SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024

Scottish Registered Charity:	**SC024549**
Scottish Housing Regulator:	**HEP302**
Registered Society Number:	**2508RS**

Annual Report and Financial Statements for the year ended 31 March 2024

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Board of Management and Advisors

Members of the Board of Management at the date of approval of the financial statements

John Arthur
Alexander Clark (Deputy Chairperson)
Peter Cowe
James Docherty
J’ (Deputy Chairperson)
Gillian MacPhie
Michael McGrane
Alan West (Chairperson)
Nigel Wilcock

Corporate Director
Sanctuary Housing Association

Secretary
Nicole Seymour

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Scottish registered charity number
SC024549

Chairperson's Statement

Our mission is to build affordable homes and sustainable communities where people choose to live. We want every Sanctuary Scotland resident to be proud of the place they call home, and we're committed to delivering an inclusive, high-quality service to support this.

This year we carried out our 'Sanctuary Census' to find out more about our residents and their household. The information we've received is helping us to better understand our customers and will be used to increasingly tailor our services to match what they feel is most important.

We also make sure that we actively listen to our residents to learn what we do well, and the areas where we need to improve. Our frontline teams bring back valuable insights from across our communities for us to consider. We also continue to converse with the engaged residents on our local review panels and national Resident Advisory Panel. The range of perspectives we get from these diverse groups influences the decisions our Board of Management and operational colleagues make.

Our Welfare Rights Officers continue to help Sanctuary Scotland residents get much-needed financial support. Customers have spoken glowingly about the sense of calm and clarity they've experienced when our Welfare Rights team get involved.

Our Housing teams remain our primary point of contact for residents, providing regular hands-on support.

Our Sustainable Communities team bring people together through their work with community-based projects.

We've also built new high-quality, energy-efficient homes right across Scotland through our Development programme, creating new opportunities for local people to live in homes they can be proud of.

By continuing to work with customers and strengthen these relationships, we can continue to deliver high-quality services for them in their homes and communities.

Alan West [redacted]
Chairperson

13 August 2024

The Board of Management's Report

The Board of Management (the Board) presents its Annual Report and the audited financial statements for the year ended 31 March 2024.

Strategic Context

Sanctuary Scotland Housing Association Limited (the Association) was registered for the purpose of developing, managing and maintaining housing for people in housing need.

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, number 2508RS, is a Scottish Registered Charity, number SC024549, and is registered with the Scottish Housing Regulator, number HEP302.

The Association's ultimate parent undertaking is Sanctuary Housing Association and it forms part of the Sanctuary Group of entities (the Group).

The objectives of Sanctuary Scotland are to:

- Provide good-quality, affordable housing for both rent and for sale for those least able to compete in other sectors of the housing market.
- Provide housing and associated services for those with more specific housing requirements, such as the elderly and those with long-term disabilities.
- Provide value-for-money services and advice to individuals and organisations working to provide social housing.
- Ensure that any investment made by Sanctuary Scotland provides sustainable benefits for local communities.

In pursuing these objectives, Sanctuary Scotland works to Sanctuary Group's values:

- Ambition
- Inclusion
- Integrity
- Quality
- Sustainability

The Board of Management's Report (continued)

Review of the Business and Future Developments

Performance

The Association's revenue grew to £50,230,000 (2023: £45,976,000), an increase of £4,254,000 (9.25%) from the prior year. This increase was driven by rent from new developments and rent indexation. The Association achieved an operating surplus for the year of £25,202,000 (2023: £27,041,000). The reduction of £1,839,000 (6.80%) in operating surplus reflects inflationary cost pressures experienced throughout the sector, though efficiencies have partially mitigated the impact. The table below highlights the performance by income stream:

	Revenue		**Operating surplus**	
	2024	**2023**	**2024**	**2023**
	£'000	**£'000**	**£'000**	**£'000**
General needs	44,282	40,904	21,563	23,869
Sheltered and supported housing	2,278	2,167	1,138	1,129
Other activities	3,670	2,905	2,503	2,026
Other gains and losses	-	-	(2)	17
Totals	**50,230**	**45,976**	**25,202**	**27,041**

The Executive Team and the Board of Management use a number of key performance indicators to monitor the outcome of the Association's objectives. A selection of these indicators and results for the year, are as follows:

	2024	**2023**
Number of relets	480	442
Average number of days to relet	32	39
Residential rent lost through voids %	0.80%	0.66%
Current tenant arrears as a % of gross annual rent	5.72%	5.99%
Emergency repairs	8,433	8,029
Non-emergency repairs	19,381	22,299
Average time to complete emergency repairs (hours)	9.6	5.5
Average time to complete non-emergency repairs (days)	18.2	11.6

A targeted approach to supporting customers who have a problem paying rent has enabled us to reduce the current tenant rent arrears percentage, despite the ongoing cost of living crisis and the pressures this has placed on household budgets.

We have continued to focus on minimising the number of homes which are vacant, and have seen an improvement in the average time taken to relet available properties. The percentage of rent lost through voids also remains low.

The Board of Management's Report (continued)

Review of the Business and Future Developments (continued)

Housing and Sustainable Communities

We are committed to putting our customers first.

Our Housing Officers provide hands-on, tailored support in our communities, making sure our residents' homes suit their needs and addressing issues like antisocial behaviour.

Our five Welfare Rights Officers – based in Aberdeen, Cumbernauld, Dundee and Glasgow – work with residents to let them know the financial support they can access, often helping them navigate the application process. During 2023/2024, our team secured over £1.9 million in welfare benefits for 531 residents. This service is particularly valuable to some of our more vulnerable customers.

We continue to invest in our housing staff across Scotland, building on the success of the Investors in People gold award we received in 2023. We're giving our colleagues more opportunities to develop their knowledge and skills. This includes supporting them through qualifications to help them progress in their roles.

Four of our Assistant Housing Officers have been promoted to either temporary or permanent Housing Officer positions in Aberdeen and Glasgow's Toryglen and Priesthill offices.

We're also delighted that two of our previous apprentices in Aberdeen have successfully moved on to full-time permanent Housing Officer and Assistant Housing Officer positions.

All of this recognition was well deserved and helped Sanctuary Scotland retain these valued team members. We also welcomed two new Housing Management Apprentices to our Cumbernauld and Aberdeen offices.

Our eight Community Connectors continue to work with residents in Aberdeenshire, Glasgow, and Cumbernauld.

Together with our Housing teams, our Sustainable Communities team support tenants to overcome issues such as risk of eviction or significant rent arrears. They also work closely with our many partner organisations across Scotland to help residents build connections in their neighbourhood, increasing the resilience of our communities.

We want every resident to feel safe and secure in their home. One example of us equipping our team with the tools to help our residents feel safe is our work to better understand the causes and impacts of trauma. We teamed up with the Resilience Learning Partnership and the Health and Social Care Partnership and used this learning to help address the root causes of many mental health issues and feelings of isolation. We regularly deliver trauma-informed training and workshops to local communities.

We've also taken part in workshops led by the National Society for the Prevention of Cruelty to Children in Glasgow, Dundee, and Aberdeen, to help us to identify potential signs of child abuse and neglect. We share this knowledge with residents and the steps people can take if they have concerns. It's important customers feel safe when reporting issues and our workshops provide that reassurance.

We support many different projects to help our customers and communities thrive. In Dundee, our funding helped Beechwood Community Centre provide a weekly space for local people and families. Residents built relationships and self-confidence through arts and crafts activities, toys, and games.

In Glasgow's Toryglen, more than 80 residents visit the Blether Café every Thursday to catch up over a free breakfast. We've also set up two new affordable food spaces with Good Food Scotland and launched a weekly 'Recovery Café' to give advice and mentorship to residents.

The creative projects we've been involved in make sure local voices are heard. This includes playwright Mark MacNicol's 'Butterflies & Storms', which addresses antisocial behaviour. The play was developed using workshops with local people and toured primary schools in Glasgow.

The Board of Management's Report (continued)

Review of the Business and Future Developments (continued)

Development and Reinvestment

We continue to support the Scottish Government's 'Housing to 2040' vision, which aims to provide safe, good-quality, and affordable homes for everyone in Scotland. During 2023/2024 we delivered 116 new homes through our development programme.

In the North East, our £23 million development at North Anderson Drive, Aberdeen, saw the creation of 118 much-needed homes on the site of a former fire station. The project includes 109 homes for social rent, and nine supported living homes, with tailored care and support services for those with learning disabilities. This was made possible through our partnership with the Scottish Government and Aberdeen City Council.

In North Lanarkshire, we celebrated the completion of our £100 million regeneration in Cumbernauld. This involved the replacement of 12 tower blocks with 588 high-quality new homes. The final phase of the project in Burns Road is now home to more than 200 residents. This includes 121 homes for social rent, 10 for shared equity sale, and an office hub for our local Housing team.

In South Lanarkshire, we transformed a disused sports centre in Stroud Road, East Kilbride, to provide 28 high-quality two-bedroom flats for local people, all available for social rent. Three of the properties have been specifically designed to meet the needs of wheelchair users. The £4.5 million development includes car parking for all residents, with electric vehicle charging points to enable more sustainable travel.

Our regeneration of Paisley's West End, in Renfrewshire, is officially underway. Our plans aim to address the high number of vacant and derelict units in a once vibrant area of the town, and to bring a thriving new community to life. The new homes are currently being built on the site of former tenements and student accommodation in Sutherland Street, offering a mix of two and three-bedroom houses and apartments available for social rent. Every home will benefit from off-street parking and environmental features such as solar panels and modern insulation, while larger properties will offer private gardens. Several adaptable apartments are being included, along with a lift in one of the blocks to ensure accessibility.

Elsewhere, we successfully completed 128 new-build homes at our Anchor Court development in the Yoker area of Glasgow. The £21 million development has delivered a range of high-quality one, two and three-bedroom apartments on the site of a disused former Scottish Power depot at Hawick Street. We've put sustainability at the forefront of the development, with electrical vehicle charging points on site, solar panels providing lighting and electricity in communal areas, and ample cycle storage. The development was shortlisted in the Large Affordable Housing Development of the Year category of the 2023 Scottish Home Awards.

