



SCOTTISH BORDERS HOUSING ASSOCIATION

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

"Created by tenants for tenants, our mission is to deliver the best housing choices, solutions and services that we possibly can. We aim to maximise our ability to invest in homes and communities, partnerships and our people."

Registered as a Scottish Charity – No. SC030751
Registered under Co-operative and Community Benefit Society (CCBS) Act 2014,
Registered Number – SP2573RS
Scottish Housing Regulator Housing Scotland Act 2010 – Registered Number 313

CONTENTS

Board of Management, Executive Officers and Advisers.....	1
Strategic Report of the Board of Management	3
Statement of Board of Management's Responsibilities under Co-operative and Community Benefit Societies (CCBS) Act 2014 for a Registered Social Landlord	144
Board of Management's Statement of Internal Financial Controls.....	155
Independent Auditor's Report to the Members of Scottish Borders Housing Association	18
Report by the Auditors to the Members of Scottish Borders Housing Association on Corporate Governance Matters	22
Statement of Comprehensive Income	233
Statement of Financial Position	244
Statement of Changes in Reserves	255
Statement of Cashflows.....	266
Notes to the Financial Statements.....	277

Board of Management, Executive Officers and Advisers

Board of Management

Chair - Robin Hill	Elected 30.09.20
Chair – Simon Mountford	Stood down 30.09.20
Vice Chair – Michael Grieve	Stood down 07.07.20
Vice Chair – Phillipa Brosnan	Elected 30.09.20

Elected Board Members

Michael Grieve	
Allen Tills	
Angela Sulo	Convenor of Customer Board
Gordon Saunders	(Appointed to a Casual Vacancy 03.12.20)

Non-Tenant Elected Members

Ian MacDonald	(Re-Elected 30.09.21)
Robin Hill	(Resigned and was Appointed 30.09.20)
Simon Mountford	(Elected 30.09.20)
Philippa Brosnan	
John Paton Day	

Appointed Board Members

Robin Hill	(Appointed 30.09.20)
Simon Mountford	(Resigned and was Elected 30.09.20)
Andrew Limmer	(Resigned 29.10.20)
Ian McDonald	Convenor of Audit & Compliance Sub-Committee
Michael Levack	
Eric Glass	(Appointed 03.12.20)

Secretary to the Association

Carly Stewart

Executive Team

Julia Mulloy	Chief Executive
Carly Stewart	Director of Finance
Maria Lyle	Director of Business Support
Henry Coyle	Director of Customer Services
Caroline Purcell	Director of Property Services

Board of Management, Executive Officers and Advisers (continued)

External Auditor

RSM UK Audit LLP
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditor

Azets
1 King's Inch Place
Renfrew
Glasgow
PA4 8WF

Solicitors

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

Bankers

Lloyds Bank plc
3rd Floor
25 Gresham Street
London
EC2V 7HN

Registered Office:

South Bridge House
Whinfield Road
Selkirk
TD7 5DT

Co-operative and Community Benefit Society Registered Number SP2573R(s)

Scottish Charity Registered Number SC030751

The Scottish Housing Regulator Registered Number 313

Strategic Report of the Board of Management

The Board of Management of Scottish Borders Housing Association Ltd (“the Association” or “SBHA”) has pleasure in submitting its report and the audited Financial Statements for the year ended 31 March 2021. This aims to give the reader of these Financial Statements a clear understanding of the business of SBHA, and its current and anticipated performance.

SECTION 1 – SBHA

1.0 PRINCIPAL ACTIVITIES

Scottish Borders Housing Association (SBHA) is a not-for-profit housing Association, registered with the Scottish Housing Regulator, i.e. a “Registered Social Landlord”, and operating in the Scottish Borders area, excluding Berwickshire. The Association is a registered Charity, No. SC030751 and is registered in the UK.

SBHA is the parent entity in a group structure which also incorporates SBHA Plus and Scottish Borders Building Services (SBBS), which is currently dormant. SBHA Plus is intended to be the ‘vehicle’ for progressing projects and activities which are unable to be carried out by SBHA due to its charitable status. SBBS and SBHA Plus are non-charitable Companies. Due to immateriality, the results of SBHA Plus have not been consolidated into these Financial Statements. The subsidiary results are disclosed at Note 12.

In the year ended 31 March 2021, the Association’s principal activities directly reflected the objectives defined in its Constitution, namely the provision of housing and housing-related services for people in need.

2.0 BACKGROUND TO THE ASSOCIATION

SBHA was established to receive the transfer of the housing stock of Scottish Borders Council (SBC) and on 3 March 2003 commenced trading. The Association is a charitable organisation and manages some 5,606 rented and 145 factored homes as well as 1,262 non-housing units.

The housing stock contains a range of construction types, aged between 500+ years old in the historical areas of Jedburgh, to less than one year old. There are no high-rise properties, and the great majority of properties are flats. SBHA have made significant investment since 2003, with the achievement of the Scottish Housing Quality Standard (SHQS) in 2015 which continues to be sustained (subject to abeyances and exemptions) and significant progress in working towards achieving the Energy Efficiency Standard for Social Housing (97.1% by March 2021).

SBHA is emerging as a completely different provider to the one created in 2003 in terms of services, investment, finances and governance and customer service, performance improvement and community engagement remain key priorities for future success. Local delivery of key services through the Community Team model, together with extended opening hours and the introduction of new technology has shifted resources towards the customer and improved outcomes. Core services are delivered by peripatetic teams, supported by a clear service offer and a suite of Customer Service and Neighbourhood Standards. Walkabouts and Roadshows in our 13 Neighbourhood patches provide greater visibility in local communities and a better understanding of what works at a local level. This physical presence in our communities has been put on hold during the pandemic, but has been supplemented by increasing digital engagement with partners and Tenants in response to more complex needs and has proven to be invaluable in these unprecedented times.

3.0 GOVERNANCE

SBHA is governed through the Board of Management, consisting of 12 members. The governance structure is designed to ensure effective strategic impact and assurance. This is delivered through a quarterly meeting cycle, plus 2 additional meetings for Strategic Planning and Business Plan & Budget Setting. There are two main Sub-Committees: Audit & Compliance Sub Committee who provide detailed assurance on compliance and risk; and the Customer Board, who review customer experience, service development and policy. During 2019-20, the Board introduced Remuneration for the Chair of the Board and Convenor of the Audit & Compliance Sub-Committee, 2020-21 include the first full financial year of remuneration.

Scottish Borders Housing Association is committed to placing our Tenants and customers at the heart of decision making and service delivery. This is delivered in partnership with Scottish Borders Tenants Organisation (SBTO), the “umbrella” Tenants representative group for SBHA’s Tenants, based in the Head Office in Selkirk. Funded and supported primarily through SBHA, SBTO’s remit is to seek, represent and take forward Tenants’ views in relation to SBHA’s Policies and procedures and to ensure that Tenants get the best possible service. They work in partnership to deliver the commitments in the Tenant & Community Engagement Strategy 2017 -20 and will be a vital partner in developing the revised Strategy in 2021.

4.0 SBHA 2020-25 STRATEGIC & BUSINESS PLAN

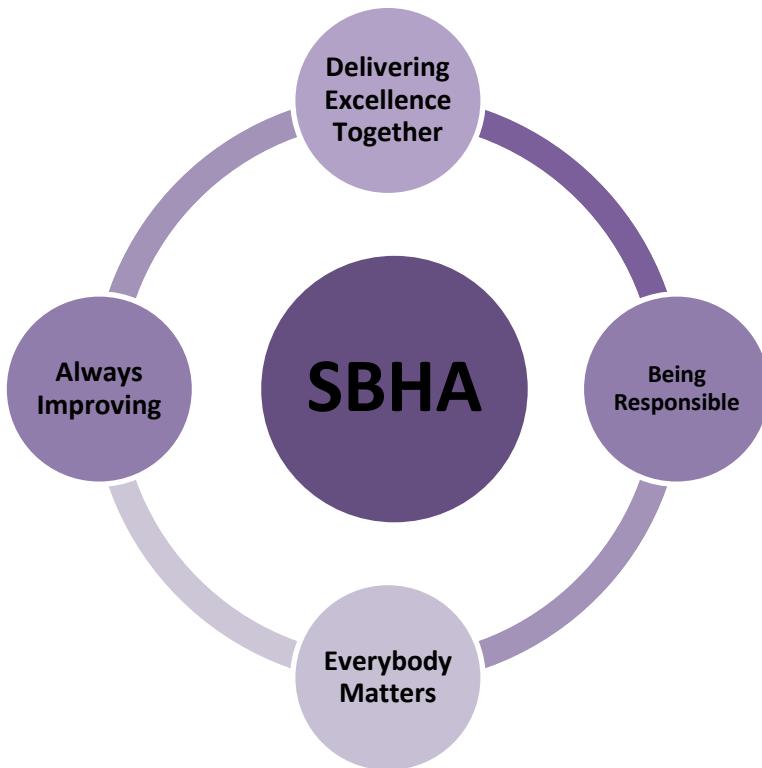
The 2020-25 SBHA Strategic and Business Plan provides an overview of how SBHA’s mission, vision and values will be delivered over the next 5 years. It provides the framework for future decision making and a clear process for achieving commitments made. It has been developed with the full involvement of the Board of Management & governance members, the SBHA Team and SBTO.

