



Loreburn Housing Association Limited  
Financial Statements  
For The Year Ended 31 March 2020

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**Registration Particulars:**

Financial Conduct Authority:	Cooperative And Community Benefit Societies Act 2014 Registration Number 2110R(S)
Scottish Housing Regulator:	Housing (Scotland) Act 2014 Registered Number HAL 153
Scottish Charity No:	SC029917
Registered Office:	Huntingdon 27 Moffat Road Dumfries DG1 1NN

**Principal Professional Advisers:**

Auditors:	Wylie & Bisset (Audit) Limited Chartered Accountants 168 Bath Street Glasgow G2 4TP	Bankers:	Royal Bank of Scotland UK Corporate Banking Kirkstane House 139 St Vincent Street Glasgow G2 5JF
Internal Auditors:	Scott Moncreiff 25 Bothwell Street Glasgow G2 6NL	Solicitors:	T C Young 7 West George Street Glasgow G2 1BA  BTO Solicitors LLP 48 St. Vincent Street Glasgow G2 5HS

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**Principal Activity**

The principal activity of the Association is the provision of social housing at affordable rents. 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.

**Our Strategic Aims**

In April 2019, Loreburn's refreshed Corporate Plan was launched, and our values revised to reflect strategic priorities. Everyone at Loreburn is committed to working closely with our customers to achieve the strategic goals and in 2019 an "exceptional customer experience" was placed at the heart of our offer to tenants. It was accompanied by a commitment for our housing teams to be more visible in the communities we serve. A strategic housing services review was started with the recommendations scheduled to be approved and implemented in Summer 2020. At the same time a tenant scrutiny group was established to work with the Management Committee, the Executive Team, and colleagues, to ensure the customer voice is heard. By talking to customers across the region and taking on board what they are telling us we are absolutely committed to ensuring an exceptional customer experience.

From listening to our customer, we know they are keen to see improvements in the energy efficiency of our homes so as part of a Corporate Plan commitments we plan to build 353 new homes across the region. Loreburn HA were Dumfries and Galloways largest developer of affordable housing in 2019/20 with 111 homes added to our portfolio. All those new homes were highly energy efficient in line with our Corporate Plan commitment to improve the efficiency of tenant's homes and we will soon be completing our first passiv haus scheme which should be available to let in early 2021. Our strategic commitment to customers, in response to feedback, also included the introduction of an In-House Repairs Team which was launched in April 2019. The in-house repairs service will enable us to demonstrate progress against our strategic commitment to improved customer satisfaction as well as a commitment to achieve value for money and deliver quality service improvements.

Dumfries and Galloway face a challenge in housing terms in relation to its ageing population which presents a huge challenge nationally too. Loreburn are committed strong partnership working with D&G Council, other RSL's and the Integrated Joint Health and Social Care Partnership to create housing that will help address the challenges of an ageing population. With commitments to housing projects in Langholm and Moffat, we are creating homes which will help people to live independently for longer and be able to enjoy a good quality of life.

Delivery of our strategic aims requires commitment from colleagues across the organisation. Management Committee value the contribution of all employees and know we are all proud to work for Loreburn. Therefore, we were delighted in October 2019 to be recognised as UK Employer of the Year at the seventh annual Women in Housing Awards. The awards organised by Inside Housing and the Chartered Institute of Housing recognise and celebrate achievements across the social housing sector. The judges said Loreburn were recognised as a "*genuinely new and dynamic organisation who had used the experience of regulatory intervention as an opportunity for change.*"

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**Going Concern**

The Management Committee have reviewed the results for this year and the projections for the next five years and has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

**Corporate Governance**

The Association has a Management Committee who are elected by the members of the Association (as listed on page 6). It is the responsibility of the Management Committee to lead strategy and ensure policies are shaped to enable us to achieve our ambitious goals. They also monitor performance and compliance regarding the operational activities of the Association. The members of the Management Committee are unpaid. The Executive Management Team of the Association (as listed on page 6) are responsible for delivering the strategy and undertaking the operational activities in line with the agreed strategies and policies. Management Committee members serve in a voluntary capacity. We deliver excellent governance by recruiting members who share our values and ambitious targets for the organisation and our tenants. We appraise each member individually and the Management Committee collectively on an annual basis. The appraisal includes a skills gap analysis and discussions on succession planning and take learning from the wider sector through external advisors. We invest in training and development for Management Committee members to ensure their knowledge and skills are up to date and relevant to ensure strong, robust governance.

**Achievements and performance**

Our organisational vision is to Create Great Places to Live and to achieve that we listen to our customers, understand their challenges and the things they indicate are important. One year into a five-year corporate plan our commitment to continuously improve our service offer and creating an exceptional customer experience remains focussed and strong. We have a strong commitment to the future by maximising the development of new homes, maintaining, and improving services. We are committed to making our current homes more energy efficient and developing the first social housing sector passiv haus offer in Dumfries and Galloway. To achieve our goals, we are committed to reviewing our loan portfolio to improve our financial strength and business plan. The 353 new homes, committed in the lifetime of this plan, will help us to generate increased rental income to help achieve our organisational vision and goals. During the year, we have started on site with our innovative housing and support model for young people on the Garrick site in Stranraer and on the same site new homes for older people. By developing highly innovative housing models, we can work with a range of partners to provide homes that enable more choice across the region and ensure people can live much more independently in the community, closer to their families and support networks.

As landlord to over 2,500 tenants and their families we are continually evaluating how to make the best use of our assets to improve service delivery and quality of life for our customers. After listening to our customers, one of the key achievements in 2019/20 has been to bring the repairs service in-house after many years of out-sourcing. The decision to bring the service in-house was based on the levels of customer satisfaction, higher unit costs demonstrated through peer benchmarking and ongoing quality assurance issues. Our ARC indicators for 2019/20,

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unfortunately indicate negative slippage in terms of customer satisfaction and engagement however the change is not unexpected during a period of transition and change. With repairs satisfaction levels of over 90%, in a year of transition and change, we are confident that continuous improvement is achievable. A customer survey is planned for 2020 and a Tenant Scrutiny Panel was established in 2019 to continue to work with customers to transform the way we engage and involve. The Management Committee and Executive Team are confident following a settling in period the new service and our ambitious vision for stock investment will ensure Loreburn continue to provide quality housing and associated services.

Our ambitions for the paperless office have been achieved and in 2019/20 the focus moved to agile working. Investment in the ICT infrastructure meant an increasing number of transactions can take place in tenants' homes. We ended the 2019/20 financial year in the grip of the Covid-19 pandemic and to ensure the safety and wellbeing of our customers, colleagues and contractors actioned a swift transition to home working. Because of the level of ICT investment over recent years Loreburn were able to make that transition smooth and relatively painless for both customers and colleagues. The experience of home working has reinforced our strategic commitment to agile working as customers have reported higher levels of customer satisfaction and increased contact. We believe the move to agile working with hubs across the region will increase staff presence in the communities we serve and represents a significant step change in the way we will do business.