We have also been working hard to improve our residents' homes. Through our 2023/2024 reinvestment programme, we have made more than £6 million worth of improvements to ensure that our homes meet the Scottish Housing Quality Standards (SHQS) and Energy Efficiency Standard for Social Housing (EESSH). This work has included 307 boiler and heating upgrades, 226 bathroom replacements, 262 kitchen replacements, and 117 window and door replacements. We've also worked with our contractors to deliver 53 roof replacements, seven cyclical decoration projects, and six gutter cleaning projects.

The Board of Management's Report (continued)

Review of the Business and Future Developments (continued)

Homes in management

	2024	2023
Social housing accommodation:		
General needs housing	8,396	8,113
Sheltered & supported housing accommodation	430	424
	8,826	**8,537**
Social housing leased outside Group tenancy agreements	-	-
Total social homes in management	**8,826**	**8,537**

The number of social homes managed by Sanctuary Scotland increased during the year as a result of homes created by our new-build programme.

24 (2023: 24) units owned by the Association were being managed by a third party, external to the Group, at the reporting date. These units of accommodation are managed on behalf of the Association by Margaret Blackwood Housing Association in Edinburgh. No Supported Housing Management Grant was payable during the year in respect of these properties.

Going Concern

The Board confirms it has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association also has the continued support of its ultimate parent, Sanctuary Housing Association, who has provided a letter of support to the Board of the Association to confirm that it intends to provide financial and other support as required for a period of at least 12 months from the date of these financial statements. Accordingly, the Association continues to adopt the going concern basis in its financial statements. Further details are given in note 1.

Governance

Board of Management Members who served during the year and up to the date of approval of the financial statements

John Arthur	
Alexander Clark	Deputy Chairperson
Peter Cowe	
James Docherty	
J'	Deputy Chairperson
Gillian MacPhie	
Michael McGrane	
Alan West	Chairperson
Nigel Wilcock	
Sanctuary Housing Association	

Secretary

Nicole Seymour

Area Committees

The Association has two Area Committees (North East and Central) who scrutinise service delivery and drive forward improvements in the delivery of local services in their geographic areas. Each Area Committee includes at least one member of the Board of Management and up to six other persons appointed by the Board of Management, which may include tenants or other service users from the area served. During the year the Area Committees met regularly to consider matters within their approved remits.

The Board of Management's Report (continued)

Risk Management

Risk management policy

The Association maintains a detailed risk map which is monitored and updated on a regular basis. The risk map identifies risks which the Association might face, the likelihood of such risks occurring and their impact on the Association if they do occur. The risk map also identifies action taken by the Association to mitigate such risks occurring or to minimise their impact. The risk map is utilised by both the Board and the Executive Team to ensure that the Association minimises, and controls as far as possible, the level of risk to which it is exposed.

The principal risks identified in the most recent risk map are:

- Rental income and collection – risk of reduction in income collected.
- Maintenance service and long-term investment – risk of lack of investment in housing properties.
- Cost and income pressures – risk of reduction in cash flows and surpluses.
- Governance – risk of regulatory intervention due to failure to meet high governance standards.
- Management and operational overstretch – risk of loss of operational or financial control or regulatory breach.
- Private finance – risk of restriction of growth ambitions and inability to preserve asset base.
- Technology platform – risk of failing to realise benefits of OneSanctuary platform and modern working opportunities.
- Legislative/Regulatory/Political – risk of breach of legislation, regulatory intervention or deterioration of relationships with third party partners.
- Health and Safety – risk of regulatory intervention due to failure to meet required health and safety standards.
- Fraud – risk that a material fraud arises from an internal or external source.
- Development – risk that the development programme is not built to schedule, quality or budget.
- Information Security and availability – risk of cyber attack, breach of data protection and restriction of systems availability.
- Staffing – risk of a failure to recruit, train and retain a workforce with the appropriate knowledge, skills and experience at all levels.
- Climate Change - risk of not effectively transitioning to a low carbon economy and/or adapt to changes to climate.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association's risk appraisal and management processes aim to address all health and safety matters in relation to property, tenants and staff. A report on health and safety matters is submitted to each meeting of the Board.

Financial risk management

The Association's operations expose it to a variety of financial risks that include the effects of cash flow risk, liquidity risk and interest rate risk. The Association has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Association by monitoring levels of debt finance and related finance costs.

Cash flow risk

At 31 March 2024, 74% of the Association's debt was on fixed rate terms (2023: 81%). Further to this, the Association seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. At the year end, 0.84% (2023: 7.99%) of debt was payable within one year. The Association does not use derivative financial instruments to manage interest rate costs.

Liquidity risk

The Association actively maintains a level of debt finance that is designed to ensure that the Association has sufficient available funds for its operations.

The Board of Management's Report (continued)

Risk Management (continued)

Interest rate risk

The Association has interest bearing liabilities, the majority of which are maintained at a fixed rate to ensure certainty of future interest cash flows.

Statement of Internal Financial Control

The Board of Management is ultimately responsible for ensuring that the Association maintains a system of internal control that is appropriate to the various business environments in which it operates. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed. The controls by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Management has established key procedures to provide internal control and there are clear lines of responsibility for the creation and maintenance of the procedures through the designated senior executives. These controls are designed to give reasonable assurance with respect to:

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

Major business risks are identified through a system of continuous monitoring. The financial control framework includes the following key features:

- The Board of Management being directly responsible for strategic risk management.
- The adoption of formal policies and procedures including documentation of key systems and rules relating to a delegation of authorities which allows the monitoring of controls and restricts the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff being responsible for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- Executives to monitor the key business risks and financial objectives allowing the Association to progress towards its financial plans set for the year and the medium-term. Regular management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information including significant variances from targets which are investigated as necessary.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Group Audit and Risk Committee reviews reports from management, PricewaterhouseCoopers LLP (internal auditors) and KPMG LLP (external auditors) to provide reasonable assurance that control procedures are in place and are being followed. The Group Audit and Risk Committee receive an annual report on internal controls from the Executive Directors. The Group Audit and Risk Committee makes regular reports to the Group Board. The Group follows formal procedures for instituting appropriate action to correct weaknesses identified in the above reporting and relevant points are communicated to the Association.

The Association follows formal procedures for ensuring appropriate actions are taken to correct weaknesses identified from the above reports, which are followed up by the Board of Management.

On behalf of the Board, the Group Audit and Risk Committee has reviewed the effectiveness of the systems of internal control in existence in the Group for the year ended 31 March 2024 and is not aware of any material changes at the date of signing the financial statements.

The Board of Management's Report (continued)

Statement of Board of Management's Responsibilities in Respect of the Board of Management's Report and the Financial Statements

The Board of Management is responsible for preparing the Board of Management's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society and charity law require the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management has elected to prepare the financial statements in accordance with UK-adopted international accounting standards.

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

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

The Board of Management is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2024, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Disclosure of information to Auditor

In the case of each of the persons who are Members of the Board at the date when this report was approved:

(a) so far as the Member is aware, there is no relevant audit information of which the Association's auditor is unaware; and

(b) they have taken all the steps that they ought to have taken as a Member of the Board to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

The Board of Management's Report (continued)

Independent Auditor

KPMG has indicated its willingness to continue in office. A resolution concerning the appointment of the auditor will be proposed at the Annual General Meeting.

By order of the Board of Management.

[redacted]

Nicole Seymour
Secretary
13 August 2024

Independent auditor's report to Sanctuary Scotland Housing Association Limited and the Trustees of Sanctuary Scotland Housing Association Limited

Opinion

We have audited the financial statements of Sanctuary Scotland Housing Association Limited (the Association) for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK-adopted international accounting standards, of the Association's state of affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the requirements of the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2024, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board of Management ("the Board") has prepared the financial statements on the going concern basis as it does not intend to liquidate the Association or to cease its operations, and as it has concluded that the Association's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Association's business model and analysed how those risks might affect the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Management, internal audit and inspection of policy documentation as to the Association's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Association's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the determination of retirement benefit obligations and impairment of property assets. On this audit we do not believe there is a fraud risk related to revenue recognition given the nature of the Association's revenue stream being simple, non-complex transactions and do not contain significant judgements or estimates. Furthermore, there is no history of significant or a high number of audit misstatements in relation to revenue and management is not incentivised on revenue directly.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, distributable profits legislation, taxation legislation, and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Independent auditor's report to Sanctuary Scotland Housing Association Limited and the Trustees of Sanctuary Scotland Housing Association Limited (continued)

Identifying and responding to risks of material misstatement related to compliance with laws and regulations (continued)

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board of Management is responsible for the other information, which comprises the Board of Management's Report and the Statement on Internal financial control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 10 does not provide 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; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit; or
- in our opinion, the information given in the The Board of Management's Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects

Independent auditor's report to Sanctuary Scotland Housing Association Limited and the Trustees of Sanctuary Scotland Housing Association Limited (continued)

Matters on which we are required to report by exception (continued)

In addition, under the Co-operative and Community Benefit Societies Act 2014 we are required to report if, in our opinion, the Association has not maintained a satisfactory system of control over its transactions. We have nothing to report in this respect.

Board's responsibilities

As explained more fully in its statement set out on page 11, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010, and to the Association's Trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Association and its Trustees 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 its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

Salmaan Khan
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 13 August 2024

Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Revenue	2	50,230	45,976
Operating expenditure	3	(25,026)	(18,952)
Other gains and losses	8	(2)	17
Operating surplus	3,5	**25,202**	**27,041**
Loss on cessation of defined benefit pension	19	(607)	-
Finance income	9a	264	71
Finance costs	9b	(12,521)	(10,127)
Surplus for the year from continuing operations		**12,338**	**16,985**
Other comprehensive income			
Items that will not be reclassified subsequently to income or expense:			
Re-measurement of defined benefit pension scheme	19	252	(899)
Other comprehensive income/(loss) for the year		**252**	**(899)**
Total comprehensive income for the year		**12,590**	**16,086**

There were no discontinued operations in either the current or previous financial years.

The notes on pages 21 to 59 form part of these financial statements.