The review of the 2020-25 SBHA Strategic and Business Plan began with the customer in mind. Feedback was received on key strategic themes facing the sector and focused on a Safer World, Meeting Changing & Complex Needs, A Home for Everyone and Supporting Tenants through Welfare Reform. From this a series of priorities and themes were identified that informed existing practice and helped provide a basis for strategy going forward.

This Strategic Plan is the lead document for SBHA’s main strategies and provides the framework for future decision making and a clear process for achieving commitments made. In developing the strategic direction account has been taken of the Scottish Government’s National Outcomes and the consultation feedback on Homes Fit for 2040. It has also been developed in the broader context of the Scottish Borders Community Planning Partnership. It builds on the vision of the Scottish Borders Community Plan to “working together with our communities and through targeted partnership action, the quality of life will improve for all who live, work or study in the Scottish Borders.” It also reflects the commitment in the Scottish Borders Local Housing Strategy that “every person lives in a home that meets their needs”. SBHA recognises that as the largest social housing provider in the Scottish Borders it plays a significant role supporting the delivery of these objectives.

In the year, focus has been on strengthening SBHA and Tenant resilience during the pandemic, ensuring business continuity. Remobilisation plans have included lessons learned on new ways of working and service delivery models which are captured to continue post pandemic. The Board of Management reviewed and revised its annual financial 30 year Business Plan, incorporating and reconfirming those strategic priorities.

VALUES



5.0 SBHA'S OBJECTIVES

SBHA's 5 Strategic Objectives which reflect our members' vision for the future are:

- Great Customer Experience
- Great Places
- One Team
- Resilient Business
- Smart Investment Choice

MISSION STATEMENT

"Created by Tenants for Tenants, we enhance lives and communities across the Scottish Borders. We shape our homes and services to meet changing needs and expectations."

OBJECTIVES

GREAT CUSTOMER EXPERIENCE

Great Customer Experience requires the expansion of SBHA's "customer back" model which aims to delight tenants with increased and empowered decision-making by frontline teams that is underpinned by a clear service offer. Whilst keeping both customers and teams safe during the lockdown, SBHA's people have made wellbeing calls to all Tenants, identifying vulnerabilities and opportunities to intervene and provide appropriate support. Teams have also been analysing Complaints and Tasks to learn lessons and really understand and improve the customer experience, essential to turning around satisfaction levels.

The customer journey will be enhanced by communicating the SBHA brand and offer, focussing on technology to keep people informed and confirming outcomes to prevent dissatisfaction. The creation of a new Tenant Engagement & Communication Team during lockdown has used the website and social media, in addition to traditional methods, to keep Tenants safe and informed on

both interim arrangements and remobilisation plans. This is supported by providing evidence of delivering promises and bringing great information to customers via emerging technology to shift digital access. Implementing the digital channel shift will build on the introduction of the MySBHA App to maximise the number of customers online and develop self-service, whilst ensuring that no one is left behind and helping to engage 'hard-to-reach' groups. The number of customers using the App has increased and 1 in 4 Tenants are currently registered.

SBHA aims to personalise services to reduce inequality and engage closely with partners, in terms of access, signposting and direct services, improving life chances and helping create sustainable communities. During the pandemic, SBHA linked with SBC's Community Assistance Hubs to re-align services during lockdown and help to build community resilience, and this work will assist in the development of a wellbeing framework to target personalised services to reduce inequality. This work was complemented by the delivery of bitesize sessions to ensure appropriate liaison with the statutory and voluntary sectors and provide the necessary support to frontline teams. An Ageing Well Strategy was also developed to explore ways to support people to remain in their community.

SBHA's objectives are for rents to be affordable, fair, and sufficient to enable the Association to meet its statutory obligations, strategic objectives and Tenants' service expectations. SBHA continued to provide one of the lowest average rent in 2020/21 for Registered Social Landlords in the Scottish Borders area. The SFHA rent affordability tool continued to be used to assess rent levels and increases. Annual rent increases reflect the need to continue services and invest in homes and communities. With rents now firmly aligned to CPI inflation, a 1.7% increase was approved for 2021-22.

GREAT PLACES

Year 4 of the 6 year Planned Maintenance Plan, connecting significant investment in neighbourhoods with the Community Model, saw investment of £3.6m (2019: £10.2m), with concentration in Galashiels Central, St Boswells and Earlston. Due to Covid, works were paused twice during the year due to lockdowns, which has resulted in a carry forward of £4.0m to complete the remaining work in 2021/22. Sustainable procurement is key to this, as is programme management of this complex area, to ensure that the overall planned maintenance budget is spent, provides value for money and underspends are minimised.

Improving affordable warmth has been a priority with works undertaken to improve heating systems including renewable technologies such as Air Source Heat Pumps and continuing to improve the fabric of the building and strengthen insulation. SBHA has a plan to address the remaining properties currently failing the Energy Efficiency Standard for Social Housing (EESSH) target and has developed principles and proposals to meet EESSH2 to continue warmer homes investment and improve affordable warmth for Tenants.

Creating safe places is a key priority and during Covid keeping Tenants and Team safe have been a primary focus. Most compliance programmes continued, such as gas servicing, but some which were deemed as non-emergency such as LD2 installations were paused. While there was some minor slippage in performance due to Covid, good progress has been made on remobilising programmes. The Scottish target for LD2 (fire and smoke alarm standard) implementation has now been extended until February 2022, with SBHA currently achieving 82% of all stock. A focus is now on ensuring a move from compliance to best practise, to a Compliance Plus approach on assurance on health and safety.

The strategic aim to reduce reactive maintenance by increasing proactive cyclical maintenance programmes continues with a 6-year Environmental programme of works to improve the environmental impact. We will be assessing logistics, technology, sustainable and maintenance free materials with longer life cycles, to improve homes and the service experience. A devolved Estate Improvement budget to the Neighbourhood teams allows for Communities to influence change in their area and demonstrates our commitment to raise the standard of the environment, which tenants have told us is one of their highest priorities.

SBHA's Asset Management strategy was reviewed and approved in the year and provides more detail on the commitments in the overall Strategic Plan and provides the road map to ensure SBHA's homes are fit for the future. This includes a shift in the quality and quantity of accessible and adaptable homes; continuing with strategies to increase proactive cyclical programmes and increase life-cycles to ensure value is achieved; and a key priority is the journey to zero carbon and a Sustainability Strategy and action plan will be developed to address this.

ONE TEAM

One Team aims to move from leading people through change, accredited practices and delivering a transformational business model to a more dynamic and externally focused future. Inspiring and developing our people to make change happen continues to be a focus and this has been evident through SBHA-wide developments over recent years.

The SBHA Strategic Business Plan 2020-25 highlights two key strategic themes:

- Developing the talent pool and equipping the Team – focusing on engagement, attraction and retention to the SBHA Team to enable people to be at their best consistently, and
- One Culture – nurturing a culture that values and increases diversity at all levels in the organisation, seeking to address areas of imbalance and promoting strong engagement in line with SBHA values.

2020-21 presented numerous People challenges and opportunities to the Organisation, our response to these resulted in the advancement of progress to the goal of being One Team in ways that could not have been predicted. Whilst some projects inevitably were placed on hold, the response of our people during the ongoing Covid-19 crisis has been exceptional. The SBHA Team responded quickly to ensure effective working from home in an online environment from the end of March 2020 and people have managed the uncertainty of being part of the Government Job Retention Scheme and ensured the welfare of our customers has been a priority.

The SBHA Healthy Living Group has continued to support people through the pandemic with regular newsletters, activity challenges, fun events and wellbeing briefings. The impact on people's mental wellbeing has been a significant consideration and signposting to wellbeing organisations and information has been an essential part of SBHA's internal response to the pandemic. Silver level Healthy Working Lives accreditation will be progressed when NHS support resumes.

SBHA's continued desire to nurture and develop the commitment, ability and performance of the Team was delivered through digital learning opportunities and ongoing collaborative, albeit remote working. The wider job market is re-opening and SBHA vacancies will be recruited to and other people opportunities be reviewed, to maximise SBHA's contribution in stimulating employability and economic recovery in the South of Scotland.