Our commitment to developing new homes across the region continues and in 2019/20 we have continued to build our relationship with key strategic partners including the local authority, other RSL's and the Integrated Joint Board. Our commitment to Extra Care Housing for Older People remain strong and by working with D&G Council Strategic Housing, Scottish Government Representatives, and private funders we believe we can achieve our ambitions to develop homes which increase independent living across the region. Our focus on asset management continues and the revised Strategic Plan for 2021/24 reflects the organisational ambition to offer high quality, energy efficient homes as re-lets as well as new homes. Rent affordability and Value for Money is a key Management Committee commitment and in 2019/20 we retained that focus.

Loreburn are strong champions of opportunity across the region and this year were delighted to achieve National Living Wage accreditation, recruit additional modern apprenticeships, and add to our numerous awards recognising us an excellent employer. Overall, this has been another successful and productive year with evidence of our innovative and ambitious thinking beginning to deliver results.

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**Financial Review**

The results for the year are shown in the Statement of Comprehensive Income.

A summary of key financial results and position at the end of the year is as follows,

	<b>2020</b>	<b>2019</b>
Turnover	13,263,020	13,668,467
Total Comprehensive Income/(Expenditure)	2,935,094	(1,443,522)
Cash at Bank & In Hand	1,677,269	1,157,999

**Credit Payment policy**

The average payment period is thirty days and complies to the Confederation of British Industry guidelines.

**Risk Management Policy**

The Association is committed to providing quality rented housing and services in Dumfries & Galloway. To do this we need to ensure financial stability, good governance, and sound management practices. To achieve this, we have established a system of controls whereby residual risks, after any mitigating actions, can be borne without serious permanent damage.

The Management Committee have a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Management Committee and the Audit and Compliance Committee regularly review the adequacy of the Association's current internal controls.

The Management Committee have set internal controls which cover the following:

- Consideration of the type of risks the Association faces.
- The level of risks which they regard as acceptable.
- The likelihood of the risks concerned materialising.
- The Association's ability to reduce the incidence and impact on the business of risks that do materialise
- Clarified the responsibility of management to implement the Management Committee's policies and identify and to evaluate risks for their consideration.
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- Embedded the control system so that it becomes part of the culture of the Association.
- Developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- Included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

The Management Committee have overall responsibility for the adequacy of the risk management framework and operation of the process. The Executive Management Team have responsibility for setting the framework, identifying risks, operating processes, and reporting to the Management Committee.

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**General Reserves Policy**

The Management Committee members have previously reviewed the reserves of the Association in conjunction with the Asset Management plans. The review concluded that to allow the Association to be managed efficiently and to provide a buffer for uninterrupted services, reserves equivalent to at least one year's operating costs should be maintained. During the year, the Association's revenue reserves increased from £18,865,430 to £21,800,523.

**Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Statement of Comprehensive Income.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of the repairs would be charged to the Statement of Comprehensive Income, unless it was agreed they could be capitalised within the terms outlined in the SORP. The Association applies component accounting and the cost of replacement of major components will be capitalised and any remaining net book value of the original component will be written off to the Statement of Comprehensive Income.

**Treasury Management Policy**

The Association recognises the following three key principles of Treasury Management:

- It requires formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of the Treasury Management activities.
- That the policies and practices should make clear that the effective management and control of risk are prime objectives of the Treasury Management activities and that responsibility for these lies clearly within the Association. The appetite for risk will form part of the annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- That the pursuit of value for money in Treasury Management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of the business and service objectives; and that within the context of effective risk management, the Treasury Management Policies and Practices should reflect this.

The Association delegates responsibility for the implementation and regular monitoring of its Treasury Management Policies and Practices to the Audit & Compliance Committee, and the execution and administration of Treasury Management decisions to the Director of Finance and Corporate Services, who will act in accordance with the Association's Policy Statement and Treasury Management Practices.

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**Health and Safety**

The Association understands and accepts that Health and Safety legislation, places statutory duties on both employers and employees. In particular the Health and Safety at Work Act requires the Association to ensure, so far as is reasonably practicable, the health, safety and welfare of all its employees by providing and maintaining a safe and healthy work place, equipment and systems of work.

The Association also recognises its responsibility to ensure, so far as is reasonably practicable, the health and safety of other people who may be affected by their activities. This includes customers, service users, volunteers, trainees, contractors, visitors, and others. Overall and final accountability for health and safety in the organisation lies with the Management Committee, supported by the Chief Executive (CEO). The day-to-day responsibilities for the management of health and safety are delegated to the CEO, Directors and Managers throughout the organisation. We work with a H&S Consultant to ensure adherence to good practice and legislative guidance.

**Management Committee**

**Members of the Committee**

The Members of the Management Committee of the Association during the year to 31 March 2020 were as follows:

Russell Brown	Convener (Appointed 30/05/2019) Secretary (Resigned 30/04/2019)
Brian S Pattinson	Convener (Resigned 30/05/2019)
Peter Ward	Vice-Convener
Michael J Jones	Secretary (Appointed 30/04/2019)
Maureen Farrell	(Resigned 5/09/2019)
Derek Rodgers	
Robert S J Wishart	
John R McNaught	(Resigned 5/09/2019)
Jane Connechen	
Rachel Reekie	(Resigned 29/01/2020)
Peter Nelson	(Joined 05/09/2019)
Patricia Caldwell	(Joined 05/09/2019 Resigned 15/07/2020)
John Bury	(Joined 05/09/2019)

Each member of the Management Committee holds one fully paid share of £1 in the Association. Co-opted members are not required to hold one fully paid £1 share. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Management Committee.

**Executive Team**

Lorraine Usher, Chief Executive

Gary Alison, Director of Finance & Corporate Services (Appointed 01/05/2020)

Lindsay Lauder, Director of Property and Development (Appointed 01/07/2019, Leaving Date 20/03/2020)

Bettina Hoppe, Director of Property and Development (Appointed 23/03/2020)

Sue Irving, Director of Housing Services (Appointed 10/06/2020)



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Report of Committee of Management  
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**Policy on setting key management personnel remuneration**

The Management Committee set the remuneration packages of the key management personnel after assessing the market and taking guidance from independent consultants. Responsibility for recommending remuneration packages key personnel remuneration is delegated to the Organisational Development and Human Resources Committee. The Director of Finance is responsible for all remuneration payments.