Statement of Financial Position as at 31 March 2024

	Note	2024 £’000	2023 £’000
Assets			
Non-current assets:			
Property, plant and equipment	10	467,172	434,315
Investment Property	11	581	585
Other Investments	12	1	1
Retirement benefit asset	19	397	40
		468,151	434,941
Current assets:			
Trade and other receivables	13	19,023	22,904
Cash and cash equivalents	22	3,603	4,633
		22,626	27,537
Total Assets		**490,777**	**462,478**
Liabilities			
Current liabilities:			
Trade and other payables	14	13,609	17,390
Contract liabilities	2	2,704	2,453
Loans and borrowings	15	2,810	25,138
Provisions	16	1,944	2,068
		21,067	47,049
Non-current liabilities:			
Loans and borrowings	15	331,493	289,560
Retirement benefit obligations	19	-	242
		331,493	289,802
Total liabilities		**352,560**	**336,851**
Equity			
Equity attributable to owners of the parent:			
Share capital	20	-	-
Retained earnings		138,217	125,627
Total Equity		**138,217**	**125,627**
Total Equity and liabilities		**490,777**	**462,478**

The notes on pages 21 to 59 form part of these financial statements.

The financial statements were approved by the Board of Management on 13 August 2024 and signed on its behalf by:

[redacted]

Alan West
Chairperson

[redacted]

Alexander Clark
Deputy Chairperson

[redacted]

J’
Deputy Chairperson

[redacted]

Nicole Seymour
Secretary

Statement of Changes in Equity for the year ended 31 March 2024

	Share capital £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2022	-	109,541	109,541
Surplus for the year	-	16,985	16,985
Other comprehensive income	-	(899)	(899)
Total comprehensive income	**-**	**16,086**	**16,086**
At 31 March 2023	**-**	**125,627**	**125,627**
At 1 April 2023	-	125,627	125,627
Surplus for the year	-	12,338	12,338
Other comprehensive income	-	252	252
Total comprehensive income	**-**	**12,590**	**12,590**
At 31 March 2024	**-**	**138,217**	**138,217**

The notes on pages 21 to 59 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Surplus for the year		12,338	16,985
Adjustments for:			
Depreciation	5	4,390	3,581
Loss/(gain) on sale of property, plant and equipment	8	2	(17)
Loss on cessation of defined pension	19	607	-
Net finance costs	9	12,257	10,056
		17,256	13,620
Cash generated before working capital movements		29,594	30,605
Changes in:			
Trade and other receivables		(202)	(882)
Trade and other payables		1,301	2,526
Provisions		(124)	(2,124)
Retirement benefit obligations		(787)	18
		188	(462)
Cash generated from operating activities		29,782	30,143
Interest paid		(13,975)	(11,239)
Net cash inflow from operating activities		**15,807**	**18,904**
Cash flows from investing activities			
Interest received		260	44
Proceeds from sale of property, plant and equipment	8	-	43
Acquisition and construction of property, plant and equipment and investment property		(52,839)	(71,342)
Capital grants received		16,244	26,982
Net cash outflow from investing activities		**(36,335)**	**(44,273)**
Cash flows from financing activities			
Proceeds from loans and borrowings		40,160	44,566
Repayment of borrowings		(20,662)	(17,361)
Net cash flow from financing activities		**19,498**	**27,205**
Net movement in cash and cash equivalents		**(1,030)**	**1,836**
Cash and cash equivalents 1 April		4,633	2,797
Cash and cash equivalents 31 March		**3,603**	**4,633**

The notes on pages 21 to 59 form part of these financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

General Information

The financial statements are presented in pounds sterling which is the Group's functional currency. Unless otherwise stated, amounts are denominated in thousands (£'000) rounded to the nearest £1,000.

Basis of accounting

The Association's financial statements have been prepared and approved by the Board of Management in accordance with UK-adopted International Accounting Standards. They are also prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP) and the Determination of Accounting Requirements 2024 where these do not conflict with IFRS.

Going Concern

The Association's principal activities, together with factors likely to affect its future performance, are set out in the Board of Management's report on pages 4 to 12.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board's assessment of the Association's ability to continue as a going concern is based on consideration of cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements, which show that the Association will have sufficient funds to continue to meet its liabilities as they fall due. In forming their view the Board has taken into consideration that Sanctuary Housing Association, the Association's ultimate parent, has provided a letter of support to the Board of the Association to confirm that it intends, should the need arise, to provide financial and or other support to the Association, including, if required, not seeking repayment of amounts currently made available (note 14 - £5,132,000 at 31 March 2024 (2023: £7,798,000)), for the period covered by the forecasts.

As with any entity placing reliance on other group entities for financial support, the Board acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

IFRSs not yet applied

The following list details new standards, amendments and interpretations which are not yet effective, which may have an impact on the accounting within the Association's Financial Statements in future periods:

- Amendments to IFRS 16 Leases in relation to leases on sale and leaseback (annual periods beginning on or after 1 January 2024).
- Amendments to IAS 1 Presentation of Financial Statements in relation to non-current liabilities with covenants (annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instrument Disclosures in relation to supplier finance arrangements (annual periods beginning on or after 1 January 2024).

Other forthcoming standards, amendments or interpretations which are not covered within the above are unlikely to impact the Financial Statements of the Association.

Critical accounting judgements

In the process of applying the Association's accounting policies, management have made certain judgements which have a significant impact upon the financial statements, these are detailed below.

Classification of property

A degree of judgement is required over whether property held by the Association is treated as property, plant and equipment or as investment property.

Investment property is property held to earn rentals or for capital appreciation or both. The Association considers all of its commercial property to fall under this definition.

Property held for use in the production or supply of goods or services or for administrative purposes is treated as property, plant and equipment. The Association has therefore classified its office buildings (held for administrative purposes) as property, plant and equipment.

A greater degree of judgement is required over the classification of housing property held for social lettings. It is the Association's opinion that whilst rental income is received from the provision of social housing, the primary purpose is to provide social benefits. The provision of social housing is therefore akin to supplying a service and so property held for this purpose has been accounted for as property, plant and equipment. This treatment is consistent with housing associations that have chosen the alternative option of applying the revised UK GAAP (FRS 102), which contains explicit provisions for this scenario and arrives at a similar conclusion; it is also consistent with guidance contained in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP).

Critical accounting estimates and assumptions

The preparation of the Association's Financial Statements requires management to make estimates and assumptions that affect reported carrying amounts of assets and liabilities.

Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The no estimates and assumptions within these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

Other Accounting Judgements, Estimates and Assumptions

Retirement benefit obligation valuations

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Association.

- inflation rate;
- life expectancy;
- discount rate; and
- salary and pension growth rates.

The Association is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets.

Expected Credit Losses on Trade Receivables and Contract Assets

Under IFRS 9, as long as there is no significant financing component, loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument (see note 18). Due to the diverse activities of the Association a range of different methodologies are used to derive ECLs for the different operational areas, taking into account factors such as service type, customer type, customer status, age of debt, level of debt and legal status. Outcomes have been assessed by using both quantitative and qualitative information and analysis, based on the Association's historical experience and informed credit assessment.

Provisions

A provision is recognised when the Association has a measurable present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, by their nature, have a degree of uncertainty over the timing or amount of the future expenditure required in settlement. Management determines the level of an obligation by considering the range of possible outcomes and estimating the probable financial effect of settlement using judgement based on past experience and, where applicable, information provided by independent experts. Details of the provisions held within the Association are included in note 16.

Climate change

The Association has considered the impact of climate change in preparing these financial statements, in the context of its Environment and Climate Change Strategy.

Climate change mitigation activities are already well underway by the Association, with a short-term target of halving operational carbon emissions by 2030. The Association continues to invest in environmental initiatives to drive decarbonisation, and the effect that these initiatives may have on existing asset component lives is kept under constant review. To date, works have been within existing life cycles or additive in nature and so have not been indicative of a shortening of component lives.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Other Accounting Judgements, Estimates and Assumptions (continued)

Climate change (continued)

Climate risks are considered when assessing assets for impairment. The review of physical climate-related risks such as flooding, changes in temperature and extreme weather events, has not resulted in identification of indicators of impairment for the Association's assets. When determining cash flows for value in use calculations, climate change is deemed to have a negligible impact on the Association's income streams and maintenance requirements in the short or medium term and so no adjustments have been required.

The Association continues to improve sustainability standards in the construction of new homes in a range of ways to reduce carbon emissions and to minimise exposure to physical climate change risks in the future.

Whilst there is currently no material impact expected from climate change over the short to medium term, the Association will continue to assess the risks of climate change against judgements and estimates made in preparation of the Association's financial statements.

Revenue

Many of the Association's activities involve a high number of end service users, each of whom has a separate contract. However, for each activity type (for example, general needs housing) there is very little variation in the substance of the individual contracts. In arriving at its conclusions over application of IFRS 15, management has therefore applied the practical expedient that allows application of the Standard to portfolios of contracts with similar characteristics, rather than to individual contracts. Management believes that the effect on the Financial Statements of applying the Standard to the portfolios does not differ materially from applying the Standard to the individual contracts within the portfolios.

Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

For leased assets, the Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Land and buildings:

Land and buildings consists of housing properties for social rent. The provision of social housing is akin to supplying a service and therefore property held for the primary purpose of providing social benefits is excluded from the scope of investment property and accounted for as PPE. Housing properties are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of such properties includes the following:

a) cost of acquiring land and buildings;
b) construction costs including internal equipment and fitting;
c) directly attributable development administration costs;
d) cost of capital employed during the development period;
e) expenditure incurred in respect of improvements and extensions to existing properties; and
f) construction costs incurred but not yet certified at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic or social benefits associated with the item will flow to the Association and the cost of the item can be measured reliably.

Expenditure on housing properties which is capable of generating increased future rents, extends their useful life, or significantly reduces future maintenance costs, is capitalised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Structure	40 – 125 years
Doors and door entry systems	10 – 40 years
Bathrooms	15 – 40 years
External works	20 – 25 years
Heating systems	15 – 40 years
Kitchens	30 years
Lifts	10 years
Green technologies	25 years
Roof coverings	50 years
Windows	40 years
Electrical wiring	30 years

The acquisition and disposal of properties is accounted for on the date when completion takes place.

Offices, plant and equipment:

Assets are stated at cost (this includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use) less accumulated depreciation, which is charged on a straight line basis to write off assets over their expected economic useful lives as follows:

Freehold land and buildings (offices)	10 – 40 years
Leasehold land and buildings (offices)	Over the period of the lease
Furniture and equipment	4 – 10 years
Motor vehicles	4 – 7 years
Computer equipment (excluding software)	4 – 10 years

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The Association classifies its commercial property as investment property and has chosen to apply the cost model; they are therefore stated at cost less accumulated depreciation.