Investors in People reaccreditation began at the end of the financial year with the implementation of an organisation-wide people survey. The survey, together with feedback from a number of face-to-face discussions, will inform the development of the SBHA 2021 - 2025 People Strategy.

RESILIENT BUSINESS

SBHA continue to support Tenants with its Financial Inclusion Service and the wider Neighbourhood Housing team to manage the change to their benefits under Welfare Reform, minimising the risk to SBHA's financial viability. This has never been so important given these extraordinary times of the Covid-19 pandemic. At 31st March 2021, 2,263 (2020: 1,289) Tenants were in receipt of Universal Credit (UC), with attributing technical arrears of approximately £692,000 (2020: £462,000). The introduction of DWP's Same Day Payments has allowed SBHA to maintain a positive rent collection and mitigate financial risk. An additional £338k (2020: £323k) of income for Tenants was generated through the provision of dedicated welfare benefits and financial support services, supporting over 814 (2020:675) SBHA Tenants.

Effective succession planning for the Chair's retirement allowed for a successful handover to SBHA's new Chair and other Office bearers. Governance ready activities, to sustain effective assurance and controls to maximise effective governance, over the year have included self-assessment with compliance of the SHR standards of Governance and Financial Management, which provides the evidence for setting out a positive statement of assurance.

Digital resilience is a key theme, with an action plan being progressed to ensure continuous best practice with cyber security and an objective to achieve Cyber Essential Plus in the future. SBHA will be developing a new IT Strategy introducing new and strengthening existing platforms with strong infrastructure and the journey to the cloud with a new emphasis on digitalisation for customers ranging from skills, access to Wi-Fi and telecare provision.

Restricted working practices to ensure health and safety such as social distancing has impacted on productivity levels with the time taken to undertake works increasing. It is anticipated restricted working practises will impact the first half of 2021-22. The project to fully implement the Connect system re-commenced, with a focus on ensuring value for money, benefits include job costing, materials management, management of sub-contractor costs through a portal as well as a future phase to expand to manage planned works.

Value for money will focus on moving procurement from compliance to innovation delivering value for money and maintaining affordable rents. SBHA's procurement strategy has continued to be delivered and an annual report of activities and progress published in 2020 for 2019-20 highlighted £528k net savings. The use of frameworks has been extended and in the year mobilisation to a locally established framework for reactive repairs sub-contracting was completed - supporting local small contractors and ensuring compliance. The Strategy was reviewed in the year focussing on themes around sustainability & social value, value for money, assurance and controls, and courageous collaboration combined with a new Finance system (in development) and a review of systems to support e-procurement and contract management.

SMART INVESTMENT CHOICES

As well as providing solutions to over 300 homes which had lain empty for some years, many of which have been regenerated and brought back into use, SBHA have built 69 new homes since 2013, and have a further 22 homes currently in progress over 3 sites, which have been impacted by the pandemic, but are expected to complete early in the new financial year.

SBHA is committed to increasing housing supply and being a part of the Scottish Government's target to build 100,000 affordable homes across Scotland over the next 10 years. In the year, the Board of Management have agreed its own longer term, incremental aspirational development plan of 300 homes over 7 years and have extensively reviewed options to fund this programme. In August 2021, a full refinance with Royal Bank of Scotland plc was approved by the Board of Management, as this provided the best fit with SBHA's Strategic and Financial Business Plan as set out in a cost benefit analysis. The new facility agreement provides a good fit with SBHA's cashflow profile, including the flexibility of a 10 year revolving credit facility to match the Development plan profile.

Continuing to evaluate opportunities for land acquisition and other development partnership opportunities supports the plan which currently includes a potential Residential Disability Facility in partnership with Aberlour and SBC.

Following a successful application to Connecting Scotland, SBHA was awarded with 191 devices to help reduce digital exclusion amongst our Tenants. The devices, including free wifi for 2 years, were delivered to eligible households, with SBHA digital champions on-hand to provide support and advice.

The introduction of the Warm and Well project in 2020 saw the recruitment and training of a new coordinator to deliver support to vulnerable and hard to reach tenants with energy advice including liaison with energy suppliers. The project aims to upskill existing colleagues to mainstream and

make energy advice business as usual. So far, over 119 SBHA Tenants have been supported to address fuel debt, resulting in over £25k in household savings. In addition, through the Scottish Government's Fuel Debt Fund, the Borders RSLs collaborated to secure £200k at the end of the year. A total of 46 Tenants were supported with payments made directly by SBHA to the energy supplier totalling £31k, just after the end of the year, with the remaining funds being managed directly by Changeworks and the Fuel poverty bank to support SBHA tenants.

SBHA funded the 16+ Transitions Project at Albert Place, Galashiels and this valued project has funding in place for 1 further year, with contributions also being committed by SBC.

6.0 KEY PERFORMANCE INDICATORS 2020-21

SBHA records and monitors, at Board level, 10 key areas of performance covering rent collection (arrears) and levels of void houses, repairs completed first time and within target timescales, loan facility covenants, and staffing performance. The out-turn performance across these categories is noted in the table below.

PERFORMANCE	ACTUAL 2020-21	ACTUAL 2019-20	TARGET
Current Arrears (as at rent year end)	£1,069,791	£922,512	<£850,000
Rent Collection %	98.60%	98.22%	98.00%
Gross Arrears as a % of Rent Due	6.65%	6.18%	<5.6%
Lettable Stock Void Loss %	1.75%	1.24%	1.25%
Average days to let empty homes	63	40	39
Av Time to Complete Emergency Repairs (hrs)	1.85 hrs	1.74 hrs	2.0hrs
Average days for non- emergencies	6.6	6.6	5.5
Right First Time (Repairs)	92.1%	93.20%	93.00%
ESSH Compliance	97.1%	95.13%	97.00%
Staff Attendance	96.53%	94.73%	>96.00%

Rent Collection: Rent collection performance has been positive in the year. With no court work during lockdown, teams focussed on early intervention and prevention, increasing the number of referrals for Financial Inclusion support and improving engagement with groups that had previously been difficult to reach. Rent collection levels increased during this time and Tenants have also been assisted to tackle hardship by accessing both the Crisis Intervention and Fuel Poverty funds.

Empty Homes Management: Performance in the management of empty homes has reduced in comparison to last year, both in terms of rent loss and average days to let a home. This is mainly due to the Covid-19 restrictions in this service (lets were available to vulnerable applicants only) which continued from the end of the prior financial year into the end of the first quarter. Once restrictions lifted, underlying performance incrementally improved through the year, ending with only 32 empty lettable homes (2020:100). The proportion of lets made to homeless households (42%) has sustained in the year after a significant increase from 29% two years ago (higher than the Scottish average), reflecting SBHA's continued commitment to support the local authority in the delivery of the regional Rapid Rehousing Transition Plan.

Repairs & Maintenance: The Covid-19 pandemic resulted in emergency and essential repairs only being carried out in line with national guidance during the lockdown periods. The result of this was

an overall 21% reduction in the number of repairs carried out in the year although the number of emergency repairs increased by 12%. SBHA's average time to attend and complete emergency repairs slightly reduced at 1.85 hours compared with the previous year at 1.74 hours but remains within target of 2 hours and in the Scottish top quartile on performance. The increased emergency repairs were particularly evident in areas such as plumbing, heating and no hot water emergency repairs, as people spent more time in the home during the pandemic.

The time taken to complete non-emergency repairs remained at the same level to the previous year at 6.6 days and was broadly in line with target of 6.5 days, however performance in 2020-21 was impacted by the accumulation of repairs backlogs during lockdowns and the time then to clear these once restrictions were lifted. Repairs carried out right first time reduced slightly in the year to 92.13% compared with 93.19% the previous year and was below the target of 93%, impacted by the time taken to complete non-emergency repairs and recalls.

EESHH: In the year compliance with the EESHH standard was raised from 95.1% to 97.1% exceeding the target of 97% for the year which represents a significant journey from 31.5% in 2015. In the year £566,079 of ECO 3 funding was secured, helping to improve the warmth of 191 homes. The remaining 97 properties have a temporary exemption or are part of planned programme of works due to resume in May 2021 after covid restrictions are lifted.

Employee Attendance: Increased in the year and achieved the set target, with relatively low levels of Covid-19 related absences, attendance has been positive in these challenging circumstances.

Bank Covenants: The reported Net Debt per Unit and Interest Cover as at 31 March 2021 were comfortably within levels agreed with SBHA's funder. Both indicators remain below the covenant due to expenditure on planned maintenance and new build being delayed into 2021 due to Covid-19, also resulting in higher cash levels. Maximising spend on investment in current homes and New Build budgets, whilst attaining value is an Organisation wide focus for SBHA.