**Recruitment and training of Management Committee members**

Vacancies on the Management Committee are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Management Committee members receive initial induction training, opportunities to participate in spotlight days (focusing on key areas of the business), conferences and seminars and attend internal and external training events which allow to build on existing knowledge and experience and provide an opportunity to develop further skills.

**Future developments**

Loreburn H A continues to focus on our main objectives of providing good quality homes, improving the customer experience, and investing in communities. The Association is committed to the development of new homes across the region working with existing and new partners. The Association in conjunction with the local council and the Scottish Government has a detailed programme of agreed and proposed new developments and private funding in place. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before the Association commits to a development. The Association has a commitment to several specialist developments such as Extra Care Housing and specialist housing for people with learning disabilities.

Our Future Housing Programme includes:

- A housing development programme across the region, planned and being explored, totalling approximately £90m.
- Housing for Older People being developed in Stranraer, Moffat and Langholm
- Specialist Housing for people with learning disabilities being built in Annan.
- General needs housing developments in Dumfries, Castle Douglas, Annan, Lockerbie, Langholm and Moffat.
- A Passiv Haus pilot scheme of 4 units in Dumfries

The CV-19 pandemic will no doubt impact on the delivery of new homes however we continue to work with our contractors to minimise disruption to our programme.

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For the Year Ended 31 March 2020

**Asset Management**

To achieve our ambition to provide and deliver quality energy, efficient housing we must maintain and invest in our key assets. These include our properties and Loreburn Housing Association have a robust asset management process which is underpinned by stock condition survey data. The stock condition data is due to be refreshed and analysed to inform future stock investment and to measure our position against the Scottish Government ambitious targets for low carbon homes. From a maintenance perspective, our Planned Works Programme is focussed on the Scottish Governments requirements for our housing stock to comply with Scottish Housing Quality Standard (SHQS) and to meet the requirements of the Energy Efficiency Standard for Social Housing (ESSH). In 2019/20 we achieved 100% satisfaction levels with our planned maintenance programme and currently achieve 92.7% compliance on ESSH and 90.68% on SHQS. Loreburn will achieve the ESSH compliance, as far as practicable, by the government target date of 2020. Whilst we are committed to new homes and stock investment the health and safety of our customers has been a key priority over recent years with a strong focus on safety and security of our homes. With the launch of our In-House Repairs Service in April 2019 we can adopt a joined-up approach to safety, home improvements with a strong emphasis on service improvements enhancing the way we diagnose, deliver and check repairs to customers' homes.

**Organisational Development**

ICT has been an area for investment over recent years with a focus on increasing the number of services that can be accessed and delivered in customers' homes. The Covid-19 pandemic which hit us in March 2020 necessitated a swift move to home working and because of our ICT investment Loreburn were able to make that a smooth transition. Our strategic commitment to agile working has been reinforced from our experience of home working during the Covid-19 pandemic with customers reporting higher levels of customer satisfaction and increased contact. Our investment in modern apprenticeships and future leader development is starting to impact positively on the business with several posts and promotions secured by staff who have participated in those programmes and are signed up to our values. In 2019 an organisation wide Customer Excellence Development programme was delivered underpinned by access to online training resources. Loreburn OD programme is already starting to deliver positive improvements in our complaints and compliments because of this organisational development investment. Further health and safety training were delivered throughout 2019 and the value of that was demonstrably evident in March 2020 when the Covid-19 pandemic struck Scotland

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**Statement as to Disclosure of Information to Auditors**

So far as the Management Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's Auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order to make himself or herself aware of any relevant audit information and to establish that the Association's Auditors are aware of that information.

**Auditors**

A resolution to appoint the Auditors, Alexander Sloan, will be proposed at the Annual General Meeting.

By order of the Committee of Management

**Mike Jones**  
**Secretary**

Date: 25 August 2020

**Loreburn Housing Association Limited**  
**Statement of Committee Responsibilities**  
**For the Year Ended 31 March 2020**

Housing Association legislation requires the Management Committee to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ending on that date. In preparing those Financial Statements the 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 in the financial statements.
- ▶ Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.
- ▶ Prepare a statement on internal financial control.
- ▶ Observe the methods and principles in the RSL SORP & FRS102.

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 it to ensure that the Financial Statements comply with the requirements of the Cooperative And Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Registered Social Landlords Determination of Accounting Requirements – 2019. It is also responsible for safeguarding the assets of the Association and 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.

By order of the Committee of Management

**Mike Jones**  
**Secretary**

Date: 25 August 2020

Loreburn Housing Association Limited  
Committee Statement on the Association's  
System of Internal Financial Control  
For the Year Ended 31 March 2020

The Management Committee acknowledge their 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 documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- ▶ Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance.
- ▶ Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks, financial objectives, and progress towards achieving the financial plans set for the year and the medium term.
- ▶ Regular 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 relevant sub-committees comprising Committee members and others.
- ▶ The Committee received reports from management, from directors, staff 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 weaknesses identified through internal or external audit reports.

Loreburn Housing Association Limited  
Committee Statement on the Association's  
System of Internal Financial Control  
For the Year Ended 31 March 2020

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 2020. No weaknesses were found in internal financial controls which results in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Mike Jones**  
**Secretary**

Date: 25 August 2020

Loreburn Housing Association Limited  
Report of the Auditor to the Board of Management on Corporate Governance  
Matters  
For the Year Ended 31 March 2020

In addition to our audit of the financial statements, we have reviewed your statements on pages 11 & 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 on corporate governance matters within Bulletin 2009/4 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 any non-compliance.

**Opinion**

In our opinion your Statement on Internal Financial Controls on pages 11 & 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.

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

**Wylie & Bisset (Audit) Limited**  
**Statutory Auditor**  
**Chartered Accountants**  
**168 Bath Street**  
**Glasgow G2 4TP**

Date: 25 August 2020  
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Loreburn Housing Association Limited  
Report of the Independent Auditors to the  
Members of Loreburn Housing Association Limited  
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**Opinion**

We have audited the financial statements of Loreburn Housing Association (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and Notes to the financial statements, 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 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 of 31 March 2020 and of its income and expenditure 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 Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The Board of Management are responsible for the other information. The other information comprises the information included 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.



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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**

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Board of Managements' Report.

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:

- The information given in the Report of the Board of Management is inconsistent with the Financial Statements.
- Proper books of accounts 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 requirement of the legislation.
- The financial statements are not in agreement with the books of accounts; or
- We have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

**Responsibilities of The Board of Management**

As explained more fully in the Boards' Responsibilities Statement set out on page 9, the Board of Management are 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 determine 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 are 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 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

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For the Year Ended 31 March 2020

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of this report**

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Communities 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.