Depreciation on investment properties is charged on a straight-line basis to write off assets over their expected economic useful lives as follows:

Investment property	As per property, plant and equipment

Borrowing costs and development administration costs

Interest on the Association's borrowings is capitalised when directly attributable to the construction of an asset that necessarily takes a substantial amount of time to get ready for its intended use or sale. Qualifying assets are properties under construction for sale or rental. The interest is either on borrowings specifically financing a scheme (after deduction of interest on grants received in advance) or the weighted average borrowing rate across net borrowings deemed to be financing a scheme. Where a scheme has grant in excess of costs, interest receivable is accrued against the balance.

Labour costs of the Association's own employees that are incurred in relation to the development of properties, whether for sale or rental, are also capitalised.

Impairment

Financial assets

At each reporting date, the Association assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income (FVOCI), are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Association recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost
- contract assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Association expects to receive).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Association is exposed to credit risk.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Impairment (continued)

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. Other loss allowances are measured at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date
- other debt securities and bank balances for which credit risk (that is the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Association's historical experience and informed credit assessment and including forward-looking information.

The Association considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Association considers this to be 'Baa3' or higher as per the rating agency Moody's.

Impairment Testing - Property

When an impairment indicator is identified, an impairment review is performed at an individual CGU level and carrying value is compared to recoverable amount, which is defined as the higher of:

- Fair value less selling costs, or
- Value in use.

Should the carrying value of the CGU exceed the higher of these measures, it is impaired to this value, with the movement going through the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A valuation technique that may be used to determine fair value is the cost approach, which reflects the amount that would be required currently to replace the service capacity of the asset (current replacement cost). For social housing properties this is depreciated replacement cost (DRC) of the property. To determine the DRC, the Association uses information on current and recently completed developments in order to establish a build cost relevant to the property being tested, based on size, location, and other factors.

Value in Use (VIU) is the present value of the future cash flows expected to be derived from the CGU, established by estimating future cash inflows and outflows from the use of the asset and applying an appropriate discount rate to those cash flows.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Association becomes a party to the contractual provisions of the instrument.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Financial instruments (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

a) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Association makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the funding needs of the Association;
- how the performance of the assets is evaluated and reported to the Association's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the contractual cash flows; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Financial instruments (continued)

Assessment of contractual cash flows that are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Association considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Association considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features
- prepayment and extension features
- terms that limit the Association’s claim to cash flows from specified assets (for example non-recourse features).

b) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

a) Financial assets

The Association derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Association neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Association enters into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

b) Financial liabilities

The Association derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Association also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Financing costs

Costs which are incurred directly in connection with the raising of private finance are deducted from the liability and amortised over the term of the loan on a consistent periodic rate of charge. Premiums or discounts on financial instruments are amortised using the effective interest rate basis or a straight-line basis where it can be demonstrated that there is no material difference between the two methods.

Leasehold service charge sinking funds

The Association is required to set aside sums for future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added. Amounts accumulated in the fund are included within trade and other receivables and within trade and other payables.

Unutilised contributions to sinking funds and over recovery of service costs repayable to tenants/leaseholders are shown in liabilities (including any interest). Where there has been an under recovery of variable service charges, the balance is included within receivables to the extent it is recoverable.

Shared Equity Housing

Properties developed under the Scottish Government's shared equity initiative are funded by grant and ultimate sales proceeds. For properties commenced and completed before 1 April 2008, the net investment in shared equity properties is shown on the face of the Statement of Financial Position as investments and carried at historical cost with the linked finance cost, being the grant received, deducted from the gross amount of the shared equity asset. Shared equity properties under construction are shown in inventory, while completed properties commenced and completed after 1 April 2008 are not disclosed in the financial statements, as any interest in the completed property is held by the Scottish Government.

New Supply Shared Equity (NSSE)

The Association administers the sale of homes in Scotland through the Scottish Government's New Supply Shared Equity (NSSE) scheme. Buyers purchase between 60 per cent and 80 per cent of their new build home's value, with the Scottish Government retaining the remaining 20 per cent to 40 per cent stake in the form of a mortgage.

Under IFRS 15, in administering this scheme, the Association is deemed to be acting in an agency capacity, developing properties and arranging sales on behalf of the Scottish Government who is the principal in the arrangement. As an agent, the Association does not recognise revenue and costs from the sale of these properties within its own Financial Statements.

Housing Association Grant (HAG) and other public grant

Where developments have been financed wholly or partly by HAG and/or other public grant, the amount of grant received is offset against the cost of developments on the Statement of Financial Position. In instances where grant for the development programme exceeds development costs, an amount equal to the excess is held in other payables. Similarly if grant is receivable for the development programme in arrears the amount is accrued in other receivables.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Retirement benefits

The Association's pension arrangements comprise three defined benefit and two defined contribution schemes. Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Association recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included within other comprehensive income. Current and past service costs, curtailments and settlements are recognised within operating surplus. Interest on net pension liabilities is recognised as a finance expense. Key assumptions used in determining the valuation of defined benefit schemes are given within critical accounting estimates and assumptions.

For defined benefit pension schemes where a debt has been, or is soon to be, crystallised, the Association recognise the full liability on the Statement of Financial Position based upon a cessation valuation.

For defined contribution arrangements, the cost charged to the Statement of Comprehensive Income represents the Association's contribution to those schemes in the financial year in which they fall due.

2. Revenue

Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Association recognises revenue when it transfers control over a product or service to a customer.

A significant proportion of the Association's income is derived from contracts of 'residential occupation'. Management has determined that social housing tenancies do not meet the definition of leases; consequently they are treated as revenue contracts under IFRS 15.

As per the Standard, revenue must be recognised either over time or at a point in time. All of the Association's activities are services where the customer consumes the benefits of performance simultaneously with the Association performing and so revenue is recognised over time.

IFRS 15 requires that the incremental costs of obtaining a contract with a customer are capitalised if those costs are expected to be recovered through future services to the customer. The Association does not incur costs such as sales commissions in obtaining contracts and any pre-contract costs that are incurred are not incremental, consequently no asset of this nature has been recognised. The Association continually reviews costs incurred in fulfilling contracts to determine if they require capitalisation under the Standard.

Contract assets arise when the Association has rights to consideration in exchange for goods or services that have transferred to a customer, but those rights are conditional on something other than the passage of time.

Contract liabilities are obligations to transfer goods or services to a customer for which the Association has received consideration, or for which an amount of consideration is due from a customer. Such balances include payments received in advance and deferred income.

Contract receivables are unconditional rights to consideration where only the passage of time is required before payment becomes due. Such balances include rental receivables, other trade receivables and accrued income. The Association has presented contract liabilities as separate line items on the Statement of Financial Position while contract receivables are included within trade and other receivables.

Notes to the Financial Statements (continued)

2. Revenue (continued)

Nature of goods and services and revenue recognition

The following is a description of the principal activities from which the Association derives its revenue.

Product/ Service	Nature, timing of satisfaction of performance obligations and significant payment terms
Social housing lettings income	Social housing lettings income relates to rent and service charges received from social housing tenancies, which may be classified as: general needs or supported housing. Revenue is recognised over time based on rental periods, in accordance with tenancy agreements. Where periodic timing differences arise between billing and rental periods, then revenue is accrued or deferred accordingly. Some older tenancy agreements include rent-free periods each year, in these cases income is accrued or deferred in order to recognise the rent-free periods on a straight-line basis over 52 weeks. Tenants generally pay weekly or monthly in advance.
Supporting People income	Supporting People income is a specific form of revenue received from local authorities to provide housing-related support services to vulnerable individuals. Revenue is recognised based either on support hours delivered in a period (spot contracts) or at a fixed amount each period (block contracts), depending on the specific agreement. Billing is predominantly done on a four-week cycle.
Managed schemes	Managed schemes income relates primarily to property factoring income which is recognised over time, similar to service charges. Billing is generally six monthly in arrears.
Other income	Other income relates primarily to revenue due from the Company's subsidiary, Sanctuary Homes (Scotland) Limited, which lets properties to external tenants in an agency capacity. Revenue recognition is similar to social housing lettings income.

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and services using the same headings as the note prepared to meet the requirements of the Determination of Accounting Requirements 2024 (note 3 and 4).

Year ended 31 March 2024	**Rented housing**	**Supported housing**	**Other activities**	**Total**
Revenue recognised over time	**£'000**	**£'000**	**£'000**	**£'000**
Income from social housing lettings	44,282	2,278	-	**46,560**
Managed schemes	-	-	570	**570**
Supporting people income	-	-	22	**22**
Other	-	-	3,078	**3,078**
Total revenue over time	**44,282**	**2,278**	**3,670**	**50,230**
Less lease income	**-**	**-**	(130)	(130)
Revenue from contracts with customers	**44,282**	**2,278**	**3,540**	**50,100**

Notes to the Financial Statements (continued)

2. Revenue (continued)

Disaggregation of revenue (continued)

Year ended 31 March 2023	Rented housing	Supported housing	Other activities	Total
Revenue recognised over time	**£'000**	**£'000**	**£'000**	**£'000**
Income from social housing lettings	40,904	2,167	-	**43,071**
Managed schemes	-	-	390	**390**
Supporting people income	-	-	90	**90**
Other	-	-	2,425	**2,425**
Total revenue over time	**40,904**	**2,167**	**2,905**	**45,976**
Less lease income	**-**	**-**	(130)	(130)
Revenue from contracts with customers	**40,904**	**2,167**	**2,775**	**45,846**

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2024	2023
	£'000	£'000
Contract receivables (included in trade and other receivables)		
Tenant rental receivables net of expected credit loss (note 13)	2,184	2,085
Other trade receivables (note 13)	1,250	947
Accrued income (note 13)	5,983	6,277
	9,417	**9,309**
Contract liabilities		
Payments received in advance	2,371	2,105
Deferred income	333	348
	2,704	**2,453**

The Association applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Notes to the Financial Statements (continued)

