight line per annum
Office Equipment	20% straight line per annum
Fixtures & Fittings	20% straight line per annum
Shared Ownership Properties	2% straight line per annum

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

LOREBURN HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

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

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

Social housing grants are attributed fully to the structure of housing properties and released over 100 years.

Sales Of Housing Properties

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

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

Taxation

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

Leases

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Borrowing Costs

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

LOREBURN HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Service Charge Sinking Funds

The Association receives a service charge from owner occupiers to services charges. The balance of unspent service income is included as a liability where amounts are repayable or there is a present obligation to incur service charges.

Property Development Cost

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

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

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.

VAT

The Association is VAT registered but the substantial proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

Financial Instruments - Basic

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

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

Cash and Liquid Resources

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

Impairment

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

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

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

Termination Benefits

Termination benefits are employee benefits payable as a result of either the Management Committee's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are charged on an accruals basis through the Statement of Comprehensive Income.

LOREBURN HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

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

Key Judgements

a) Categorisation of Housing Properties

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

c) Financial instrument break clauses

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

d) Pension Liability

The Association participated in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method. Judgements relating to the benefits issue are included in Note 30.

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

e) Defined pension liability

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

f) Impairment of housing properties

Where there are indicators of impairment the Association completes an impairment review, taking into account the estimated replacement cost of development works assuming optimal conditions. In making an estimate of this cost, we take professional advice from the Association's Quantity Surveyors, where the amounts involved are material.

LOREBURN HOUSING ASSOCIATION LIMITED

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

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

		2023			2022		
	Notes	Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	14,589,167	13,999,224	589,943	13,816,651	13,357,523	459,128
Other Activities	4	866,110	820,465	45,646	1,178,521	823,312	355,209
Total		15,455,277	14,819,689	635,589	14,995,172	14,180,835	814,337

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2023 Total £	2022 Total £
Revenue from Lettings					
Rent receivable net of service charges	10,023,282	2,215,075	314,497	12,552,854	11,761,240
Service charges receivable	368,912	445,120	40,701	854,733	959,898
Gross income from rent and service charges	10,392,194	2,660,195	355,198	13,407,587	12,721,138
Less: Rent losses from voids	77,462	17,520	0	94,982	108,707
Income from rents and service charges	10,314,732	2,642,675	355,198	13,312,605	12,612,431
Grants released from deferred income	1,008,484	204,250	63,828	1,276,562	1,204,220
Total turnover from affordable letting activities	11,323,216	2,846,925	419,026	14,589,167	13,816,651
Expenditure on affordable letting activities					
Management and maintenance administration	3,549,784	690,434	215,761	4,455,978	4,025,101
Service costs	368,912	445,120	40,701	854,733	959,897
Planned and cyclical maintenance, including major repairs	1,268,483	451,928	13,015	1,733,426	1,696,990
Reactive maintenance costs	1,745,295	357,470	-	2,102,765	2,132,048
Bad Debts - rents and service charges	89,850	3,843	1,258	94,950	78,792
Depreciation of affordable let properties	2,658,591	538,449	168,265	3,365,306	3,128,255
Impairment of affordable let properties	1,392,066	-	-	1,392,066	1,336,440
Operating costs of affordable letting activities	11,072,981	2,487,244	438,999	13,999,224	13,357,523
Operating surplus on affordable letting activities	250,235	359,681	(19,973)	589,943	459,128
2022	106,104	333,434	19,590		

Impairment arising in the Financial Statements is due to the increased costs to enable the Garrick Development project to be completed.

This project has been impacted by numerous economic factors that are out with the control of the Association including, the Covid-19 pandemic, an increase in inflation which has significantly increased the costs of all materials across the construction industry and the original contractor going into liquidation.

The impairment represents the project costs expected to be incurred for this project through to completion less a benchmarked total development cost in the current market applying optimal conditions (replacement cost).

LOREBURN HOUSING ASSOCIATION LIMITED

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

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2023	Operating surplus / (deficit) 2022
	£	£	£	£	£	£	£	£
Wider role activities	-	46,453	-	-	46,453	46,453	-	-
Care and repair	56,923	-	-	-	56,923	56,923	-	-
Support activities	-	224,847	-	-	224,847	224,847	-	-
Uncapitalised development administration costs	-	-	-	-	-	137,683	(137,683)	(37,299)
Other activities	-	-	-	303,329	303,329	-	303,329	392,508
Abortive costs	-	-	-	-	-	120,000	(120,000)	-
Aids & Adaptations	234,559	-	-	-	234,559	234,559	-	-
Total From Other Activities	291,482	271,300	-	303,329	866,110	820,465	45,646	355,209
2022	427,592	83,934	274,487	392,508	1,178,521	823,312	355,209	

For more details on the care and repair service please see Note 11.