**Wyllie & Bisset (Audit) Limited, Statutory Auditor**  
**Chartered Accountants**  
**168 Bath Street**  
**Glasgow G2 4TP**

**Date:**

25 August 2020  
✓

Loreburn Housing Association Limited  
Statement of Comprehensive Income  
For The Year Ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	1	13,439,102	13,668,467
Operating Costs	1	12,031,471	12,275,314
		<hr/>	<hr/>
Operating Surplus	1	1,407,631	1,393,153
Gain/(Loss) on Sale of Fixed Assets	4	79,341	(55,309)
Interest Receivable & Other Income	6	54,732	57,569
Gift Aid from Subsidiary Company		100,000	-
Interest Payable and Similar Charges	7	(1,157,611)	(1,188,090)
		<hr/>	<hr/>
Surplus		484,093	207,323
Movement on Past Service Contributions		-	-
Initial recognition of multi-employer defined benefit scheme	23	-	(1,299,000)
Actuarial gain/(loss) in respect of pension schemes	23	2,451,000	(351,845)
		<hr/>	<hr/>
<b>Total Comprehensive Income/(Expenditure)</b>		<u>2,935,093</u>	<u>(1,443,522)</u>

The results for the year relate wholly to continuing activities.

The notes on pages 22 to 47 form part of these financial statements. These financial statements were approved by the Management Committee on 25 August 2020 and were signed on its behalf by: -

**Russell Brown**  
Convener

**Peter Ward**  
Vice-Convener

**Mike Jones**  
Secretary

Loreburn Housing Association Limited  
Statement of Financial Position  
As at 31 March 2020

		2020	2019
		£	£
<b>Tangible Fixed Assets</b>	<b>Note</b>		
Housing Properties (Net of Depreciation)	11a	162,243,430	145,363,532
Other non current assets	11b	932,705	1,029,024
		<u>163,176,135</u>	<u>146,392,556</u>
<b>Investments In Subsidiary</b>	12	3	3
<b>Current Assets</b>			
Debtors	13	2,780,119	5,173,154
Cash at Bank & in Hand		1,677,269	1,157,999
		<u>4,457,388</u>	<u>6,331,154</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	14	5,706,180	6,552,357
Net Current (Liabilities)		<u>(1,248,792)</u>	<u>(221,203)</u>
Total Assets less Current Liabilities		161,927,346	146,171,356
<b>Creditors: Amounts Falling Due After More Than One Year</b>	15	35,044,895	27,003,942
<b>Deferred Income</b>	16	105,081,816	97,556,898
<b>Pension - Defined Benefit Liability</b>	23	-	2,745,000
Net Assets		<u>21,800,635</u>	<u>18,865,517</u>
<b>Capital &amp; Reserves</b>			
Share Capital	18	112	87
Accumulated Surplus		21,800,523	18,865,430
		<u>21,800,635</u>	<u>18,865,517</u>

These Financial Statements were approved by the Management Committee on the 25 August 2020 and signed on their behalf by:

Convenor

Committee Member

Secretary

The notes on pages 22 to 47 form part of these financial statements.

Loreburn Housing Association Limited  
Statement of Cashflows  
For The Year Ended 31 March 2020

	2020	2019
	£	£
<b>Notes</b>		
<b>Net cash inflow from operating activities</b>	1 <u>4,585,068</u>	<u>1,551,015</u>
 <b>Investing Activities</b>		
Cash paid for construction and purchases	(18,538,383)	(8,552,096)
Improvement of Housing	(1,183,701)	(1,534,823)
Housing association grants received	8,582,060	6,745,565
Housing association grants repaid	-	(168,894)
Sales of Housing Properties	404,699	78,051
Other Grants	160,000	40,000
Sale of other fixed assets	-	-
Purchase of other fixed assets	<u>(37,311)</u>	<u>(69,752)</u>
<b>Net Cash outflow from investing activities</b>	<u><u>(10,612,635)</u></u>	<u><u>(3,461,949)</u></u>
 <b>Financing</b>		
Interest received on cash flow and cash equivalents	54,733	57,569
Interest paid	(1,141,136)	(1,171,615)
Loan principal repayments	(1,366,784)	(972,043)
Loans Drawn	9,000,000	4,000,000
Share Capital Issued	<u>25</u>	<u>2</u>
<b>Net Cash Inflow from Financing</b>	<u><u>6,546,837</u></u>	<u><u>1,913,913</u></u>
 Increase in cash	519,270	2,979
Opening cash and cash equivalents	1,157,999	1,155,020
Closing cash and cash equivalents	1,677,269	1,157,999

The notes on pages 22 to 47 form part of these financial statements.

Loreburn Housing Association Limited  
Notes To The Statement of Cashflows  
For The Year Ended 31 March 2020

**1. Statement of Cash Flow**

Reconciliation of Operating surplus to balance as at 1 April 2020

	2020 £	2019 £
Operating Surplus for year	1,407,631	1,393,153
Depreciation-Housing properties	2,541,661	3,223,459
Depreciation-Other Assets	133,630	131,811
Amortisation of capital grants	(1,079,479)	(1,047,728)
Decrease/(Increase) in Debtors	2,393,039	(1,385,459)
(Decrease)/Increase in Creditors	(617,414)	(483,376)
Received from Subsidiary Company	100,000	-
Pension cost	(294,000)	(280,845)
Net cash inflow from operating activities	<u>4,585,068</u>	<u>1,551,015</u>

	2020 £	2019 £
Net Debt Reconciliation		
Increase /Decrease in cash in the year	519,270	2,979
Loan principal repayments	1,366,784	972,043
Loans received	<u>(9,000,000)</u>	<u>(4,000,000)</u>
Change in net debt	<u>(7,113,946)</u>	<u>(3,024,978)</u>
Opening debt	<u>(27,528,180)</u>	<u>(24,503,202)</u>
Closing debt	<u>(34,642,126)</u>	<u>(27,528,180)</u>

Loreburn Housing Association Limited  
Statement of Changes in Equity  
For The Year Ended 31 March 2020

**Statement of changes in equity**

**As At 31 MARCH 2020**

	<b>Share Capital</b>	<b>Revenue Reserves</b>	<b>Total</b>
	£	£	£
Balance as at 1 April 2019	87	18,865,430	18,865,517
Issue of shares	25	-	25
Surplus/(Deficit) for year	-	2,935,093	2,935,093
Balance as at 31 March 2020	<u>112</u>	<u>21,800,523</u>	<u>21,800,635</u>

The notes on pages 22 – 47 form part of these financial statements.