3. Revenue, Operating Costs and Operating Surplus

	2024 Revenue £'000	2024 Operating costs £'000	2024 Other gains and losses £'000	2024 Operating Surplus £'000	2023 Operating Surplus £'000
Social housing lettings	46,560	(23,859)	-	22,701	24,998
Other activities	3,670	(1,167)	-	2,503	2,026
Other gains and losses	-	-	(2)	(2)	17
Total	**50,230**	**(25,026)**	**(2)**	**25,202**	**27,041**
Total for previous year	**45,976**	**(18,952)**	**17**	**27,041**	

4a. Income and Expenditure from Social Housing Lettings

	Rented housing £'000	Supported housing £'000	2024 Total £'000	2023 Total £'000
Income from lettings				
Rents receivable net of service charges	43,528	2,071	45,599	42,120
Service charges	1,251	254	1,505	1,417
Gross income from rents and service charges	44,779	2,325	47,104	43,537
Less voids	(531)	(56)	(587)	(523)
Net income from rents and service charges	**44,248**	**2,269**	**46,517**	**43,014**
Other income	34	9	43	57
Total income from social letting activities	**44,282**	**2,278**	**46,560**	**43,071**
Expenditure on lettings				
Management and maintenance administration costs	(5,665)	(54)	(5,719)	(4,703)
Services costs	(4,090)	(356)	(4,446)	(3,254)
Reactive maintenance	(6,999)	(356)	(7,355)	(4,777)
Planned and cyclical maintenance	(1,846)	(109)	(1,955)	(1,580)
Bad debts – rents and service charges	(302)	2	(300)	(449)
Depreciation of social housing	(3,817)	(267)	(4,084)	(3,310)
Operating costs from social letting activities	**(22,719)**	**(1,140)**	**(23,859)**	**(18,073)**
Operating surplus from social letting activities	**21,563**	**1,138**	**22,701**	**24,998**
Operating surplus from social letting activities for previous year	**23,869**	**1,129**	**24,998**	

Notes to the Financial Statements (continued)

4b. Income and Expenditure from Other Activities

	2024 Other income £'000	2024 Other operating costs £'000	2024 Operating surplus/ (deficit) £'000	2023 Operating surplus/ (deficit) £'000
Managed schemes	570	(368)	202	164
Development administration	-	(55)	(55)	(12)
Supporting People contract income	22	(22)	-	-
Other property income	3,012	(656)	2,356	1,874
Other	66	(66)	-	-
Total from other activities	**3,670**	**(1,167)**	**2,503**	**2,026**
Total from other activities for the previous year	**2,905**	**(879)**	**2,026**	

5. Operating Surplus

	2024 £'000	2023 £'000
The operating surplus is arrived at after charging:		
Depreciation of property, plant and equipment (note 10)	4,386	3,577
Depreciation of investment property (note 11)	4	4
(Loss)/surplus on the sale of property, plant and equipment (note 8)	(2)	17
Auditor's remuneration – audit	34	32

There were no non-audit services in the year or the prior year.

6. Board of Management Members' Emoluments

Total remuneration paid to Members of the Board of Management by the parent undertaking, Sanctuary Housing Association, amounted to £30,000 (2023: £27,000).

The Members of the Board of Management were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £3,274 (2023: £1,490).

Notes to the Financial Statements (continued)

7. Employee Information

	2024 £'000	2023 £'000
Employee costs charged during the period amounted to:		
Wages and salaries	1,436	1,040
Social security costs	146	108
Other pension costs	138	106
	1,720	**1,254**

	2024 Number	2023 Number
The average monthly number of persons employed during the period expressed in full-time equivalents was:		
Site based staff	2	2
Office based staff	41	29
	43	**31**

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

8. Other gains and losses

	2024 £'000	2023 £'000
Proceeds from sale of property, plant and equipment	-	43
Cost of disposals	(2)	(26)
	(2)	**17**

9. Finance income and costs

a) Finance income

	2024 £'000	2023 £'000
Interest receivable from:		
Short-term cash deposits	139	37
Other interest	125	34
	264	**71**

b) Finance costs

	2024 £000	2023 £000
Interest on loans from Group undertakings	12,778	9,674
Interest on external loans	1,935	2,070
Amounts transferred to housing properties in the course of construction	(2,031)	(1,561)
Net finance credit of defined benefit pension schemes	(167)	(64)
Interest in respect of right-of-use assets	6	8
	12,521	**10,127**

Notes to the Financial Statements (continued)

10. Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Offices £'000	Under construction £'000	Total £'000
Cost					
Balance at 1 April 2022	722,166	437	1,199	109,201	833,003
Additions	9,695	8	-	59,566	69,269
Transfers at completion	55,717	-	-	(55,717)	-
Disposals	(870)	-	-	-	(870)
Balance at 31 March 2023	786,708	445	1,199	113,050	901,402
Balance at 1 April 2023	786,708	445	1,199	113,050	901,402
Additions	7,574	61	-	46,076	53,711
Transfers at completion	57,748	-	-	(57,748)	-
Disposals	(542)	-	-	-	(542)
Balance at 31 March 2024	851,488	506	1,199	101,378	954,571
Depreciation and impairment					
Balance at 1 April 2022	23,147	263	208	-	23,618
Depreciation charge for the year	3,518	49	10	-	3,577
Disposals	(822)	-	-	-	(822)
Balance at 31 March 2023	25,843	312	218	-	26,373
Balance at 1 April 2023	25,843	312	218	-	26,373
Additions	-	-	-	-	-
Depreciation charge for the year	4,317	59	10	-	4,386
Disposals	(447)	-	-	-	(447)
Balance at 31 March 2024	29,713	371	228	-	30,312
Housing association grant					
Balance at 1 April 2022	331,963	-	-	80,662	412,625
Additions	342	-	-	27,769	28,111
Transfers at completion	29,018	-	-	(29,018)	-
Disposals	(22)	-	-	-	(22)
Balance at 31 March 2023	361,301	-	-	79,413	440,714
Balance at 1 April 2023	361,301	-	-	79,413	440,714
Additions	270	-	-	16,196	16,466
Transfers at completion	31,552	-	-	(31,552)	-
Disposals	(93)	-	-	-	(93)
Balance at 31 March 2024	393,030	-	-	64,057	457,087
Net book value					
31 March 2024	**428,745**	**135**	**971**	**37,321**	**467,172**
31 March 2023	**399,564**	**133**	**981**	**33,637**	**434,315**
1 April 2022	**367,056**	**174**	**991**	**28,539**	**396,760**

10. Property, plant and equipment (continued)

Annual impairment review

The Association annually reviews properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further impairment tests using the methods described in note 1 and below. The Association has determined that for the purposes of impairment testing, each property is a cash-generating unit.

Social housing assets are considered to have indicators of impairment when they have been vacant for a period of ninety days or longer. In the current and prior year, the carrying value of social housing properties identified with indicators of potential impairment was not material to the Association (2023: not material) and so further impairment tests were not deemed necessary.

Assets pledged as security

Property with a pre-grant carrying amount of £389,510,000 (2023: £391,100,000) has been pledged to secure borrowings.

11. Investment property

	£'000
Cost	
Balance at 1 April 2022	1,030
Additions	37
Balance at 31 March/1 April 2023	1,067
Additions	-
Balance at 31 March 2024	1,067
Depreciation	
Balance at 1 April 2022	27
Charge for the year	4
Balance at 31 March/1 April 2023	31
Charge for the year	4
Balance at 31 March 2024	35
Other grant	
Balance at 1 April 2022	442
Additions	9
Balance at 31 March/1 April 2023	451
Additions	-
Balance at 31 March 2024	451
Net book value	
31 March 2024	**581**
31 March 2023	**585**
1 April 2022	**561**

Notes to the Financial Statements (continued)

11. Investment property (continued)

The Association annually reviews investment properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further review. The Association has determined that for the purposes of impairment testing, each property is a cash-generating unit.

Commercial property is considered to have indicators of impairment if it is vacant or if there has been a significant decline in market value. For the year ended 31 March 2024 no commercial property (2023: none) was identified as having indicators of potential impairment.

Fair value of investment property

The estimated fair value of the investment property is £1,820,000 (2023: £1,803,000). The fair value has been determined by Directors' valuations. In accordance with the fair value measurement hierarchy discussed in note 18, these are deemed to be Level 3 valuations.

12. Other Investments

	2024 £'000	2023 £'000
Shared Equity		
- Investment	1,545	1,545
- Grant	(1,545)	(1,545)
	-	-
Investment in shares – Energy Prospects Co-operative Limited	1	1
Subsidiary Company – Sanctuary Homes (Scotland) Limited	-	-
Total other investments	**1**	**1**

Properties developed under the Scottish Government's shared equity initiative are funded by grant and ultimate sales proceeds. The net investment in shared equity properties is carried at historical cost with the linked finance cost, being the grant received, deducted from the gross amount of the shared equity asset in line with the SORP.

The Association owns 1,073 shares (2023: 1,073 shares) in Energy Prospects Co-operative Limited.

Sanctuary Homes (Scotland) Limited is a wholly owned subsidiary of the Association. It was incorporated in Scotland under the Companies Act in February 2017. The principal activity of Sanctuary Homes (Scotland) Limited is the management of real estate on an agency basis on behalf of the Association.

13. Trade and other receivables

	2024 £'000	2023 £'000
Current:		
Tenant rental receivables (note 18)	2,184	2,085
Other trade receivables (note 18)	1,250	947
Amounts due from fellow Group undertakings	2,419	2,009
Prepayments	240	189
Accrued income	5,983	6,277
NSSE receivables	6,939	11,389
Other receivables	8	8
	19,023	**22,904**

Amounts due from parent and fellow Group undertakings are trading in nature, repayable on demand and do not bear interest.

Notes to the Financial Statements (continued)

14. Trade and other payables

	2024 £'000	2023 £'000
Current:		
Trade payables	667	1,878
Amount due to Group entities	5,132	7,798
Other payables	488	549
Accruals	6,991	6,787
Grants received in advance	331	378
	13,609	**17,390**

Amounts due to fellow group undertakings and parent undertaking are trading in nature, are repayable on demand and do not bear interest.