LOREBURN HOUSING ASSOCIATION LIMITED

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

5. OFFICERS' EMOLUMENTS

	2023	2022
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	375,080	245,403
Pension contributions made on behalf on Officers with emoluments greater than £60,000	29,187	18,938
Emoluments payable to Chief Executive Officer (Left on 30/04/23) (excluding pension contributions)	104,947	102,753
Pension contributions paid on behalf of the Chief Executive Officer (Left on 30/04/23)	7,852	7,700
Total emoluments payable to the Chief Executive Officer (Left on 30/04/23)	112,799	110,453
Total emoluments paid to key management personnel	404,267	390,397

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

	Number	Number
£60,001 to £70,000	2	2
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1
£100,001 to £110,000	-	1
£110,001 to £140,000	1	-

6. EMPLOYEE INFORMATION

	2023	2022
	No.	No.
Average monthly number of full time equivalent persons employed during the year	109	109
Average total number of employees employed during the year	117	118
Staff costs were:	£	£
Wages and salaries	3,368,352	3,302,935
National insurance costs	318,641	297,703
Pension costs	238,449	238,219
Temporary, agency and seconded staff	19,223	22,488
Redundancy Costs	38,494	12,949
	3,983,159	3,874,294

LOREBURN HOUSING ASSOCIATION LIMITED

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

7. (LOSS) / GAIN ON SALE OF HOUSING STOCK

	2023 £	2022 £
Sales proceeds	422,250	512,500
Cost of sales	444,375	402,700
(Loss) / Gain on sale of housing stock	<u>(22,125)</u>	<u>109,800</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £	2022 £
On bank loans and overdrafts	1,606,511	1,282,041
Interest capitalised in housing properties	(118,045)	(72,779)
	<u>1,488,466</u>	<u>1,209,262</u>

9. DEFICIT FOR THE YEAR

	2023 £	2022 £
Deficit For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	3,564,179	3,212,138
Loss on component disposals	(48,927)	(121,315)
Auditors' remuneration - audit services	11,000	9,300
Operating lease rentals - other	5,826	5,826
Gain/(Loss) on sale of other non-current assets	<u>26,802</u>	<u>231,114</u>

10. OTHER FINANCE INCOME / (CHARGES)

	2023 £	2022 £
Net interest on pension obligations	-	(21,000)

11. CARE AND REPAIR

With regards to the Care and Repair service, in 2023 grant income of £244,470 was received (2022: £978,000) to fund the recommended Aids and Adaptations as part of the contracted Care and Repair Service. Within the year, £281,367 of these funds were spent to deliver services.

Care and Repair Summary

	2023	2022
Grant received	244,470	978,000
Grant spent	281,197	850,081
Current account balance	747,771	754,498
Investment account balance	-	30,000
Transfer to new provider	(747,771)	-
Total balance held	<u>-</u>	<u>784,498</u>

During the prior year the Association made the decision to discontinue the Care and Repair Service. This service was transferred to a new provider on the 30 June 2022 and all assets and liabilities were transferred to the new provider.

LOREBURN HOUSING ASSOCIATION LIMITED

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

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2022	202,184,977	27,847,368	3,899,733	233,932,078
Additions	1,559,720	13,018,850	-	14,578,570
Disposals	(896,302)	(59,023)	(49,858)	(1,005,183)
Transfers	16,275,953	(16,275,953)	-	-
At 31 March 2023	<u>219,124,348</u>	<u>24,531,242</u>	<u>3,849,875</u>	<u>247,505,465</u>
DEPRECIATION				
At 1 April 2022	47,887,381	1,336,440	1,323,348	50,547,169
Charge for Year	3,304,618	-	60,688	3,365,306
Impairment charge	-	1,392,066	-	1,392,066
Disposals	(565,219)	120,000	(18,976)	(464,195)
At 31 March 2023	<u>50,626,780</u>	<u>2,848,506</u>	<u>1,365,060</u>	<u>54,840,346</u>
NET BOOK VALUE				
At 31 March 2023	<u>168,497,568</u>	21,682,736	<u>2,484,815</u>	192,665,119
At 31 March 2022	<u>154,297,596</u>	<u>26,510,928</u>	<u>2,576,385</u>	<u>183,384,909</u>