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

## **Principal Accounting Policies**

### Accounting Convention

The Association is registered under the Cooperative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority. The Financial Statements have been prepared under the historical cost convention, and in compliance with the Registered Social Landlords Determination of Accounting Requirements – 2019 and the Statement of Recommended Practice (SORP) 2018, Accounting by Registered Social Landlords and applicable Accounting Standards. These Financial Statements were prepared in accordance with Financial Reporting Standard 102 – ‘The Financial Standard applicable in the UK and the Republic of Ireland’ The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

### Turnover

Turnover relates to the income from the letting of properties at affordable rents, and the supply of housing services, together with revenue grants from the Scottish Executive, local authorities and other organisations.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Grant income is recognised when any associated performance condition have been met.

### Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount. Improvements are capitalised where these result in an enhancement of the economic benefits of the property.

Such enhancements 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 the Statement of Comprehensive Income.

Properties included in housing properties are stated at their historic component cost. The cost of such properties includes:

- i. cost of acquiring land and buildings
- ii. development expenditure including applicable overheads
- iii. interest charged on the loans raised to finance the scheme

These costs are either termed “qualifying costs” by the Scottish Executive for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities, or they are met out of the Association’s reserves. All invoices and Architect’s Certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the



Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Depreciation – Housing Properties

Properties other than heritable land are depreciated in accordance with FRS102 at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The components identified, and their estimated useful life of each is shown below:

Structure	100 Years	Communal Entry	20 Years
Roof	60 Years	Kitchens	15 Years
Electrics	40 Years	Bathrooms	15 Years
		(revised – see below)	
Windows & External Doors	25 Years	Heating ex Boilers	15 Years
(revised -see below)		(revised -see below)	
Boilers (revised – see below)	10 Years	Gas Mains	Useful Life Remaining

The following asset categories charge rate were modified at the beginning of the current year in line with the sectors standard rates as follows;

Windows & External Doors	30 Years	Bathrooms	25 Years
Boilers	15 Years	Heating ex Boilers	20 Years

Assets in the course of construction are not depreciated until complete. These properties depreciation commences in the following financial year.

Other Tangible Fixed Assets

The Association's assets are held at cost less accumulated depreciation and are written off evenly over the expected economic useful lives using the following rates and methods:

- ▶ Premises - 2% straight line per annum
- ▶ Office Equipment - 20% straight line per annum
- ▶ Fixtures & Fittings - 20% straight line per annum
- ▶ Tenant Improvements - 10% straight line per annum
- ▶ Motor Vehicles - 25% straight line per annum
- ▶ Shared Ownership Properties - 2% straight line per annum

Housing Association Grants

Housing Association Grants (HAG) are made by the Scottish Executive and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the Scottish Executive. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102 and the Housing SORP 2014. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the structure of the property.

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

Loans & Investments

All loans, Investments and short term deposits held by the Association are classified as basic instruments in accordance with FRS102 and are held at historic costs. Finance Costs are charged to the Statement of Comprehensive Income over the term of the debt.

Development Administration Costs

Development costs incremental to the other costs of the Association are capitalised against the current development programme.

Capitalisation of Interest

Interest incurred on financing a development is capitalised up to the date of completion of the scheme.

Stock

The Association at different times may hold a stock of maintenance parts. Stock when held is valued at the lower of cost or net realisable value.

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.

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.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of the Financial Reporting Standard. The Association's debt instruments are measured at amortised cost using the effective interest rate method.

Retirement Benefits

The Association is a member of the SHAPS multi-employer defined benefit pension scheme, and has a share of the scheme assets and liabilities. As sufficient information about the Association's share of these assets and liabilities became available from 1 April 2018, it is now possible for the Association to disclose its share of the fair value of the scheme's net assets, the present value of its defined benefit liability and its net defined benefit pension liability.

Value Added Tax

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

Gift Aid From Subsidiary Company

Gift Aid is accounted for when received.

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

Pension Costs

From 1 April 2014 the Association ceased to participate in the centralised SFHA Defined Benefit Pension Scheme. The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102.

From 1 April 2014 the Association commenced the operation of a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Income and Expenditure in the year they are payable.

Impairment of Fixed Assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Income & Expenditure Account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Statement of Comprehensive Income.

Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Conduct Authority has granted exemption from preparing group Financial Statements. The Accounts therefore represent the results of the Association and not of the group.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Loreburn Housing Associations 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 made in the application of Accounting Policies

a) The 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 Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) SHAPS defined benefit accounting assumptions

The Association has followed the assumptions set by the actuaries in arriving at its share of the scheme's deficit. Further details are contained within note 23 to the accounts.

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

**1. Particulars of Turnover, Operating Costs & Operating Surpluses**

	Notes	Turnover £	2020 Operating Costs £	Operating Surplus £
Social Lettings	2	12,272,628	11,148,132	1,124,496
Other Activities	3	1,166,474	883,339	283,135
Total		<u>13,439,102</u>	<u>12,031,471</u>	<u>1,407,631</u>

	Notes	Turnover £	2019 Operating Costs £	Operating Surplus £
Social Lettings	2	11,865,375	10,709,771	1,155,604
Other Activities	3	1,803,092	1,565,543	237,549
Total		<u>13,668,467</u>	<u>12,275,314</u>	<u>1,393,153</u>

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

**2. Particulars of Turnover, Operating Costs & Operating Surplus from Social Letting Activities**

	General Needs £	Supported Housing £	Shared Ownership £	2020 Total £	2019 Total £
Rent Receivable Net of Service Charges	8,370,534	1,997,291	340,847	10,708,671	10,328,830
Service Charges	211,700	362,413	12,792	586,904	565,680
Gross Income from Rent & Service Charges	8,582,233	2,359,704	353,639	11,295,576	10,894,510
Less Voids	(63,501)	(38,925)	-	(102,427)	76,863
<b>Net Income from Rents &amp; Service Charges</b>	<b>8,518,732</b>	<b>2,320,778</b>	<b>353,639</b>	<b>11,193,149</b>	<b>10,817,647</b>
HAG Grants released	964,364	87,769	27,346	1,079,479	1,047,728
Other Revenue Grants	-	-	-	-	-
<b>Total Turnover from Social Letting Activities</b>	<b>9,483,096</b>	<b>2,408,547</b>	<b>380,985</b>	<b>12,272,628</b>	<b>11,865,375</b>
Management & Maintenance Administration Costs	3,918,264	432,943	238,103	4,589,309	4,228,275
Service Costs	242,432	336,563	7,909	586,904	565,680
Planned & Cyclical Maintenance including Major Repairs Costs	748,758	534,040	6,874	1,289,672	1,015,985
Reactive Maintenance Costs	1,950,603	138,160	-	2,088,763	1,627,611
Bad Debts – Rents & Service Charges	50,044	1,778	-	51,822	48,761
Depreciation of Social Housing	2,308,656	198,870	34,135	2,541,661	3,223,459
<b>Operating Costs for Social Letting Activities</b>	<b>9,218,757</b>	<b>1,642,353</b>	<b>287,021</b>	<b>11,148,132</b>	<b>10,709,771</b>
<b>Operating Surplus for Social Lettings 2020</b>	<b>264,339</b>	<b>766,194</b>	<b>93,964</b>	<b>1,124,496</b>	
<b>Operating Surplus for Social Lettings 2019</b>	<b>1,564,285</b>	<b>(433,404)</b>	<b>24,723</b>		<b>1,155,604</b>