15. Loans and borrowings

	2024 £'000	2023 £'000
Current:		
Amounts owed to Group undertakings	1,570	16,671
Bank loans and mortgages	1,197	8,421
Lease liability (Note 17)	43	46
	2,810	25,138
Non-current:		
Amounts owed to fellow Group entities	304,232	260,802
Senior notes and debenture stock	10,000	10,000
Bank loans and mortgages	17,244	18,707
Lease liability (Note 17)	17	51
	331,493	289,560
Total loans and borrowings	**334,303**	**314,698**

As part of the Thistle Housing Association transfer in 2021 the Association took on £10 million loan notes due to mature April 2047 at a rate of 3.814 per cent.

Based on the lender's earliest repayment date, borrowings fall due as follows:

	2024 £'000	2023 £'000
In one year or less	2,810	25,138
Between one and two years	4,282	2,869
Between two and five years	62,242	29,085
In five years or more	264,969	257,606
	334,303	**314,698**

Notes to the Financial Statements (continued)

16. Provisions

	Property related £'000	Other provisions £'000	Total £'000
At 1 April 2023	1,968	100	2,068
Utilised during the year	(24)	-	(24)
Released during the year	-	(100)	(100)
At 31 March 2024	1,944	-	1,944
Ageing of provisions – expected utilisation			
Under one year	1,944	-	1,944
Over one year	-	-	-
At 31 March 2024	1,944	-	1,944

Property related provisions relate to obligated major works on buildings.

All provisions are short-term and are expected to be utilised within one year.

17. Leases

Lessee arrangements

Leases in the Association most commonly run for a period of 3 years. Leases will be typically appraised prior to expiry of the initial term of the contract or at the next break opportunity. A decision to either terminate or renew the lease will be undertaken. Leases that pass the initial term without a decision will continue in a holdover period until resolved.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 10).

Notes to the Financial Statements (continued)

17. Leases (continued)

Right-of-use assets included within Property, plant and equipment

	Land and buildings £'000
Cost	
Balance as at 1 April 2023	429
Additions	22
Balance as at 31 March 2024	**451**
Depreciation and impairment	
Balance as at 1 April 2023	314
Depreciation charge for the year	54
Balance as at 31 March 2024	**368**
Net book value	
31 March 2024	**83**
31 March 2023	**115**

Amounts recognised in the Statement of Comprehensive Income

	2024 £'000	2023 £'000
Interest on lease liabilities	6	8
Depreciation charge for right-of-use assets	54	57
	60	**65**

Amounts recognised in the Statement of Cash Flows

	2024 £'000	2023 £'000
Total cash outflow for leases	43	82
	43	**82**

Lease liabilities

Undiscounted lease payments to be made under lease arrangements fall due as shown below.

	2024 £'000	2023 £'000
Land and buildings:		
Under one year	41	63
In the second to fifth year inclusive	36	59
Total gross payments	77	122
Financing costs	(17)	(25)
Net lease liability	**60**	**97**

Notes to the Financial Statements (continued)

17. Leases (continued)

The present value of amounts payable under leases is as follows:

	2024 £'000	2023 £'000
Land and buildings:		
Under one year	43	46
In the second to fifth year inclusive	17	51
	60	**97**

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

Lessor arrangements

It has been determined that contracts of residential occupation do not meet the definition of a lease under IFRS 16. A small proportion of the Association's income is derived from commercial arrangements that do meet the definition of a lease under IFRS 16 and these are discussed further below.

The Association undertakes an assessment of the financial and operational viability of any potential lessee for a new lease and as such will determine the most appropriate lease terms to put in place. Negotiation of these lease terms will consider the most appropriate terms to ensure they are not unduly onerous or prohibitive and ensure any value continues to be realised or enhanced from the property.

There are no variable lease payments that do not depend on an index or a rate.

During the year ended 31 March 2024, income from operating leases was £130,000 (2023: £130,000).

Amounts receivable under operating leases are due as follows:

	2024 £'000	2023 £'000
Under one year	78	69
Between one and two years	72	69
Between two and three years	67	69
Between three and five years	134	139
In more than five years	406	155
	757	**501**

18. Financial instruments and risk management

Financial risk management objectives and policies

The Group's Treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example arrears, are the responsibility of other operating divisions of the Group's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit and Risk Committee.

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Where financial instruments are measured in the Statement of Financial Position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Association's financial instruments include:

Financial assets

Financial assets at amortised cost - current

	2024 £'000	2023 £'000
Rental receivables (note 13)	2,184	2,085
Other trade receivables (note 13)	1,250	947
NSSE receivables (note 13)	6,939	11,389
Other receivables (note 13)	8	8
Amounts due from Group entities (note 13)	2,419	2,009
Cash and cash equivalents	3,603	4,633
	16,403	**21,071**

Of the above loans and receivables balances, rental receivables, amounts due from parent undertaking, amounts due from Group entities and other receivables £12,800,000 (2023: £16,438,000) derive from current trade and other receivables balances on the Statement of Financial Position. Trade and other receivables totalled £19,023,000 at 31 March 2024 (2023: £22,904,000). The remaining balances of £6,223,000 (2023: £6,466,000) are not considered to fall within the definition of a financial asset.

Financial liabilities

As at 31 March the Association's financial liability balances were as follows:

Financial liabilities at amortised cost - current

	2024 £'000	2023 £'000
Debt finance excluding setup costs	2,965	25,287
Trade payables (note 14)	667	1,878
Amounts due to Group entities (note 14)	5,132	7,798
Other payables (note 14)	488	549
Lease liability (note 17)	43	46
	9,295	**35,558**

Current trade and other payables as disclosed in the Statement of Financial Position totalled £13,609,000 (2023: £17,390,000). The difference between the Statement of Financial Position and the amounts disclosed above is £7,322,000 (2023: £7,165,000) and relates to balances that are not considered to fall within the definition of a financial liability. Debt finance consists of loans and mortgages and is presented before deducting setup costs.

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost – non-current

	2024 £'000	2023 £'000
Debt finance excluding setup costs	332,968	290,904
Lease liability (note 17)	17	51
	332,985	**290,955**

Debt finance consists of loans and is presented before deducting setup costs.

Total current and non-current other financial liabilities at 31 March 2024 were £342,280,000 (2023: £326,513,000).

All significant inputs required to value the above instruments are observable and, as such, the Association has classified them as level 2.

Valuation

Balances are valued in accordance with note 1 Principal Accounting Policies – Financial Instruments.

Where applicable, all assets and liabilities at fair value through the Income Statement are designated as such on initial recognition.

Bank loans and mortgages are measured at book value. However, fair value can be calculated and these are disclosed in note 18a.

Analysis of risks

a) Interest rate risk and exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Association's liabilities and cash flows.

The interest rate exposure of the Association net debt at 31 March 2024 was:

	£'000	%
Fixed rate financial liabilities	248,421	74
Variable rate financial liabilities	85,882	26
	334,303	**100**

The weighted average interest rate of the Association's total financial liabilities is 4.54% (2023: 4.03%). The weighted average life of fixed rate financial liabilities is 19.2 years (2023: 19.4 years). The Association operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs.

The Association's cash flow interest rate risk relates to:

- fixed rate financial instruments where benefits of interest rate reductions are lost – a 0.25% rate reduction would result in a lost benefit of £628,000 (2023: £648,000).
- Variable rate financial instruments which are subject to rate changes – a 10% increase in interest costs would result in an additional charge of £533,000 (2023: £299,000).

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Analysis of risks (continued)

a) Interest rate risk and exposure (continued)

A comparison of the book value to fair value of Association's long-term borrowings at 31 March 2024 is set out below.

	2024 Book Value £'000	**2024 Fair Value £'000**
Bank loans and mortgages (note 15)	17,244	17,186
Amounts owed to Group entities (note 15)	304,232	296,184
Senior notes and debenture stock (note 15)	10,000	8,069
Lease Liability (notes 15 and 17)	17	17
	331,493	**321,456**

The following methods and assumptions have been applied in determining the value of the financial instruments in the table above.

(i) The book value of loans with a maturity of less than one year is assumed to equate to their carrying value. They have therefore been excluded from the table above.
(ii) The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.
(iii) The fair value of balances shown above at a variable rate of interest is assumed to approximate to their book value.

Interest rate risk applies to debt finance.

b) Liquidity risk

Liquidity risk is the risk that the Association will fail to be able to access liquid funds - either through:

- lack of available facilities; or
- lack of secured, but available, facilities; or
- lack of identification of need to draw on available facilities.

The Treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer term basis to ensure that short and longer term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Group Chief Financial Officer on a fortnightly basis. The forecasts identify when draw-downs on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for draw-down.

The Treasury function also manages a database of the Association's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value as security is gained from the Association's stock. These systems ensure that facilities are available to the Association which are secured and available to draw on as required.

The Association's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Association to meet its financial obligations.

The Association has not defaulted on any of its loan arrangements in the year.

Liquidity risk applies to cash and all payables balances.

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Analysis of risks (continued)

b) Liquidity risk (continued)

Contractual cash flows for all financial liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as bank loans, mortgages and deferred finance. Interest is calculated based on debt held at 31 March. Floating rate interest is estimated using the prevailing interest rate at the reporting date.

At 31 March 2024	**Debt**	**Interest on debt**	**Lease liability**	**Other liabilities not in net debt**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Due less than one year	(2,871)	(22,250)	(41)	(6,287)	(31,449)
Between one and two years	(4,354)	(21,411)	(25)	-	(25,790)
Between two and three years	(17,354)	(20,656)	(6)	-	(38,016)
Between three and four years	(4,354)	(18,447)	(5)	-	(22,806)
Between four and five years	(40,585)	(16,005)	-	-	(56,590)
Greater than five years	(267,947)	(143,912)	-	-	(411,859)
Gross contractual cash flows	**(337,465)**	**(242,681)**	**(77)**	**(6,287)**	**(586,510)**

At 31 March 2023	**Debt**	**Interest on debt**	**Lease liability**	**Other liabilities not in net debt**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Due less than one year	(25,168)	(14,251)	(63)	(10,225)	(49,707)
Between one and two years	(2,871)	(14,339)	(47)	-	(17,257)
Between two and three years	(4,354)	(13,590)	(12)	-	(17,956)
Between three and four years	(20,354)	(13,418)	-	-	(33,772)
Between four and five years	(4,354)	(11,759)	-	-	(16,113)
Greater than five years	(260,532)	(144,645)	-	-	(405,177)
Gross contractual cash flows	**(317,633)**	**(212,002)**	**(122)**	**(10,225)**	**(539,982)**

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Analysis of risks (continued)

c) Credit risk

Credit risk applies to all debtor balances and to debt finance. The risk falls into two categories: financial and operational.