SECTION 2 – FINANCIAL REPORT

1.0 FUNDING

SBHA is debt funded and the funding required to expedite the transfer referred to in Section 3 of this Financial Report is provided by Lloyds Bank plc ('The Funder') in the form of a loan facility of £43m. The facility is split between a £33m term facility and £10m Revolving facility based on LIBOR ('London Inter Bank Offered Rate') and the total drawn is £38.3m.

In November 2012, Lloyds Bank plc transferred a part of its rights to SBHA's Loan Facility to Scottish Widows, a subsidiary of the Lloyds Banking Group. This transfer was part of a Lloyds Banking Group strategy to align long term liabilities and assets, to allow Lloyds Bank plc to free up short term liquidity.

At 31 March 2021, SBHA complied fully with all its Loan Covenants.

2.0 STATEMENT OF COMPREHENSIVE INCOME (SOCI) 2020-21

Annual Turnover increased 3.7% to £24.76m during the year. The principal source of turnover for the Association is rental income and related service charges. Weekly rents including service charges were increased by an average of 2.5% from previous year levels. Gross rents exclude unlettable voids, which in the year decreased by 31% and highlights the positive impact of progress with SBHA's longer term unlettable empty homes. A 0.49% increase in lettable voids (including garages) is due to the initial impact of the pandemic as explained above in Key Performance Indicators. An increase in revenue grants is mainly due to claiming £545k from the Coronavirus Job Retention Scheme (see accounting policies (I)) for the first time to mitigate the financial impact of the pandemic, especially in SBHA's in-house property services. Adaptations undertaken in the year were limited due to the pandemic and hence the revenue grant claimed reduced by 90k in comparison to the previous year.

Operating Costs of £19.9m were lower (11.9%) than the previous year. Management and maintenance administration costs have decreased during the year by £289k, this is across a range of areas such as staffing including travel and agency costs and office based costs such as printing. This reflects the mitigating strategies set at the outset of the pandemic.

Planned and Cyclical maintenance costs reduced by £1.6m but in cash terms when adding back those components capitalised, the reduction is £7.7m (capitalised costs reduced from £8.7m to £2.6m) as highlighted in note 11b. Repairs and Maintenance services in year were mainly restricted to essential only, resulting in £4m of the Planned Maintenance Programme being carried into 2021-22 to fulfil those works delayed as a result of the pandemic.

Reactive Maintenance costs decreased by £503k (18%) due to the pandemic and the restrictions on repairs services throughout the year. Sub-contracting usage was reduced, and whilst overall costs reduced, internal overheads and resource to deliver reactive and empty home repairs remained in the pandemic, whilst significantly less repairs were undertaken. It is anticipated that repair volumes will increase in 2021-22 due to a backlog from the current lockdown.

Bad Debt expense slightly reduced in the year by £18k (4.2%) (2020: increase of 6.93%) with rental arrears (net of technical arrears) in total being slightly higher than last year, this indicates that performance has marginally declined.

Depreciation and Impairment costs in the year have increased by £126k (2.96%) and reflect the year on year additional investment on existing properties with its subsequent write off.

This year the net loss on disposal of fixed assets was £515k less than the previous year, mainly due to the loss on components being replaced reducing from £721m to £249k. The majority of components replaced with a net book value were heating systems as part of SBHA's EESSH strategy, such as electric storage heaters being upgraded to more efficient quantum systems or gas heating where infrastructure is in place. The gain on disposal of two unlettable properties sold at market value was £1.4k with 95% pf proceeds after selling costs of £26k being retained in lieu of future grant for new build.

3.0 STATEMENT OF FINANCIAL POSITION (SOFP) AS AT 31 MARCH 2021

At 31 March 2021, the Association showed a positive Statement of Financial Position where assets exceeded liabilities, including the Local Government Pension Scheme liability. This is a continuing trend from 2010-11 where increasing revenue reserves have maintained a positive Statement of Financial Position. The high revenue reserves are due to the continued full implementation of component accounting, in accordance with which expenditure on properties owned, (as per accounting policy 1 (m) on page 28, where it is deemed to extend the useful life of the property or provides an enhancement of economic benefits or the component is replaced), is capitalised and added to the original cost of that property rather than being treated as an expense.

The Association showed net current assets at 31 March 2021 where those assets are generally able to be realised within one year, exceeded liabilities generally payable in the same period. The liquidity ratio for 2021 was 5.66 (2020: 2.67) and increased mainly due to higher cash balances detailed below and creditors due within one year reducing by £2.6m. An amendment agreement to SBHA's loan facility in 2021 reprofiled loan tranches, meaning in the year only £14.7k was repayable instead of the previous £1.8m.

Cash in Bank or hand is £21.5m (2019: £15.4m) and is at levels greater than anticipated due to the delayed expenditure in the planned maintenance programme and the small new build programme as a result of the pandemic. Cash in bank is expected to reduce significantly over the next 2 years as committed project spends are progressed.

At 31 March 2021, the Association owned 5,606 properties against 5,608 at 31 March 2020, the movements are explained in note 5. SBHA's current Accounting Policy is to show Properties at original cost-plus capitalised amounts on the Statement of Financial Position.

The net Pension liability of the LGPS increased from £506,000 to £3,247,000 in the year. The report is based on a triennial valuation at 31 March 2020 rolled forward, the main impact on the increasing deficit was due to the forecast long term gilt return decreasing which is the basis for a lower discount rate and increasing assumptions for longer term rates of inflation and salary increases giving rise to an actuarial loss of £2.44m (2020: gain of £1.39m).

By virtue of being a stock transfer Association, SBHA is not committed to accumulating reserves in order to meet future long term commitments, but has agreed at the outset a loan facility with a specific loan repayment programme. A positive Statement of Financial Position is still anticipated to continue throughout the Association's 30-year Business Plan (which is itself reviewed annually). It should be noted however that the accumulated 'reserves' are counter-balanced by an increase in the cost of the Association's properties and not in cash or other type of asset.

4.0 TREASURY MANAGEMENT

SBHA's Treasury Management Policy sets out the policy of the Association with regard to treasury matters including borrowing and investing. SBHA has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the "Code") as set out in the Scottish Housing Regulator's Standard on Recommended Practice for Treasury Management.

The Treasury Management Policy sets out the Association's policy concerning all of its funding or borrowing from external sources, and lending and investment of surplus funds. Authorisations for banking and transfer of funds are also covered. The use of financial instruments by the Association which are not linked to a loan agreement is currently forbidden, as is any exposure to currencies other than sterling. The overriding principles of the policy have been emphasised around the requirement to ensure that risk is managed, understood by the Board of Management and that a cautious approach of risk over potential returns is taken.

5.0 PENSIONS

The Association participates as a closed member in the Scottish Borders Council Pension Fund (SBCPF), a statutory multi-employer defined benefit scheme. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. This scheme moved to a Career Average Revalued Earnings (CARE) calculation method in 2015, which replaced the Final salary valuation method.

The actuarial method used to value the Pension Fund is known as the Projected Unit Method. The last valuation (triennial) was as at 31 March 2020 and, following this valuation, SBHA's employer's contributions have been set at 20.3% of pensionable pay with effect from 1 April 2021, increasing by 0.5% over the following two years. The Association recognises a Net Pension liability of £3,247,000 (2020: £506,000) at 31 March 2020.

A Defined Contribution pension scheme from Scottish Widows has been available to employees who are not members of the SBCPF since June 2013 and is the scheme to which employees were auto-enrolled into from 1 April 2014. It is a joint contributory scheme with total contribution from the Association and employees being up to 12%, depending on length of service.

6.0 GOING CONCERN

The Board of Management has reviewed SBHA's 30 year Business Plan, including annual and 5 year budgets, and have stress tested these in light of the Covid-19 pandemic. The Board approved a revised plan in 2020 based on these forecasts taking into account potential risks to rental income, voids and the impact of reduced repairs and maintenance to the housing stock. This also focused on the impact on cash flow, ensuring sufficient cash is available to fund a potential significant increase in working capital requirements. The revised plan provides the basis for which covenants are re-set with SBHA's lender.

In relation to subsequent events (see note 27), on 5th August 2021 a full Re-finance was approved by the Board of Management and the 30 year Business Plan was updated and approved in line with SBHA's revised Development plans and Re-financing terms. Sensitivities and their impact on cash and the revised commercial covenants were reviewed and were found to be able to sustain increased working capital requirements due to the current pandemic. This has provided assurance that potential financial risks can be managed. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SECTION 3 – CONTROLS

1.0 BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

The Board of Management and Executive Officers are listed on page 1.