Expenditure on Existing Properties	2023		2022	
	<i>Component replacement</i> £	<i>Improvement</i> £	<i>Component replacement</i> £	<i>Improvement</i> £
Amounts capitalised	1,559,720	-	1,397,600	-
Amounts charged to the statement of comprehensive	3,836,191	-	3,829,038	-

All land and housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £148,712 (2022-£128,108)

The Association's lenders have standard securities over housing property with a carry value of £104,052,166 (2022 - £102,655,007)

LOREBURN HOUSING ASSOCIATION LIMITED

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

12. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Total £
COST			
At 1 April 2022	719,650	705,839	1,425,489
Additions	-	13,530	13,530
At 31 March 2023	<u>719,650</u>	<u>719,369</u>	<u>1,439,019</u>
DEPRECIATION			
At 1 April 2022	167,509	605,234	772,743
Charge for year	154,641	44,232	198,873
Eliminated on disposals	-	-	-
At 31 March 2023	<u>322,150</u>	<u>649,466</u>	<u>971,616</u>
NET BOOK VALUE			
At 31 March 2023	<u>397,500</u>	<u>69,903</u>	<u>467,403</u>
At 31 March 2022	<u>552,141</u>	<u>100,605</u>	<u>652,746</u>

13. FIXED ASSET INVESTMENTS

	2023 £	2022 £
Subsidiary undertakings	3	3
	<u>3</u>	<u>3</u>

Subsidiary Undertakings

Loreburn Housing Association Limited has the following wholly owned subsidiary undertakings.
The registered office of the subsidiary is 7 Gifhorn House, Shakespeare Street, Dumfries.

	2023		2022	
	Reserves £	Profit / (Loss) £	Reserves £	Profit / (Loss) £
Dumfries & Galloway Homes Limited	<u>2,393,878</u>	<u>1,151,675</u>	<u>1,295,170</u>	<u>(71,221)</u>

LOREBURN HOUSING ASSOCIATION LIMITED

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

14. RECEIVABLE AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2023	2022
	£	£
Loans due from subsidiary	1,695,848	1,574,299

The Association holds security over loans to subsidiary with a value of £2,000,000 (2022: £1,315,000).

15. RECEIVABLES

	2023	2022
	£	£
Gross arrears of rent and service charges	702,768	552,181
Less: Provision for doubtful debts	(298,670)	(299,235)
<i>Net arrears of rent and service charges</i>	404,098	252,946
Social housing grant receivable	669,368	763,031
Other receivables	912,097	891,644
Amounts due from group undertakings	111,954	89,566
	<u>2,097,517</u>	<u>1,997,187</u>

16. CASH AND CASH EQUIVALENTS

	2023	2022
	£	£
Cash at bank and in hand	1,570,671	4,411,812
	<u>1,570,671</u>	<u>4,411,812</u>

At the 2022 year end, the cash balance at year end incorporates the final drawdown on a loan facility which supports new build development. A condition on this facility was that it needed to be fully drawn by the 31 March 2022. A targeted cash reserve level of £750k is set to manage operational cashflow, financing and investing activities.

LOREBURN HOUSING ASSOCIATION LIMITED

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

	2023	2022
	£	£
Bank loans	1,410,663	1,396,450
Trade payables	2,324,018	1,799,841
Rent received in advance	195,772	254,243
Other taxation and social security	99,335	77,117
Amounts due to group undertakings	6,250	-
Other payables	1,891,936	2,560,760
Accruals and deferred income	1,218,533	1,231,654
	<u>7,146,507</u>	<u>7,320,065</u>

18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2023	2022
	£	£
Bank loans	54,239,489	49,425,622
	<u>54,239,489</u>	<u>49,425,622</u>

19. DEBT ANALYSIS - BORROWINGS		
	2023	2022
	£	£
Bank Loans		
Amounts due within one year	1,410,663	1,396,450
Amounts due in one year or more but less than two years	1,477,809	1,440,040
Amounts due in two years or more but less than five years	4,753,636	4,654,198
Amounts due in more than five years	48,008,044	43,331,384
	<u>55,650,152</u>	<u>50,822,072</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Bank of Scotland	137	Fixed 1.35%-6.65% Variable Margin of 0.5%	2026-2031	2 Fixed/2 Variable
Clydesdale Bank	103	5.9%	2029	Fixed
Lloyds Bank	122	Variable margin of 0.35%	2036	Variable
Nationwide Building Society	526	Fixed 1.9%-6% Variable Margin of 0.55%	2034-2044	4 Fixed
RBS	1,132	Fixed 2.2%-7.65%. Variable margin of 1.35%	2029-2045	(1) See note below