Financial

The Association manages credit risk by carrying out monthly credit checks on all counterparties from which the Association either sources funds or places deposits. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties. It is the Association's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Association's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating. The maximum exposure with a single external funder is £14,375,000 as at 31 March 2024 (2023: £14,625,000).

Operational

The majority of the operational debt at any given time relates to tenants and non-tenants of the Association. These debts are reported to the Board of Management on a regular basis and recovery of debts is coordinated through operational management teams.

Tenant rental receivable arrears

Gross tenant rental arrears due as at 31 March 2024 totalled £2,858,000 (2023: £2,720,000). Most of this balance was past due as the majority of tenancy agreements state that the rent is due in advance. The age of these arrears was as follows:

	2024 £'000	2023 £'000
Less than 30 days	906	1,019
30 to 60 days	530	546
60 to 90 days	380	313
More than 90 days	1,042	842
Balance as at 31 March	**2,858**	**2,720**

There is an expected credit loss against £674,000 (2023: £635,000) of this balance leaving a net rental arrears balance of £2,184,000 (2023: £2,085,000) (see note 13).

Tenant rental receivable arrears expected credit loss

	2024 £'000	2023 £'000
Balance as at 1 April	635	588
Provided in the year	398	481
Amounts written off	(359)	(434)
Balance as at 31 March	**674**	**635**

Under IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument.

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Analysis of risks (continued)

c) Credit risk (continued)

Other trade receivables

Gross other trade receivables balances as at 31 March 2024 totalled £1,380,000 (2023: £1,406,000). Of this balance £1,208,000 (2023: £1,335,000) was deemed past due. Normal payment terms are 30 days. The age of gross other trade receivables balances was as follows:

	2024 £'000	2023 £'000
Less than 30 days	172	71
30 to 60 days	17	11
60 to 90 days	1	61
More than 90 days	1,190	1,263
Balance as at 31 March	**1,380**	**1,406**

There is an expected credit loss against £130,000 (2023: £459,000) of this balance leaving a net other trade receivables balance of £1,250,000 (2023: £947,000) (see note 13).

Other trade receivables expected credit loss

	2024 £'000	2023 £'000
Balance as at 1 April	459	535
Released	(308)	(69)
Amounts written off	(21)	(7)
Balance as at 31 March	**130**	**459**

Under IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum credit risk at 31 March 2024 and 2023 was as follows:

	2024 £'000	2023 £'000
Receivables	12,800	16,438
Cash and cash equivalents	3,603	4,633
	16,403	**21,071**

Notes to the Financial Statements (continued)

18. Financial instruments and risk management (continued)

Analysis of risks (continued)

d) Concentration risk

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile.

Management determines concentrations of risk through its standard risk management procedures, as detailed in the review of business activities in the Board of Management's report.

Management considers the Association's main concentration of risk to be within rent and service charge arrears. The shared characteristic of this concentration is the social demographic of the client base that can be linked to lower credit quality. However, the arrears are from a number of types of tenancy:

- Rental
- Sheltered housing
- Supported housing
- Home ownership

A reduced level of risk is associated with home ownership residents.

The maximum exposure to this risk is equal to the tenant arrears balance (net of provision) at 31 March 2024, £2,184,000 (2023: £2,085,000).

e) Market rate risk

Market risk applies to listed investments. Listed investments are exposed to fluctuations in market values that are outside the Association's control. Listed investments at 31 March 2024 totalled £nil (2023: £nil).

f) Capital

The Association considers its capital balances to be share capital (note 20) and retained earnings (Statement of Changes in Equity).

Notes to the Financial Statements (continued)

19. Retirement benefits

During the year, the Association participated in three funded defined benefit schemes. All schemes' assets are held in separate funds administered by the Trustees of each scheme. Details are given below.

Strathclyde Pension Fund

The Association is an admitted body of the Strathclyde Pension Fund, part of the Scottish Local Government Pension Scheme. The Association has contributed at a rate of 22.5% of pensionable salaries for the current year. Members have contributed at a rate of between 5.5% and 11.2% for the current year.

North East Scotland Pension Fund

The Association is an admitted body of the North East Scotland Pension Fund, part of the Scottish Local Government Pension Scheme. The Association contributed at a rate of 23.7% of pensionable salaries for the current year. Members have contributed at a rate of between 5.5% and 11.2% of pensionable salaries for the current year.

Scottish Housing Associations' Pension Scheme

The Association was an admitted body of the Scottish Housing Associations' Pension Scheme and contributed at a rate of between 7.7% and 13.2% of pensionable salaries for during the year. Members have contributed at a rate of between 7.7% and 13.2% of pensionable salaries during the year.

The financial assumptions used to calculate scheme liabilities for all defined benefit pension schemes under IAS 19 Employee Benefits were as follows.

IAS 19 Employee Benefits

	2024 %	2023 %
Inflation (RPI)	3.25	3.30
Inflation (CPI)	2.85	2.90
Rate of increase in salaries	2.85	2.90
Rate of increase for pensions in payment	2.85	2.90
Rate of increase for deferred pensions	3.25	3.30
Discount rate	4.85	4.70

The figures shown in the table above are general financial assumptions applied, however, the application of assumptions can vary between defined pension scheme actuaries.

On 25 November 2020, HM Treasury and the UK Statistics Authority released their joint response to the consultation on reform to retail price index (RPI) methodology. This confirmed that RPI will be aligned with CPIH (consumer price index including owner occupiers' housing costs) from February 2030. To reflect this, the Association has changed the approach to setting the CPI inflation assumption, resulting in a 1.0% per annum deduction to RPI inflation for the period up to 2030 and 0.0% per annum for the period from 2030. This leads to a single equivalent average deduction of 0.4% per annum from the RPI inflation assumption to derive the CPI inflation assumption. Changes in the approach to the setting of RPI and CPI assumptions are reported as a change in financial assumptions in the following tables.

Notes to the Financial Statements (continued)

19. Retirement benefits (continued)

IAS 19 Employee Benefits (continued)

The assumptions for mortality rates are based on 109% of the Continuous Mortality Investigation of the Institute and Faculty of Actuaries (CMI) S3PA tables (2023: CMI S3PA tables) with future improvements based on the CMI 2022 model (2023: CMI 2021 model) with a long-term improvement of 1.25% per annum for both males and females. Based on these assumptions, the average future life expectancies at age 65 are:

	Males	Females
Current pensioners	20.9 years	23.4 years
Future pensioners	22.2 years	24.8 years

Changes in mortality assumptions are reported as changes in demographic assumptions in the following tables.

The fair values of assets in the schemes, split between quoted and unquoted investments, are as follows:

	2024		2024		2023		2023	
	£'000	**£'000**	**£'000**	**%**	**£'000**	**£'000**	**£'000**	**%**
	Quoted	Unquoted	Total		Quoted	Unquoted	Total	
Equities	-	-	-	-	7,359	7,025	14,384	65.9
Bonds	10,730	-	10,730	54.6	596	1,191	1,787	8.2
Property	-	-	-	-	168	1,500	1,668	7.7
Other	-	8,910	8,910	45.4	2,341	1,640	3,981	18.2
Total value of assets	**10,730**	**8,910**	**19,640**	**100.0**	**10,464**	**11,356**	**21,820**	**100.0**

Reconciliation of the effect of the asset ceiling:

	2024	**2023**
	£'000	**£'000**
Net asset ceiling at 1 April	(5,757)	(1,900)
Remeasurement of North East Scotland Pension Fund surplus	357	(1,372)
Remeasurement of Strathclyde Pension Fund surplus	120	(2,485)
Interest effect of net asset ceiling	(105)	-
Net asset ceiling at 31 March	(5,385)	(5,757)

Both the Strathclyde Pension Fund and North East Scotland Pension Fund were valued at a net asset position in the current and prior years. Recognition of the pension surplus has been restricted to the economic benefit available to the Association in the form of a reduction in future contributions to the pension schemes. In restricting this surplus, the Association has applied the asset ceiling in accordance with IAS 19.

Notes to the Financial Statements (continued)

19. Retirement benefits (continued)

Scheme assets and liabilities are reflected in the Statement of Financial Position:

	2024 £'000	2023 £'000
Present value of employer assets	19,640	21,820
Present value of funded liabilities	(13,858)	(16,265)
Pension asset before restrictions	5,782	5,555
Effect of net asset ceiling	(5,385)	(5,757)
Net pension asset/(liability)	397	(202)
Net value of pension schemes in an asset position	397	40
Net value of pension schemes in a liability position	-	(242)
Net pension asset/(liability)	397	(202)

An analysis of the expense reflected in the Statement of Comprehensive Income

Amounts charged to operating surplus:	2024 £'000	2023 £'000
Current service cost	(76)	(166)
Past service cost	-	-
Expenses	(2)	(4)
Curtailments	(13)	-
Total service cost	(91)	(170)

Analysis of amount charged to finance cost:	2024 £'000	2023 £'000
Interest income on plan assets	927	649
Interest cost on defined benefit obligations	(655)	(585)
Interest effect of net asset ceiling	(105)	-
Total amount charged to finance cost	167	64

The total amount recognised in Other Comprehensive Income:	2024 £'000	2023 £'000
Change in demographic assumptions	160	112
Change in financial assumptions	662	6,778
Return on scheme assets excluding interest	5	(532)
Other experience	(473)	(2,385)
Other re-measurement gains and losses	(579)	(1,015)
Movement in net asset ceiling	477	(3,857)
Total re-measurement gains/(losses)	252	(899)

Notes to the Financial Statements (continued)

19. Retirement benefits (continued)

Reconciliation of the opening and closing balances of the present value of scheme assets:

	2024 £'000	2023 £'000
Opening fair value of assets	21,820	24,577
Expenses	(1)	(1)
Interest income on plan assets	927	649
Return on plan assets excluding interest	5	(532)
Contributions by employer	87	152
Contributions by employees	20	42
Net benefits paid (including expenses)	(666)	(661)
Other experience	32	(1,391)
Other re-measurement gains and losses	(579)	(1,015)
Cessation of pension scheme	(2,005)	-
Closing fair value of the assets	**19,640**	**21,820**