Each Board Member holds one fully paid, non refundable share of £1 in the Association. The Board of Management have no beneficial interest in the Association's share capital. The Chief Executive and the Directors of the Association also have no beneficial interest in the Association's share capital and they act within the authority delegated by the Board of Management.

Statement of Board of Management's Responsibilities under Co-operative and Community Benefit Societies (CCBS) Act 2014 for a Registered Social Landlord

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to ensure that financial statements are prepared for each financial year, which give a true and fair view of the state of affairs of the Association's state of affairs and of the surplus or deficit 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board of Management must ensure that the financial statements comply with the Co-Operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Determination of Accounting Requirements February 2019. It is responsible for safeguarding the assets of the Association and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as each of the Board of Management is aware, there is no relevant audit information of which the auditors are unaware and they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

SBHA's Board has delegated specific elements of its authority to the Association's Chief Executive, and also to three standing Sub-Committees. These are:

Audit and Compliance Sub-Committee - is the specialist Sub-Committee with responsibility for ensuring the Association's financial and business operations are carried out accurately, fairly, legally, and with due regard to the management of risk. This Sub-Committee is also responsible for ensuring that appropriate arrangements are in place to promote economy, efficiency and effectiveness in order to enable the Board of Management to give an annual statement of assurance in respect of financial control systems.

Customer Board – is the Sub-Committee responsible for overseeing the joined-up customer experience delivered by SBHA. This includes actively promote and monitor the delivery of good customer care and tenant satisfaction in all areas of service delivery; monitoring performance relating to voids, rent arrears, repairs, the Planned Maintenance Programme, anti-social behaviour, and overall Tenant satisfaction; review the output of the Customer Audit Team's Scrutiny Projects; ensure that any new developments meet customer and housing need in order to inform the investment decisions of the Board.

Remuneration & Nominations Sub-Committee - has a limited remit to oversee Chief Executive pay, Governance nominations and succession planning, and urgent staffing issues.

Board of Management's Statement of Internal Financial Controls

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

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

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives.

In particular, the Audit and Compliance Sub-Committee is responsible for advising the Board as to whether an adequate system of accounting and internal control exists, and for making recommendations for its improvement. In this, it will be advised by External and Internal Auditors and the Executive Team.

Key elements of the Association's systems include ensuring that:

- The Association has a Strategic and Business Plan, which sets out its corporate priorities, the format of which follows Scottish Housing Regulator guidelines. The Plan covers a period of 5 years and is normally reviewed and approved by the Board annually in conjunction with the annual Budget mentioned below and the updated 30-year Business Plan. The Strategic and Business Plan for 2020-25 was reviewed and approved in February 2020 along with the financial aspects of the Business Plan;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- The Association's Financial Regulations were replaced by a suite of Financial Policies which were updated and approved on 20 November 2009 and have been subsequently reviewed and amended as required;
- The Association's Financial Policies set out exactly how the Association's financial controls are to operate;
- A wide range of SBHA Policies deal with, amongst other things, control issues for the Corporate, Finance, Human Resources, Customer Services and Assets & Property Services areas. These are approved at Sub-Committee level and homologated at Board of Management level as and when required;
- The Association's Policy on the procurement of goods and services sets out limits of authority for post holders;
- A detailed Budget is set annually and approved by the Board of Management;
- The overall Budget is divided by service area. Detailed management accounts are prepared monthly, both on an overall basis and by service area. Actual v Budget reports for service areas are discussed with individual Budget Holders, with a view to identifying areas where corrective action is required to prevent avoidable overspends;
- The Association's Executive Officers, comprised of the Chief Executive and 4 Directors, receive and monitor the management accounts on a monthly basis;

- The Board of Management is presented with a Financial Monitoring report for the Association on a quarterly basis. This report compares Actual financial results against Budget and comments on any significant variances and on whether the forecast out-turn for the year is likely to be materially different from Budget;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the governing body;
- The Association uses the services of an independent Internal Auditor who works to an Audit Needs Assessment programme agreed in advance by the Audit and Compliance Sub-Committee;
- The Internal Auditor carries out regular reviews of control activities and reports their findings to the relevant Manager, the Executive Officers and to the Audit and Compliance Sub-Committee; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports; and
- Risk is actively managed through the Association's Risk Management Policy. The Executive team meets on a regular basis to assess Strategic and key Operational Risks and reports findings to the Audit and Compliance Sub-Committee.

These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Advice Note (Internal Financial Controls and the Regulatory Standards).

The Association has identified an extensive range of Key Performance Indicators which were reported at Sub-Committee and Board of Management level throughout the year.

The Key Performance Indicators comparing target with actual results reported at the Board of Management cover financial matters such as loan covenants, arrears and voids level, and staff attendance levels. Actual performance is set out at page 9.

The effectiveness of the Association's system of internal financial control has been reviewed by the Audit and Compliance Sub-Committee and Board of Management for the year ended 31 March 2021. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

SBHA's Board of Management has commenced a Self-Assessment review against the Scottish Housing Regulator Standards and has established a working group to re-assess two standards per annum on a rolling basis from 2020.

2.0 RISK MANAGEMENT

There are currently 8 Strategic Risks, with 29 operational risks/ causes being recognised, monitored and controlled in the current year and re-scored. The principal risks are deemed to pose the most acute threat to the Association in the short term and the actions required to mitigate the effect of such risks. The Top 3 strategic risk areas currently identified are:

STRATEGIC RISK	OPERATIONAL RISK/CAUSE	MITIGATING CONTROLS
FINANCIAL <i>Fail to manage our finances effectively</i>	<ul style="list-style-type: none"> • Significant reduction in income due to Covid and Welfare Reform. • Failure to monitor & control financial commitments results in breach of covenants • Unable to secure affordable loan funding in line with long term financial planning • Costs increase above inflation due to Covid & Brexit • SBHA is the victim of fraud 	<ul style="list-style-type: none"> • Bad Debt budget and working capital increases; Engage with DWP; Empty homes action plan; Financial Inclusion Services • Governance of management accounts, monthly/quarterly; Realistic Business Plan assumptions/stress testing • Treasury advisor; Financing review • Contingency in contracts/sensitivity • Internal controls; IT controls audit training/awareness of fraud risks
CONFIDENCE & TRUST <i>Fail to build and maintain an environment of trust</i>	<ul style="list-style-type: none"> • Fail to effectively communicate and engage with Tenants and take effective action • Failure to manage health & safety effectively (inc impact of Covid on working practices) • Failure to have robust IT security Controls resulting in cyber attack • Fail to effectively manage a major disaster (i.e. Covid pandemic) 	<ul style="list-style-type: none"> • Communications Strategy/Customer back • Tenant engagement strategy • H&S framework; Action plan; Key roles; Competent person/advisor • Suite of Policies-conduct/values/ fraud & theft • IT controls audit/penetration testing • Business Continuity Plan
GROWTH <i>Inability to anticipate and/or maximise opportunities to Develop and Grow</i>	<ul style="list-style-type: none"> • Failure to engage appropriate support & advice to develop new homes • Failure to create effective partnerships & community support • Ineffective asset management • Lack of resources/financial • Inadequate decision-making tools, e.g. business case process, benchmarking and project management 	<ul style="list-style-type: none"> • Use of external consultant to increase expertise/seek opportunities • Best practise for New Build development policies and procedures • Financial Capacity review • Increased resources for Land Bank acquisition • Transformation fund in place to capture savings

3.0 EXTERNAL AUDITORS

RSM UK Audit LLP were re-appointed as auditors following a retendering process in 2016. The contract is for a period of 3 years plus the option to extend for a further 2 years subject to satisfactory performance and will be subject to annual approval at the AGM of SBHA.

By Order of the Board of Management

Robin Hill
SBHA Chair

Date: 19th August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH BORDERS HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Scottish Borders Housing Association (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of Management is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives

rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Board of Management's responsibilities statement set out on page 14, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

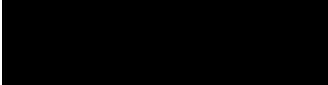
The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019), the Management of Health and Safety at Work Regulations 1999, and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations, inspected correspondence with regulatory authorities including mandatory submissions to the Regulator, reviewed minutes of meetings of the Board of Management and relevant sub-committees, and reviewed available online information with the Information Commissioner's Office and the Health and Safety Executive.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and key estimates.