Loreburn Housing Association Limited  
Notes To The Financial Statements  
As At 31 March 2020

**3. Particulars of Turnover, Operating Costs & Surpluses or Deficits From Other Activities**

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs: Bad Debts £	Other Operating Costs £	Operating Surplus or Deficit 2020 £	Operating Surplus or Deficit 2019 £
Care & Repair	220,120	-	-	-	220,120	-	220,120	-	-
Development Activities	-	-	-	-	-	-	65,327	(65,327)	(62,700)
Support Activities	-	32,414	389,396	-	421,810	-	421,810	-	-
Other Management Services	-	-	-	-	-	-	-	-	54,279
Aids & Adaptations	176,082	-	-	-	176,082	-	176,082	-	-
Other Activities	-	-	-	348,462	348,462	-	-	348,462	245,970
<b>Total from Other Activities 2020</b>	<b>396,202</b>	<b>32,414</b>	<b>389,396</b>	<b>348,462</b>	<b>1,166,474</b>	<b>0</b>	<b>883,339</b>	<b>283,135</b>	
<b>Total from Other Activities 2019</b>	<b>523,678</b>	<b>726,698</b>	<b>157,087</b>	<b>395,629</b>	<b>1,803,092</b>	<b>-</b>	<b>1,565,543</b>	<b>237,549</b>	

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

**4. Gain/(Loss) on Sale of Fixed Assets**

	2020		2019	
	£	£	£	£
Proceeds from the Sale of Fixed Assets		410,500		79,500
Less: Cost of Sales				
Historic Cost	754,097		441,336	
Grant Received	0		(23,865)	
Accumulated Depreciation	(478,498)		(320,030)	
Grant Repayable	49,759		34,869	
Legal & Valuation Costs	5,801	331,159	<u>2,499</u>	134,809
		<u>79,341</u>		<u>(55,309)</u>

**5. Operating Surplus**

	2020		2019	
		£		£
Operating Surplus is stated after charging:				
Depreciation		2,675,292		3,355,270
External Auditors' Remuneration (inc. VAT)		9,192		9,476
Internal Auditors' Remuneration (inc. VAT)		5,566		11,764

In addition, the External Auditors were paid £Nil (2019 - £Nil) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £Nil (2019 - £28,343) in respect of consultancy work.

**6. Interest Receivable & Other Income**

	2020		2019	
		£		£
Bank Interest Received		3,926		3,589
Interest from Loans to Subsidiary		50,806		53,980
		<u>54,732</u>		<u>57,569</u>

**7. Interest Payable & Similar Charges**

	2020		2019	
		£		£
Loan Interest		1,197,309		1,129,871
Interest Capitalised in Housing Properties		(100,698)		(6,781)
Other Interest Payable		61,000		65,000
		<u>1,157,611</u>		<u>1,188,090</u>

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

**8. Officers Emoluments**

The Officers are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the directors or the Management Committee whose total emoluments exceed £60,000 per year excluding employer's pension contributions:

The only officers with total emoluments in excess of £60,000 excluding pension contributions were the Chief Executive and the two Directors as noted below.

None of the Committee Members received any remuneration during the year.

The definition of key management personnel in the 2014 Determination includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. This includes governing body members. The aggregate amount of emoluments payable to or receivable by, the key management personnel and former key management personnel of the Association landlord whose total emoluments are £60,000 or more, excluding employer's pension contributions, during the reporting period is disclosed below.

	<b>2020</b>	<b>2019</b>
Emoluments payable to key management personnel earning over £60k	245,153	118,857
Emoluments payable to all key management personnel (without pension contributions)	229,240	111,073
Compensation paid to key management personnel for loss of office	NIL	NIL
Emoluments payable to the CEO, (based on a thirty five hour week)	98,625	98,625
Pension contributions for the CEO.	<u>7,474</u>	<u>7,785</u>
	<u>106,099</u>	<u>106,410</u>

Emoluments over £60,000 including pension contributions paid to key management personnel can be analysed as follows:

	<b>No</b>	<b>No</b>
£60,001 - £70,000	2	0
£70,001 - £80,000	0	0
£80,001 - £90,000	0	0
£90,001 - £100,000	0	0
£100,001 - £110,000	0	0
£110,001 - £120,000	1	1



Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

**9. Employee Information**

	<b>2020</b>	<b>2019</b>
The monthly average number of employees during the year was	123	104
The full time equivalent number of staff	<u>114</u>	<u>88</u>
<b>Staff Costs (including Executive Emoluments)</b>	<b>£</b>	<b>£</b>
Wages & Salaries	3,319,126	2,750,962
Social Security Costs	286,026	236,741
Pension Contributions	<u>602,536</u>	<u>537,445</u>
	<u><u>4,207,688</u></u>	<u><u>3,525,148</u></u>

Included within the pension contributions above is £356,221 (2019 - £345,845) in payments for the Associations share of past service deficit liabilities.

**10. Taxation**

The Association's charitable status means that no corporation tax is payable on its activities.

Loreburn Housing Association Limited  
Notes To The Financial Statements  
For The Year Ended 31 March 2020

**11. Tangible Fixed Assets**

a. Housing Properties

	Shared Ownership Property £	Housing Property Held for Letting £	Housing Property In Course of Construction £	Total £
<b>Cost</b>				
At 01/04/19	4,448,887	172,401,185	10,295,850	187,145,922
Additions	-	1,183,701	18,538,383	19,722,083
Transfers	-	16,088,347	(16,088,347)	-
Disposals	124,423	629,674	24,925	779,022
At 01/04/20	<u>4,324,464</u>	<u>189,043,559</u>	<u>12,720,960</u>	<u>206,088,983</u>
<b>Depreciation</b>				
At 01/04/19	1,354,259	40,428,130	-	41,782,390
Charge for Year	34,135	2,507,527	-	2,541,662
Disposals	40,395	438,103	-	478,497
At 01/04/20	<u>1,347,999</u>	<u>42,497,554</u>	<u>-</u>	<u>43,845,553</u>
 Net Book Value at 31/03/20	 <u>2,976,465</u>	 <u>146,546,004</u>	 <u>12,720,960</u>	 <u>162,243,430</u>
 Net Book Value at 31/03/19	 <u>3,094,628</u>	 <u>131,973,055</u>	 <u>10,295,850</u>	 <u>145,363,532</u>

Development administration costs amounted to £232,663 (2019 - £215,686) for which HAG amounting to £NIL (2019 - £NIL) was received during the year resulting in a deficit. From the deficit £213,692 (2019 - £152,990) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £100,698. (2019 - £6,781).