(1) 1 Fixed, 1 Variable with switch to Fixed in Mar 22 + Revolving Credit Facility on Variable

LOREBURN HOUSING ASSOCIATION LIMITED

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

20. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

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

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

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

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

	2023	2022	2021
	£	£	£
Fair value of plan assets	8,958,000	14,156,000	13,466,000
Present value of defined benefit obligation	9,272,000	13,880,000	14,621,000
Surplus / (deficit) in plan	(314,000)	276,000	(1,155,000)
Unrecognised surplus	-	(276,000)	-
Defined benefit asset / (liability) to be recognised	(314,000)	-	(1,155,000)

Reconciliation of the impact of the asset ceiling

	Period from 31 March 2022 to 31 March 2023	Period from 31 March 2021 to 31 March 2022
	£	£
Impact of asset ceiling at start of period	276,000	-
Effect of the asset ceiling included in net interest cost	10,000	-
Actuarial losses (gains) on asset ceiling	(286,000)	276,000
Impact of asset ceiling at end of period	-	276,000

LOREBURN HOUSING ASSOCIATION LIMITED

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

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2023	2022
	£	£
Defined benefit obligation at the start of period	13,880,000	14,621,000
Expenses	13,000	13,000
Interest expense	383,000	321,000
Actuarial losses (gains) due to scheme experience	(94,000)	397,000
Actuarial losses (gains) due to changes in demographic assumptions	(205,000)	44,000
Actuarial losses (gains) due to changes in financial assumptions	(4,479,000)	(1,321,000)
Benefits paid and expenses	(226,000)	(195,000)
Defined benefit obligation at the end of period	<u>9,272,000</u>	<u>13,880,000</u>

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

	2023	2022
	£	£
Fair value of plan assets at start of period	14,156,000	13,466,000
Interest income	393,000	300,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(5,580,000)	179,000
Contributions by the employer	215,000	406,000
Benefits paid and expenses	(226,000)	(195,000)
Fair value of plan assets at the end of period	<u>8,958,000</u>	<u>14,156,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£5,187,000) (2022: £479,000).

LOREBURN HOUSING ASSOCIATION LIMITED

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

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2023	2022
	£	£
Expenses	13,000	13,000
Net interest expense	-	21,000
	<u>13,000</u>	<u>34,000</u>
Defined benefit costs recognised in statement of comprehensive income	13,000	34,000
	<u>13,000</u>	<u>34,000</u>

Defined benefit costs recognised in the other comprehensive income

	2023	2022
	£	£
Experience on plan assets (excluding amounts included in interest income) gain /(loss)	(5,580,000)	179,000
Experience gains and losses arising on plan liabilities - gain /(loss)	94,000	(397,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	205,000	(44,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	4,479,000	1,321,000
	<u>4,479,000</u>	<u>1,321,000</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	(802,000)	1,059,000
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	286,000	(276,000)
	<u>286,000</u>	<u>(276,000)</u>
Total amount recognised in other comprehensive income - gain (loss)	(516,000)	783,000
	<u>(516,000)</u>	<u>783,000</u>

LOREBURN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2023	2022	2021
	£	£	£
Absolute Return	122,000	649,000	664,000
Alternative Risk Premia	52,000	585,000	540,000
Corporate Bond Fund	12,000	895,000	1,016,000
Credit Relative Value	342,000	454,000	388,000
Distressed Opportunities	276,000	507,000	460,000
Emerging Markets Debt	69,000	527,000	543,000
Global Equity	236,000	2,799,000	2,083,000
Infrastructure	965,000	884,000	752,000
Insurance-Linked Securities	249,000	297,000	281,000
Liability Driven Investment	3,793,000	3,425,000	3,238,000
Long Lease Property	300,000	408,000	312,000
Net Current Assets	20,000	45,000	100,000
Over 15 Year Gilts	-	6,000	6,000
Private Debt	400,000	356,000	317,000
Property	373,000	367,000	241,000
Risk Sharing	653,000	462,000	481,000
Secured Income	599,000	756,000	740,000
Opportunistic Illiquid Credit	396,000	469,000	345,000
Liquid Credit	-	91,000	233,000
High Yield	45,000	138,000	353,000
Opportunistic Credit	1,000	49,000	368,000
Current Hedging	17,000	(52,000)	-
Cash	38,000	39,000	5,000
Total assets	<u>8,958,000</u>	<u>14,156,000</u>	<u>13,466,000</u>