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

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 24 August 2021

Report by the Auditors to the Members of Scottish Borders Housing Association on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 15 and 16 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 15 and 16 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 24 August 2021

Statement of Comprehensive Income

	Note	2021 £	2020 £
Turnover	2	24,755,826	23,864,119
Operating Expenditure	2	(17,113,630)	(19,424,681)
(Loss) on disposal of property, plant and equipment	9	(247,930)	(763,461)
Operating Surplus	2, 8	7,394,266	3,675,977
Interest receivable	6	22,250	38,400
Interest payable and financing costs	7	(1,559,726)	(1,673,913)
Surplus for the Year	21	5,856,790	2,040,464
Actuarial gain/(loss) in respect of Pension Scheme	25	(2,443,000)	1,393,000
Total Comprehensive Income/(Expenditure) for the Year		3,413,790	3,433,464

The results relate wholly to continuing activities.

The accompanying notes on pages 27 to 51 form part of these financial statements.

Statement of Financial Position

	Note	2021 £	2020 £
Fixed Assets			
Intangible Assets	11a	230,677	106,778
Housing Properties – Depreciated Cost	11b	75,246,571	74,438,222
Other Fixed Assets	11c	1,773,359	1,904,109
Investment in Subsidiary Company	12	1	1
		<u>77,250,608</u>	<u>76,449,110</u>
Current Assets			
Properties Held for Sale	13	-	27,725
Stock	14	226,005	218,081
Trade and Other Debtors	15	1,968,743	2,308,897
Cash and Cash Equivalents		<u>21,539,242</u>	<u>15,436,726</u>
		<u>23,733,990</u>	<u>17,991,429</u>
Current Liabilities			
Creditors: Amounts falling due within one year	16	(4,193,846)	(6,782,907)
Net Current Assets		<u>19,540,144</u>	<u>11,208,522</u>
Total Assets less Current Liabilities		<u>96,790,752</u>	<u>87,657,632</u>
Creditors: Amounts falling due after more than one year	17	(45,818,037)	(42,839,693)
Pension Liabilities:			
Defined Benefit Pension Liability	25	(3,247,000)	(506,000)
		<u>(49,065,037)</u>	<u>(43,345,693)</u>
Total Net Assets		<u>47,725,715</u>	<u>44,311,939</u>
Reserves			
Unrestricted Reserve	21a	50,972,557	44,817,767
Restricted Reserve	21b	-	-
Pension Reserve	21c	(3,247,000)	(506,000)
Share Capital	21	158	172
Total Reserves		<u>47,725,715</u>	<u>44,311,939</u>

The Board of Management approved the Financial Statements on pages 23 to 51 and authorised them for issue on 19th August 2021 and they were signed on their behalf by:

Robin Hill

Chair

Ian McDonald

Board Member

Carly Stewart

Secretary

Statement of Changes in Reserves

	Note	Unrestricted Reserve £	Restricted Reserve £	Pension Reserve £	Total £
Balance as at 31 March 2019		42,493,437	55,866	(1,671,000)	40,878,303
Surplus for the Year	21	2,040,464	-	-	2,040,464
Transfer from Unrestricted to Restricted Reserve		(55,866)	55,866	-	-
Transfer from Unrestricted to Pension Reserve		228,000		(228,000)	-
Pension Actuarial Gain	25	-	-	1,393,000	1,393,000
Balance at 31 March 2020		44,817,767	-	(506,000)	44,311,767
Surplus for the Year	21	5,856,790	-	-	5,856,790
Transfer from Unrestricted to Pension Reserve		298,000	-	(298,000)	-
Pension Actuarial (Loss)	25	-	-	(2,443,000)	(2,443,000)
Balance at 31 March 2021		50,972,557	-	(3,247,000)	47,725,557

Statement of Cashflows

	Note	2021 £	2020 £
Net Cash generated from Operating Activities	22	<u>11,942,939</u>	<u>7,984,856</u>
Cashflow from Investing Activities			
Purchase of Tangible Fixed Assets		(5,512,777)	(8,967,445)
Purchase of Intangible Fixed Assets		(169,971)	(6,444)
Proceeds from Sale of Tangible Fixed Assets		29,111	281,262
Grants Received		1,765,382	147,046
Interest Received		22,250	38,400
Net Cash (Used in) Investing Activities		<u>(3,866,005)</u>	<u>(8,507,451)</u>
Cashflow from Financing Activities			
Interest Paid		(1,539,704)	(1,628,913)
Contributions to Defined Benefit Liability		(420,000)	(609,000)
(Repayment)/Drawn		(14,700)	10,700,000
Shares Issued		2	1
Shares (Cancelled)		(16)	(10)
Net Cash (Used In) Financing Activities		<u>(1,974,418)</u>	<u>(8,462,078)</u>
Net (decrease)/Increase in Cash and Cash Equivalents		<u>6,102,516</u>	<u>7,939,484</u>
Cash and Cash Equivalents at Beginning of Year		<u>15,436,726</u>	<u>7,497,242</u>
Cash and Cash Equivalents at End of Year		<u>21,539,242</u>	<u>15,436,726</u>

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

a) Legal Status

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by The Financial Conduct Authority, registered in Scotland with the registered Head Office in Selkirk, as detailed on page 2. Scottish Borders Housing Association is a public benefit entity.

b) Basis of Accounting

The Financial Statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and are prepared under the historical cost convention. The financial statements are prepared in Sterling (£).

c) Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:

- Valuation of housing property – see m) Fixed Assets – Housing Land & Buildings
- Useful lives of housing property – see n) Depreciation – Housing Properties
- Components of housing properties – see m) Fixed Assets and n) Depreciation
- The measurement of the recoverable amount of assets for impairment reviews – see q) Impairment of Fixed Assets
- Recoverable amount of rent arrears and other debtors – see d) Financial Instruments
- Pension liability – see cc) Pension Schemes

d) Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial Liabilities

Trade Creditors

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

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

Borrowings

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

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

e) Going Concern

The Board of Management consider on an annual basis the appropriateness of preparing the Association's Financial Statements on a going concern basis. Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
- The financial position of the Association and the impact, if any, of perceived weaknesses on the Association's viability.

- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions.
- Cash balance at the year end was £15.4m and post year end is sufficient and within the parameters of the revised 30 year Business Plan based on sensitivities due to Covid-19.
- A refinance is in progress and was approved on 5th August for completion on 25th August 2021. All existing covenants continue to be compliant and the current Business Plan is fully funded. This undertaking is to fund future Development aspirations (see note 27 subsequent events).

In the absence of any fundamental shortcomings raised as a result of the above exercise the Board of Management consider the going concern assumption underlying the preparation of the Association's Financial Statements to be appropriate.

f) Turnover

Turnover represents:

- Rental and Service Charge income (net of voids); and
- Fees and other types of income as shown in Notes 3 and 4.

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

Other income is recognised in the period when it is earned.

g) Consolidation

The Association has two wholly owned subsidiaries, as follows:

- Scottish Borders Building Services Limited ("SBBS"); and
- SBHA Plus Limited.

Consolidated Financial Statements are not prepared on the grounds of materiality and the fact that the Association has exemptions granted by the Financial Conduct Authority from the preparation of Group accounts required to be prepared under Section 13 of the Co-operative and Community Benefit Societies Act 2014. The grounds on which exemptions have been granted are:-

- For SBBS, consolidation would be impractical and of no real value to the Members of the Society. SBBS is currently a dormant company.
- For SBHA Plus Limited, consolidation is not necessary in view of the insignificant amounts involved and would not be beneficial to the users of the Financial Statements.

h) Finance

The Financial Statements have been prepared on the basis that the capital expenditure will be grant aided, funded by loans, met out of reserves, or met from proceeds of sales.

i) Investments

Long term investments are classified as fixed assets. Subsidiary undertakings are stated at cost in the Statement of Financial Position.

j) Loans

Loans and overdrafts are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those schemes which have been given approval by The Scottish Housing Regulator. Loans are classed as basic under FRS 102 and measured at amortised cost.

k) Government grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

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

l) Revenue grants

Where revenue grants have been received in respect of revenue expenditure, they are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.

Coronavirus Job Retention Scheme

During the year the Association received £ 545,448 from the Coronavirus Job Retention Scheme, to support the continued employment of its employees. This has been accounted for within turnover and has not been set off against salary costs, and has been recognised in line with staff costs that the furlough grant was expected to compensate.

m) Fixed Assets – Housing Land and Buildings

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for let. Completed housing properties are stated at cost less accumulated depreciation and impairment losses. The cost of such properties includes where applicable the following:

- Cost of Acquiring Land and Buildings;
- Improvement/Development Expenditure;
- Premium paid over valuation at date of purchase;

For expenditure on works to existing Housing Properties, SBHA capitalises expenditure under the following circumstances:

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Work to existing properties which fail to meet the above criteria is charged to the Income and Expenditure account in the year in which it is incurred.