Included in the additions above is £1,183,701 (2019 - £1,534,823) of major repair works to replace components within existing properties.

All properties are freehold

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b. Other Tangible Fixed Asset

	Office Premises £	Office Equipment £	Wider Action £	Let Property Furnishings £	Total £
<b>Cost</b>					
At 01/04/19	719,650	587,090	6,544	188,402	1,501,686
Additions	-	37,311	-	-	37,311
Transfers	-	-	-	-	-
Disposals	-	28,217	-	-	28,217
At 01/04/20	<u>719,650</u>	<u>596,184</u>	<u>6,544</u>	<u>188,402</u>	<u>1,510,779</u>
<b>Depreciation</b>					
At 01/04/19	124,330	348,332	-	-	472,662
Charge for Year	14,393	119,237	-	-	133,630
Disposals	-	28,217	-	-	28,217
At 01/04/20	<u>138,723</u>	<u>439,351</u>	<u>-</u>	<u>-</u>	<u>578,074</u>
Net Book Value at 31/03/20	<u>580,927</u>	<u>156,832</u>	<u>6,544</u>	<u>188,402</u>	<u>932,705</u>
Net Book Value at 31/03/19	<u>595,320</u>	<u>238,758</u>	<u>6,544</u>	<u>188,402</u>	<u>1,029,024</u>

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**12. Share in Subsidiary Companies**

The Association holds 100% of the share capital issued by its subsidiaries. Dumfries & Galloway Homes Limited is a company registered in Scotland whose main activities are the provision of homes for rent and to carry out activities outside the scope of Loreburn Housing Association Limited.

**13. Debtors**

	2020	2019
	£	£
Rental Arrears	376,379	307,658
Bad Debt Provision	(139,650)	(120,545)
Net Rent Arrears	<u>236,729</u>	<u>187,113</u>
Other Debtors	556,749	276,895
Amounts due from group undertakings	26,103	33,435
HAG Receivable	-	2,620,986
Prepayments & Accrued Income	128,343	142,926
Loans to Group Undertaking	<u>1,832,195</u>	<u>1,911,799</u>
	<u><u>2,780,119</u></u>	<u><u>5,173,154</u></u>

**14. Creditors: Amounts Falling Due Within One Year**

	2020	2019
	£	£
Bank Loans	1,274,500	1,682,238
Trade Creditors	345,836	544,728
Other Taxes & Social Security	78,780	62,124
Accruals & Deferred Income	1,293,079	1,800,117
Social Housing Grant Deferred Income	1,102,789	1,094,357
Services Equalisation	240,658	232,896
Other Creditors	1,169,328	931,598
Amounts Due to Group Undertakings	-	3,230
Rent in Advance	201,208	201,069
	<u><u>5,706,180</u></u>	<u><u>6,552,357</u></u>

**15. Creditors: Amounts Falling Due After More Than**

	2020	2019
	£	£
Bank Loans	<u>35,044,895</u>	<u>27,003,942</u>
	<u><u>35,044,895</u></u>	<u><u>27,003,942</u></u>

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Notes To The Financial Statements  
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**16. Deferred Income**

	2020 £	2019 £
<b>Social Housing Grant</b>		
Balance brought forward	98,651,255	92,975,117
Additions in year	8,742,060	6,785,565
Released/repaid as a result of property disposal	(129,231)	(61,699)
Amortisation in year	<u>(1,079,479)</u>	<u>(1,047,728)</u>
	<u>106,184,605</u>	<u>98,651,255</u>
Due in under one year	1,102,789	1,094,357
Due in over one year	<u>105,081,816</u>	<u>97,556,898</u>
	<u>106,184,605</u>	<u>98,651,255</u>

The total original cost of Social Housing Grant given to the organisation is £125,364,468 (2019 - £116,622,408).

**17. Loans and Borrowings**

Loans are secured by means of fixed charges over the Association's housing assets and are repayable at varying rates of interest ranging from 0.75% to 6.9% and will mature over a period of 5 to 35 years, in instalments due as follows:

	2020 £	2019 £
Less than 1 year	1,274,500	1,682,238
Between 1 – 2 Years	1,331,983	1,751,584
Between 2 – 5 Years	4,139,721	5,372,059
5 Years or More	29,573,191	19,880,298
	<u>36,319,395</u>	<u>28,686,179</u>

Further undrawn loan facilities are available totalling £9.3m and are available to finance future acquisitions and developments.

Loreburn Housing Association Limited  
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**18. Share Capital**

	2020	2019
	£	£
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2019	87	176
Shares Issued	25	2
	112	178
Shares Forfeited	-	(91)
As at 31 March 2020	112	87

Each shareholder of the Association holds only one share and is entitled to vote at general meetings of the Association Shares carry no right to interest, dividend or bonus. When a shareholder ceases to be a member, their share is cancelled, and the amount paid thereon becomes the property of the Association.

**19. Housing Stock**

	2020	2019
	£	£
The number of units of accommodation in management at the year end was:		
General Needs Housing	2,367	2,256
Supported Housing Accommodation	210	210
Shared Ownership	145	149
Accommodation Managed on Behalf of Another Body	27	27
	2,749	2,642

**20. Capital Commitments**

	2020	2019
	£	£
Expenditure Contracted Less Certified	8,029,478	7,417,873

**21. Contingent Liabilities**

The Association has no known contingent liabilities at 31 March 2020 (2019 - £Nil).