Reconciliation of the opening and closing balances of the present value of scheme liabilities:

	2024 £'000	2023 £'000
Opening defined benefit obligation	16,265	22,026
Current service cost	76	166
Expenses	1	3
Curtailments	13	-
Interest cost	655	585
Contributions by employees	20	42
Change in demographic assumptions	(160)	(112)
Change in financial assumptions	(662)	(6,778)
Net benefits paid (including expenses)	(666)	(661)
Other experience	505	994
Cessation of pension scheme	(2,189)	-
Closing defined benefit obligation	**13,858**	**16,265**

History of defined benefit schemes in the Statements of Financial Position:

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Defined benefit obligations	(13,858)	(16,265)	(22,026)	(23,639)	(16,033)
Scheme assets	19,640	21,820	24,577	23,720	15,898
Net surplus/(deficit) before restrictions	5,782	5,555	2,551	81	(135)

The Association expects to contribute the following amounts to the defined benefit schemes during the year ending 31 March 2025:

	£'000
North East Scotland	12
Strathclyde Pension Fund	9
	21

Notes to the Financial Statements (continued)

19. Retirement benefits (continued)

Cessation of defined benefit pension schemes

Following a consultation process with members of the Scottish Housing Associations' Pension Scheme (SHAPS), the Association ceased to be a participating employer in the scheme on 31 May 2023. In conjunction with their actuary, the Trustee produced an employer debt report estimating that the debt due by Sanctuary under section 75 of the Pensions Act 1995 was £791,000. In agreement with the Trustee, the Group paid 90% of the cessation debt in December 2023, with the remaining payment being subject to reassessment following conclusion of a review into the application of historic changes to scheme member benefits.

In line with IAS 19 Employee Benefits, the Association has de-recognised the assets and liabilities of the above scheme and recognised a gain or loss on cessation in the Statement of Comprehensive Income as follows:

	Scottish Housing Associations' Pension Scheme
	£'000
De-recognition of present value of employer assets	(2,005)
De-recognition of present value of funded liabilities	2,189
Debt paid to scheme	(791)
Loss on cessation of defined benefit pension scheme	**(607)**

Assumption sensitivity analysis

The impact of a 0.1 percentage point movement in the primary assumptions (longevity: 1 year) on the defined benefit obligations as at 31 March 2024 is set out below:

2024	**Strathclyde Pension Fund Movement £'000**	**North East Scotland Pension Fund Movement £'000**
Discount rate +0.1%	(94)	(85)
Discount rate -0.1%	94	85
Rate of inflation +0.1%	94	90
Rate of inflation -0.1%	(94)	(90)
Salary changes +0.1%	3	5
Salary changes -0.1%	(3)	(5)
Life expectancy +1 year	283	171
Life expectancy -1 year	(283)	(171)

The above sensitivity analyses are based on isolated changes in each assumption, whilst holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations.

The assets, held by the schemes, are to some extent designed to mitigate the full impact of these movements so that the movements in the defined benefit obligations shown would, in practice, be partly offset by movements in asset valuations.

However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

Notes to the Financial Statements (continued)

19. Retirement benefits (continued)

Assumption sensitivity analysis (continued)

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant balance sheet values, and have not changed compared to the previous period.

The Asset values of the Association for the Local Government Pension Schemes are reported using estimated asset allocations prepared by each scheme Actuary. This Asset value is calculated at each triennial valuation per scheme. Thereafter, it is rolled forward to accounting dates using suitable estimates for investment returns, contributions received and benefits paid out. Each employer's share of the Fund is individually tracked.

Contributions which the Association pay to the Funds are allocated entirely to their identified asset share and are not spread in any way. Asset allocations are also produced using bid values where necessary.

A sensitivity analysis to reflect a plus or minus 5% movement in asset values in defined benefit pension schemes equates to plus or minus £982,000 (2023: £1,091,000).

Defined benefit schemes – risk factors

Through its post-employment pension scheme, the Association is exposed to a number of risks, the most significant of which are detailed below. The Association's focus is on managing the cash demands which the pension scheme has in place on the Association, rather than balance sheet volatility in its own right. For funded schemes cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: scheme liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit.

Changes in bond yields: A decrease in bond yields will typically increase scheme liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in less well funded schemes where there is less potential for offsetting movements in asset values.

Inflation risk: as the Association's pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation linked bonds to provide an element of protection against this risk.

Member longevity: As the Association's post-employment obligations are generally to provide benefits for the life of the member, increases in life expectancy will result in an increase in scheme liabilities (and vice versa).

The mortality rate is based on publicly available mortality tables for the specific country. Covid-19 has caused a short-term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of Covid-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long Covid", along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. In consideration of the potential impacts of Covid-19, the Group has allowed, in the mortality assumptions used, for 5 years of suppressed improvements in mortality rate before rates return to previously expected levels.

Notes to the Financial Statements (continued)

19. Retirement benefits (continued)

Defined benefit schemes – risk factors (continued)

During the year, the investment strategy for assets in the North East Scotland Pension Fund and Strathclyde Pension Fund was changed. As both schemes are fully funded on a cessation basis, the Group agreed with the respective local authorities to move the investments into Liability-Driven Investment matching strategies, where the assets will move approximately in line with liabilities.

Climate change risk: When considering environmental and social issues, the Association's pension scheme administrators believe that climate change presents a material financial risk to the investment assets held, and therefore support the goals of the Paris Agreement and have signed the Global Investor Statements to Governments on Climate Change. They have developed an approach to ensure that climate change risk, including physical, regulatory and transition risks are more explicitly considered through the investment process, from portfolio construction through to asset allocation.

Defined Contribution Schemes

The Association participates in defined contribution schemes for members of staff. The cost of the defined contribution schemes amounts to £125,000 (2023: £99,000). As at the year end there was £11,000 of accrued contributions due for payment after the year end (2023: £9,000).

20. Called up share capital

Each member holds one share of £1 in the Association	**2024** **£**	**2023** **£**
Allotted, issued and fully paid		
At 1 April	11	11
Cancelled	-	-
At 31 March	**11**	**11**

Each share carries voting rights but not rights to dividends, distributions on winding up or rights of redemption.

21. Capital commitments

	2024 **£'000**	**2023** **£'000**
Expenditure contracted	44,328	25,653
Authorised expenditure not contracted	72,967	126,786
	117,295	**152,439**

£58,633,000 (2023: £70,864,000) of the capital commitments will be financed by grant and other public finances with the remainder being financed from existing funds, largely from the parent undertaking or Sanctuary Treasury Limited.

Notes to the Financial Statements (continued)

22. Notes to the Statement of Cash Flows

	2024 £'000	2023 £'000
Cash and cash equivalents per Statement of Financial Position	3,603	4,633
Cash and cash equivalents per Statement of Cash Flows	3,603	4,633

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Statement of Financial Position as shown above.

Reconciliation of liabilities arising from financial activities

	At 1 April 2023 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2024 £'000
Short-term borrowings	(25,092)	20,625	1,700	(2,767)
Long-term borrowings	(289,509)	(40,160)	(1,807)	(331,476)
Lease liability	(97)	37	-	(60)
	(314,698)	**(19,498)**	**(107)**	**(334,303)**

	At 1 April 2022 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2023 £'000
Short-term borrowings	(3,685)	17,287	(38,694)	(25,092)
Long-term borrowings	(283,572)	(44,566)	38,629	(289,509)
Lease liability	(170)	74	(1)	(97)
	(287,427)	**(27,205)**	**(66)**	**(314,698)**

Non-cash changes reflect progression in the ageing of debt due after more than one year to less than one year, along with the amortisation of capitalised set up costs.

23. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Sanctuary Housing Association, registered in England as a Registered Society (Number 19059R) and with the Regulator of Social Housing (Number L0247). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester, WR1 3ZQ.

Notes to the Financial Statements (continued)

24. Related party transactions

During the year, Sanctuary Housing Association recharged the Association a total of £9,495,000 (2023: £8,667,000) in costs including £3,992,000 in management charges (2023: £3,731,000). Sanctuary Housing Association was recharged by the Association a total of £8,969,000 (2023: £6,758,000). At the year end the Association owed Sanctuary Housing Association a sum of £747,000 (2023: £371,000).

During the year, Sanctuary Home Care Limited recharged the Association a total of £16,000 (2023: £6,000). At the year end the Association owed Sanctuary Home Care Limited a sum of £1,000 (2023: £nil).

During the year, Sanctuary Maintenance Contractors Limited recharged the Association a total of £17,864,000 (2023: 17,926,000). Sanctuary Maintenance Contractors Limited was recharged by the Association a total of £346,000 during the year (2023: £382,000). At the year end the Association owed Sanctuary Maintenance Contractors Limited a sum of £1,292,000 (2023: £1,594,000).

During the year, the Association recognised interest of £12,884,000 (2023: £9,761,000) payable to Sanctuary Treasury Limited. At the year end the Association held accrued interest balances of £2,881,000 (2023: £2,302,000) for Sanctuary Treasury Limited. The Association was recharged a total of £70,000 (2023: £1,000) during the year by Sanctuary Treasury Limited. At the year end the Association owed Sanctuary Treasury Limited a sum of £5,000 (2023: £nil).

During the year, Sanctuary Homes (Scotland) Limited recharged the Association a total of £131,000 (2023: £114,000). Sanctuary Homes (Scotland) Limited was recharged by the Association a total of £2,423,000 during the year (2023: £2,013,000). At the year end Sanctuary Homes (Scotland) Limited owed the Association £2,419,000 (2023: £2,009,000).

During the year, Sanctuary Affordable Housing Limited was recharged by the Association a total of £28,000 (2023: £19,000). Sanctuary Affordable Housing Limited recharged the Association a total of £39,000 (2023: £6,000). At the year end Sanctuary Affordable Housing Limited owed the Association a balance of £nil (2023: £1,000).

During the year, Beech Grove Homes Limited recharged the Association a total of £455,000 (2023: £4,040,000). Beech Grove Homes Limited was recharged by the Association a total of £732,000 (2023: £511,000). At the year end the Association owed Beech Grove Homes Limited a sum of £189,000 (2023: £3,529,000).

25. Events after the reporting period

There were no events after the reporting period.