Disposals of components and properties that take place in the normal course of the Association's business are included within operating profit in accordance with the RSL SORP.

Prior to the adoption of component accounting in 2012 the major components of the Association's housing properties were deemed to be land and buildings, central heating, windows and doors. The major components are now deemed to also include kitchens, bathrooms and rewiring. Useful economic lives of all components have also been reviewed in line with the Association's asset management strategy. Each component has a substantially different economic life and is depreciated over this individual life as set out in the table below.

n) Depreciation – Housing Properties

Depreciation is charged on a straight line basis over the expected economic lives of each major component that makes up the housing property as follows:

Component	Useful Economic Life (Yrs)
Structure (including roofs)	50
Wiring	40
Central Heating	15
Kitchens and Bathrooms	20
Windows and Doors	30
Smoke Detector System	10

A full year's depreciation is charged on these components in the year of purchase, but no charge is made in the year of disposal. Land is not depreciated.

o) Depreciation – Other Fixed Assets

The Association's assets are written off evenly over their expected useful lives as follows:

Asset Type	Useful Economic Life (Yrs)
Head Office	50
Solar Panels	20
Area Offices	10
Tenant Improvements	Over the initial term of the lease
Furniture and Fittings	5
Office Equipment and Info Systems	4
Plant	4 (vehicle fixtures over 3 year lease)
Motor Vehicles	4
Land is not depreciated	

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

p) Amortisation – Intangible Assets

The Association's assets are written off evenly over their expected useful lives as follows:

Asset Type	Useful Economic Life (Yrs)
IT Software	4

A full year's amortisation is charged on these assets in the year of becoming operational, but no charge is made in the year of disposal. Amortisation is charged to operating costs in the Statement of Comprehensive Income.

q) Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, SBHA estimates the recoverable amount of the asset. Indications of impairment can include environmental factors, contamination etc.

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. The Association recognises its full stock as an income generating unit with hard to let properties reviewed separately.

Impairment of assets is recognised in the Income and Expenditure Account in operating costs.

r) Cyclical Repairs and Maintenance

Due to the number of properties held, the Association has a regular programme of repairs and maintenance and charges actual costs incurred to the Income and Expenditure account.

s) Major Repairs

The Association does not make provision for future Major Repairs but completes such works in line with an agreed Programme within a 30 year plan. These are valued at the cost incurred, and where it meets the requirements to recognise as capital the cost is capitalised into fixed assets (see policy (m)).

t) Lease Obligations

Rentals paid under operating leases are charged to the Income and Expenditure account on a straight line basis. An operating lease is one which does not transfer the substantial risks and rewards of ownership of an asset.

u) Value Added Tax

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

v) Service Charge Equalisation

Any surplus or deficit made in charging for the provision of services to Tenants and factored properties is written off to the Income and Expenditure account in line with the practice previously adopted by Scottish Borders Council.

w) Stock of Materials

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal.

x) Sales of Properties

Sales of properties are reflected at historic cost net of accumulated depreciation and selling costs. Any grants received which cannot be repaid from the proceeds of sale, are abated and the grants removed from the Financial Statements.

y) Taxation

The Association is a registered charity and is generally not subject to Corporation Tax, either on its income or on any capital gains.

z) Financial Investments

The Association's Treasury Management policy prescribes the credit scoring levels institutions must meet before investments can be undertaken and the maximum amount that can be placed with any one institution.

aa) Other Income

Interest Income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

bb) Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

cc) Pension Schemes

Defined Benefit Scheme

The Association contributes to a Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the Association taken as a whole.

The net defined benefit liability in the year represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations. Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Defined Contribution Scheme

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

dd) Provisions

Provisions are recognised when the Association has an obligation, at the reporting date, as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability.

ee) Reserves

The Association establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties.

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover	Operating Costs	Loss on Disposal	Operating Surplus	2020
		£	£	£	£	£
Affordable Lettings Activities	3	24,299,011	(16,914,422)	-	7,384,589	4,282,553
Other Activities	4	456,815	(199,208)	-	257,607	156,885
Loss on disposal of fixed assets	9	-	-	(247,930)	(247,930)	(763,461)
Total for 2021		24,755,826	(17,113,630)	(247,930)	7,394,266	3,675,977
Total for 2020		23,864,119	(19,424,681)	(763,461)	3,675,977	

3(a) PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM AFFORDABLE LETTING ACTIVITIES

	Note	2021	2020
		£	£
Rent receivable net of service charges		23,809,878	23,284,707
Service charges		<u>216,777</u>	<u>219,295</u>
Gross income from rents and service charges		24,026,655	23,504,002
Less voids		<u>(528,282)</u>	<u>(401,205)</u>
Net Income from rents and service charges		23,498,373	23,102,797
Grants Released from Deferred Income	18	161,472	180,103
Grants from Scottish Ministers		<u>639,166</u>	<u>200,911</u>
Total turnover from social letting activities		24,299,011	23,483,811
Management and maintenance administration costs		5,621,758	5,911,608
Service costs		214,672	222,437
Planned and cyclical maintenance including major repairs cost		3,581,186	5,158,385
Reactive Maintenance costs		2,324,652	2,827,743
Grounds Maintenance		356,579	364,466
Bad debts rents and service charges		410,056	427,997
Depreciation of Affordable Let Properties		4,389,023	4,262,869
Impairment of Affordable Let Properties		<u>16,496</u>	<u>25,753</u>
Operating Costs for Affordable Letting Activities		16,914,422	19,201,258
Operating surplus for Affordable Letting Activities		7,384,589	4,282,553

SBHA owns no other accommodation except for General Needs Housing Accommodation and 3 homes for Mid Market rent leased to SBHA Plus Limited (disclosed in note 5).

3(b) AVERAGE RENTS

	2021 £	2020 £
The average weekly rent (48 week basis) per property available to let at the period end was:	88.27	86.09

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES

	Total Turnover £	Other Operating Costs £	Operating (Deficit)/ Surplus £	Operating (Deficit)/ Surplus 2020 £
Other Agency / Management Services	23,133	(35,855)	(12,722)	(9,449)
Factoring	16,662	(10,381)	6,281	4,548
Other Activities	417,020	(152,972)	264,048	161,786
Total from other activities 2021	456,815	(199,208)	257,607	156,885
Total from other activities 2020	380,308	(223,423)	156,885	

Other Activities include commercial lets of £305,492 (2020: £254,830) less related costs of £107,338 (2020: £131,840).

In line with paragraph 12.2 of the Determination of Accounting Requirements – February 2019, there was no income falling under Grants from Scottish Ministers and Other Revenue Grants in relation to Other Activities for 2020-21 which require disclosure, with nil in the previous accounting period of 2019-20.

5. ACCOMMODATION IN MANAGEMENT

The number of units of accommodation in management at the period end was:

	2021 No.	2020 No.
General Needs Housing	5,541	5,554
Homeless Lets	62	51
Mid Market Lets – leased to SBHA Plus	3	3
Factored Properties	145	145
	5,751	5,753

Stock movements during the year: Disposals: 2 properties sold at market value. 11 additional properties previously let as general needs housing, were leased to SBC for homelessness lets.

6. INTEREST RECEIVABLE

	2021 £	2020 £
Interest Receivable	22,250	38,400
	22,250	38,400

7. INTEREST PAYABLE AND FINANCE COSTS

	2021	2020
	£	£
Loan Interest	1,517,336	1,562,736
Pension scheme net interest cost	15,000	45,000
Non-utilisation Fees	22,368	61,155
Arrangement Fees	5,022	5,022
	<hr/>	<hr/>
	1,559,726	1,673,913

8. OPERATING SURPLUS

Operating surplus is stated after charging:

	Note	2021	2020
		£	£
Amortisation of Intangible Assets	11a	72,448	74,460
Depreciation of Housing Properties	11b	4,431,932	4,304,358
Impairment of Housing Properties	11b	16,496	25,753
Depreciation of Other Tangible Assets	11c	111,057	115,801
Operating Lease Rental	24	287,607	314,950
Cost of Stock recognised as expense		864,743	2,016,280

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services included in operating expenditure are as follows:

External auditors remuneration:

Audit Service	27,888	29,469
Non Audit Services for entities related to Auditor	21,764	210
	<hr/>	<hr/>
	49,652	29,679

Internal Auditors Remuneration	13,770	15,259
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9. DEFICIT ON SALE/DISPOSAL OF FIXED ASSETS

	2021	2020
	£	£
Disposal Proceeds	33,672	13,339
Carrying Value/Costs of Fixed Assets	<hr/>	<hr/>
Net loss	(281,602)	(720,934)
Other adjustments	<hr/>	<hr/>
(Loss) on Sale	(247,930)	(707,595)
	-	(55,866)
	<hr/>	<hr/>
	(247,930)	(763,461)

Disposal proceeds are those retained by SBHA of proceeds from the private sale of 2 properties (2020: 9 properties) at the current market value. 5% of proceeds net of costs are retained by SBHA and the balance used in replacement of future Housing Grant (see deferred grant note 18). The adjustment of £55,866 in 2020 is 95% net disposals in the prior year which were accounted for in deferred grant additions. Where projects are not identified, the proceeds are held in grant repayable (note 16). The carrying value of the assets includes the loss on disposal of housing property component assets being replaced £249,316 (2020: £720,934) and the cost of disposal of properties held for sale is £32,286 (2020: £nil).