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

Key Assumptions

	2023	2022	2021
Discount Rate	4.8%	2.8%	2.2%
Inflation (RPI)	3.2%	3.5%	3.2%
Inflation (CPI)	2.8%	3.1%	2.9%
Salary Growth	3.8%	4.1%	3.9%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance		

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

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

LOREBURN HOUSING ASSOCIATION LIMITED

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

21. DEFERRED INCOME

	Social Housing Grants £	Total £
Capital grants received		
At 1 April 2022	134,853,846	134,853,846
Additions in the year	4,324,593	4,324,593
Eliminated on disposal	(290,723)	(290,723)
At 31 March 2023	<u>138,887,716</u>	<u>138,887,716</u>
Amortisation		
At 1 April 2022	21,431,998	21,431,998
Amortisation in year	1,276,551	1,276,551
Eliminated on disposal	(75,557)	(75,557)
At 31 March 2023	<u>22,632,992</u>	<u>22,632,992</u>
Net book value		
At 31 March 2023	<u>116,254,724</u>	<u>116,254,724</u>
At 31 March 2022	<u>113,421,848</u>	<u>113,421,848</u>

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

	2023 £	2022 £
Amounts due within one year	1,068,507	1,015,481
Amounts due in more than one year	114,516,849	112,406,367
	<u>115,585,356</u>	<u>113,421,848</u>

22. SHARE CAPITAL

	2023 £	2022 £
Shares of £1 each, issued and fully paid		
At 1 April	109	109
Issued in year	10	5
Cancelled in year	(7)	(5)
At 31 March	<u>112</u>	<u>109</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.

LOREBURN HOUSING ASSOCIATION LIMITED

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

23. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	£	2023 £	£	2022 £
(Decrease) / increase in cash	(2,841,141)		948,656	
Cashflow from change in net debt	(4,828,080)		(12,177,916)	
Movement in net debt during the year		(7,669,221)		(11,229,260)
Net debt at 1 April		(46,410,260)		(35,181,000)
Net debt at 31 March		(54,079,481)		(46,410,260)

	At 1 April 2022	Cashflows	Other Changes	At 31 March 2023
	£	£	£	£
Cash and cash equivalents	4,411,812	(2,841,141)	-	1,570,671
	4,411,812	(2,841,141)	-	1,570,671
Debt: Due within one year	(1,396,450)	1,421,920	(1,436,133)	(1,410,663)
Due after more than one year	(49,425,622)	(6,250,000)	1,436,133	(54,239,489)
Net debt	(46,410,260)	(7,669,221)	-	(54,079,481)

24. CAPITAL COMMITMENTS

	2023 £	2022 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	5,317,352	12,502,547

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

25. COMMITMENTS UNDER OPERATING LEASES

	2023 £	2022 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Other		
Expiring in the next year	-	5,826
Expiring later than one year and not later than five years	-	-

LOREBURN HOUSING ASSOCIATION LIMITE

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

26. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 7 Giffhorn House, Shakespeare Street, Dumfries, DG1 2JB.

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

27. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

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

28. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2023 No.	2022 No.
General needs	2,103	2,029
Supported housing	431	445
Shared ownership	128	130
Accommodation Managed on Behalf of Another Body	15	15
	<u>2,677</u>	<u>2,619</u>

LOREBURN HOUSING ASSOCIATION LIMITED

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

29. RELATED PARTY TRANSACTIONS

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

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

Transactions with Management Committee members (and their close family) were as follows:

	2023	2022
	£	£
Rent received from tenants on the Management Committee and their close family members	<u>5,618</u>	<u>4,984</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £233 (2022 - £174).

Members of the Management Committee who are tenants	3	2
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Dumfries and Galloway Homes Limited is the wholly owned subsidiary of the Association at the end of the year. Dumfries and Galloway Homes Limited's principal activity is the provision of rented residential property.

During the year there were intercompany sales from the Association to the subsidiary of £270,545 (2022: £274,239) and management fees charged of £20,760 (2022: £21,781).

There were property management fees charged by the subsidiary to the Association of £25,375 (2022: £26,750).

Amounts owed by group undertakings is disclosed in Notes 14 and 15 and amounts owed to group undertaking in Note 17.

Included within the debtors balances at the year end is an intercompany loan due to the Association from the subsidiary. During the year, capital repayments were made by the subsidiary of £148,051 (2022: £123,940) and interest payments of £73,574 (2022: £37,146). The balance of the loan outstanding at the year end is £1,784,898 (2022: £1,659,375). During the year £200,000 (2022: £nil) was advanced to Dumfries and Galloway Homes for the purchase of Hope Place.

30. CONTINGENT LIABILITY

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