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**22. Operating Lease**

The Association had the following obligations under non-cancellable operating leases

	2020 £	2019 £
Amounts due less than one year	7,300	8,648
Amounts due between one and two years	7,153	8,648
Amounts due between two – five years	4,831	11,984
	<u>19,284</u>	<u>29,280</u>

**23. Pension Fund – Scottish Housing Associations Pension Scheme**

The company participates in the Scottish Housing Associations' 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 pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

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For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Based on accounting for the Associations scheme liabilities under the defined benefit calculation the results are as follows:



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FAIR VALUE OF PLAN ASSETS, PRESENT VALUE OF DEFINED  
BENEFIT OBLIGATION, AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Fair value of plan assets	12,509	11,239
Present value of defined benefit obligation	12,159	13,984
Surplus (deficit) in plan	350	(2,745)
Unrecognised surplus	350	-
Defined benefit asset (liability) to be recognised	-	(2,745)
Deferred tax	*	*
Net defined benefit asset (liability) to be recognised	*	*

\* to be completed by the employer if required

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 31 March 2019 to 31 March 2020 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	350
Impact of asset ceiling at end of period	350

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<b>RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION</b>	
	<b>Period from 31 March 2019 to 31 March 2020 (£000s)</b>
Defined benefit obligation at start of period	13,984
Current service cost	-
Expenses	11
Interest expense	321
Member contributions	-
Actuarial losses (gains) due to scheme experience	335
Actuarial losses (gains) due to changes in demographic assumptions	(76)
Actuarial losses (gains) due to changes in financial assumptions	(1,654)
Benefits paid and expenses	(762)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	12,159

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RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE  
FAIR VALUE OF PLAN ASSETS

	Period from 31 March 2019 to 31 March 2020 (£000s)
Fair value of plan assets at start of period	11,239
Interest income	260
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	1,406
Employer contributions	366
Member contributions	-
Benefits paid and expenses	(762)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	12,509

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £1,666,000.

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DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF  
COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2019 to 31 March 2020 (£000s)
Current service cost	-
Expenses	11
Net interest expense	61
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCl)	72

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DEFINED BENEFIT COSTS RECOGNISED IN OTHER  
COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2019 to 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	1,406
Experience gains and losses arising on the plan liabilities - gain (loss)	(335)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	76
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,654
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	2,801
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(350)
Total amount recognised in Other Comprehensive Income - gain (loss)	2,451

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ASSETS

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Global Equity	1,720	1,808
Absolute Return	768	952
Distressed Opportunities	228	192
Credit Relative Value	301	195
Alternative Risk Premia	1,002	628
Fund of Hedge Funds	-	31
Emerging Markets Debt	445	360
Risk Sharing	396	326
Insurance-Linked Securities	335	292
Property	233	223
Infrastructure	738	471
Private Debt	248	145
Opportunistic Illiquid Credit	305	-
Corporate Bond Fund	914	788
Liquid Credit	328	-
Long Lease Property	306	136
Secured Income	694	392
Over 15 Year Gilts	159	289
Index Linked All Stock Gilts	-	-
Liability Driven Investment	3,294	3,999
Net Current Assets	95	12
<b>Total assets</b>	<b>12,509</b>	<b>11,239</b>

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

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KEY ASSUMPTIONS

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount Rate	2.35%	2.35%
Inflation (RPI)	2.55%	3.25%
Inflation (CPI)	1.55%	2.25%
Salary Growth	2.55%	3.25%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

The move in the accounting for this past service deficit pension liability under FRS102 has seen the previous liability on the balance sheet completely removed this year by a £2.451m balance sheet adjustment to other comprehensive income.

This is the third major balance sheet movement on this liability in the last four accounting periods. Given the recent market volatility, we would expect to see the liability grow at the 31 March 2020. However, the portfolio of assets that the pension fund holds is diversified which provides protection against market volatility. Most members of this scheme will in fact see improved funding levels and reduced deficits this year.

Although this liability has now been removed from the balance sheet under FRS102 calculations the scheme funding liabilities look much different and Loreburn is still committed to paying towards these liabilities to at least September 2022 at the earliest.

### **Defined Contribution**

During the year the Association made payments totalling £246,315 (2019 £191,600) into defined contribution pension schemes on behalf of its employees.

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**24. Scottish Secure Tenancy Rents**

	2020 £	2019 £
Average Scottish Secure Tenancy Rent for Housing Accommodation	<u>4,279</u>	<u>4,175</u>
Percentage Increase from Previous Year	<u>2.5%</u>	<u>1.5%</u>

**25. Related Party Transactions**

Members of the Committee of Management are related parties of the Association as defined by Financial Reporting Standard 102. Tenants, sharing owners and owners who are members of the Committee of Management are not treated differently to any other tenants or owners. Councillors who are members of the Committee of Management declare their interests relating to relevant decisions taken by the Association or the Council. Committee of Management members cannot use their position to any advantage. Any transaction between the Association and any entity with which a Committee of Management Member has a connection with is made at arms length and is under normal commercial terms.

The related party relationships of the members of the Committee of Management during the year was that 2 members were tenants of the Association and 8 members are neither tenants nor factored owners.

Transactions with Committee of Management Members in the year were, £7,470 (2019 £1,076) of rent was charged. At the year end there was rent underpaid of £58 (2019 Overpaid £24).

The Association has decided not to take advantage of the exemptions conferred by FRS102 and is disclosing transactions with the wholly owned subsidiary, D&G Homes.

The principal activities of D&G Homes in 2019/20 was the provision of rented residential and commercial properties (until fully disposed of in February 2020), and the delivery of a Direct Labour Organisation (until August 2019).

Loreburn purchased services from D&G Homes Direct Labour Organisation for bathroom and kitchen replacement works for a cost of £181,106 (2019 £307,833).



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Loreburn also purchased services from D&G Homes for cleaning services for a cost of £12,169 (2019 £35,522). At the year-end Loreburn owed D&G Homes £NIL (2019 £3,230) for these services.

During the year Loreburn recharged D&G Homes £27,400 (2019 £77,379) for the costs of staff seconded.

During the year Loreburn recharged D&G Homes £14,701 (2019 Nil) for reactive maintenance costs. This full amount was due to the from D&G Homes at the year end (2019 Nil).

As per Note 13 of the accounts Loreburn has loans due from D&G Homes totalling £1,832,195 (2019 £1,911,798). During the year Loreburn received interest payments of £50,807 (2019 £53,923) and capital repayments of £79,603 (2019 £77,166) on these loans.

Loreburn also receives a management fee from D&G Homes. This totalled £46,000 (2019 £46,000) and at the year end £11,500 (2019 £11,500) was due from D&G Homes.

D&G Homes manages the service charges and rent collection of Loreburn's shared ownership properties. At the year end £NIL (2019 £17,322) of the rent collected was due to Loreburn.

Finally, Loreburn and D&G Homes trade via an intercompany account. This is for costs paid by Loreburn on D&G Homes behalf or vice versa. At the year end £98 was due to D&G Homes.

## **26. Group Structure**

Loreburn is a housing association, registered in Scotland, and forms part of a group. The other member is Dumfries & Galloway Homes Limited, a company registered in Scotland, whose main activities are the provision of homes for rent and to carry out activities outside the scope of Loreburn Housing Association Limited.

Loreburn Housing Association Limited is considered to be the ultimate parent undertaking of the group. Separate group accounts are not prepared, as the Financial Services Authority has exempted the group from this requirement.