10. EMPLOYEES

Staff costs (including Directors) and numbers during the year were as follows:

	2021	2020
	£	£
Wages and Salaries	5,102,801	5,059,849
Social Security Costs	483,261	484,421
Pension costs	561,873	741,499
Agency/Secondment Costs	124,632	587,870
	<hr/>	<hr/>
	6,272,567	6,873,639

Average number employed during the year of full time equivalents (including key personnel) was:

	No.	No.
Directorate and Senior Management	13	12
Supervisory and Administrative	82	86
Trades	66	71
	<hr/>	<hr/>
	161	169

A voluntary pension payment of £nil was made in 2021 (2020: £171,000) to the LGPS scheme as additional contributions. This is part of SBHA's funding strategy to reduce the longer term projected deficit (see note 20 Contingent Liability).

Key Management Personnel are defined as the members of the Board of Management, the Chief Executive and the Executive Directors and are named at page 1.

The number of Key Management Personnel who received emoluments (excluding employer's pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	2021	2020
	No.	No.
£ 70,001 - £80,000	1	1
£ 80,001 - £90,000	3	3
£ 90,001 - £100,000	-	-
£100,001- £110,000	-	-
£110,001 - £120,000	1	1

During the year, 2 Directors (2021:2 Directors) participated in the Association's defined benefit pension scheme. The Chief Executive Officer is an ordinary member of the Association's pension scheme. No enhancements or special terms apply to membership and they had no other pension arrangements to which the Association contributes.

Key Board Personnel who received emoluments (excluding employer's pension contributions) during the reporting period fell within the following bands:

	2021	2020
	No.	No.
£ 0 - £5,000	1	2
£5,001 - £10,000	2	-

Key Board personnel who received emoluments in the year are the Chair of the Board and the Convenor of the Audit and Compliance Sub-Committee.

10. EMPLOYEES CONTD

	2021	2020
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>438,321</u>	<u>429,421</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>110,016</u>	<u>110,894</u>
Employer Pension Contributions of the Chief Executive	<u>22,333</u>	<u>22,354</u>
Total emoluments of the Chief Executive payable	<u>132,249</u>	<u>133,248</u>
Aggregate Pension Contributions in relation to the above key management personnel	<u>55,307</u>	<u>51,355</u>
Aggregate emoluments for the above key board personnel (excluding pension contributions)	<u>15,770</u>	<u>7,713</u>

11(a) INTANGIBLE ASSETS

Cost	£
At 1 April 2020	490,085
Reallocated from note 11c	26,376
Additions	<u>169,971</u>
At 31 March 2021	<u>686,432</u>
Amortisation	
At 1 April 2020	(383,307)
Charge for Year	<u>(72,448)</u>
At 31 March 2021	<u>(455,755)</u>
Net Book Value at 31 March 2021	<u>230,677</u>
Net Book Value at 31 March 2020	<u>106,778</u>

The intangible assets relate to IT Software, including the Customer Relationship Management system and two projects in progress.

11(b) TANGIBLE FIXED ASSETS: HOUSING PROPERTY

	Housing for Let	Under Construction Housing Properties	Total
Cost	£	£	£
At 1 April 2020	104,401,770	639,824	105,041,595
Additions	-	2,947,631	2,947,631
Works to Existing Properties	2,558,463	-	2,558,463
Transfer to Housing For Let	-	-	-
Disposals	(530,168)	-	(530,168)
At 31 March 2021	<u>106,430,065</u>	<u>3,587,455</u>	<u>110,017,520</u>
Depreciation and Impairment			
At 1 April 2020	(30,603,373)	-	(30,603,373)
Charge for Year	(4,431,932)	-	(4,431,932)
Impairment	(16,496)	-	(16,496)
Disposals	280,852	-	280,852
At 31 March 2021	<u>(34,770,949)</u>	<u>-</u>	<u>(34,770,949)</u>
Net Book Value			
At 31 March 2020	<u>73,798,397</u>	<u>639,824</u>	<u>74,438,222</u>
At 31 March 2021	<u>71,659,116</u>	<u>3,587,455</u>	<u>75,246,572</u>
EXPENDITURE ON WORKS TO EXISTING PROPERTIES			
	2021	2020	
	£	£	
Replacement component spend capitalised	2,558,463	8,763,728	
Amounts charged to income and expenditure	<u>1,390,730</u>	<u>1,781,104</u>	
Total Major Repairs Spend	<u>3,949,193</u>	<u>10,174,697</u>	

The Association's Housing property was independently valued as at August 2021 at £121,210,000 by Jones Lang LaSalle on the Existing Use Value for Social Housing Units (EUV-SH) and £182,760,000 using Market Value Subject to Tenancy (MVT) valuation methods. Jones Lang LaSalle are a financial and professional services firm which specialise in commercial real estate services and investment management, providing surveying and valuation services around the world and are independent from SBHA. Neither valuation has been recognised in these Financial Statements. The value reported has been made in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise. This valuation provides a loan collateral cover of 304% compared to the 110% required by the lender on EUV-SH basis and 465% compared to 125% on MVT.

Included in the Housing Properties is £2,763,751 (2020: £2,763,751) in respect of land which is not depreciated. On review of SBHA's unlettable empty homes during the year, an impairment charge of £16,496 was recognised for 3 units which had a net book value of £17,882 prior to the impairment included in the above as they are likely to be demolished or require substantial costs to bring to a lettable standard.

11(c) TANGIBLE FIXED ASSETS: OTHER

	<u>Office Premises</u> £	<u>Furniture & Fittings</u> £	<u>Office Equipment & Information Systems</u> £	<u>Plant</u> £	<u>Total</u> £
Cost					
At 1 April 2020	2,800,447	60,767	817,930	148,698	3,827,842
Reallocated to Note 11a	-	-	(26,376)	-	(26,376)
Additions	-	-	6,683	-	6,683
Disposals	-	-	-	-	-
At 31 March 2021	<u>2,800,447</u>	<u>60,767</u>	<u>798,237</u>	<u>148,698</u>	<u>3,808,149</u>
 Depreciation and Impairment					
At 1 April 2020	(1,001,943)	(59,963)	(748,719)	(113,108)	(1,923,733)
Charge for the year	(52,081)	-	(47,304)	(11,672)	(111,057)
On disposals	-	-	-	-	-
At 31 March 2021	<u>(1,054,024)</u>	<u>(59,963)</u>	<u>(796,023)</u>	<u>(124,780)</u>	<u>(2,034,790)</u>
 Net Book Value					
At 31 March 2021	1,746,423	804	2,214	23,918	1,773,359
At 31 March 2020	<u>1,798,504</u>	<u>804</u>	<u>69,211</u>	<u>35,590</u>	<u>1,904,109</u>

12. SUBSIDIARY UNDERTAKINGS

Name of Undertaking	Class of Shareholding	Proportion of nominal value held directly	Nature of Business
SBHA Plus Limited	Ordinary	100% (2020: 100%)	General commercial company with an emphasis on housing related activities
Scottish Borders Building Services Ltd	Ordinary	100% (2020: 100%)	Dormant

The income of SBHA Plus in 2021 was £20,510 (2020: £21,448) with costs of £14,378 (2020: £19,873), and interest receivable of £332 (2020: £128) resulting in a surplus for the year before tax of £6,464 (2020: £1,703). The net assets of the company as at 31 March 2021 were £28,914 (2020: £22,450).

13. PROPERTIES HELD FOR SALE

	Note	2021	2020
		£	£
As at 1 April 2020		27,725	42,197
Additions during the year		-	-
Disposals during the year	9	(27,725)	(14,472)
As at 31 March 2021		-	27,725

14. STOCK

A stock of materials in relation to responsive repairs is held to the value as at March 2021 of £226,005 (2020: £218,081).

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Gross Arrears of Rent and Service Charges	1,881,996	1,698,068
Less: Provision for Bad & Doubtful Debts	(804,100)	(775,467)
	1,077,896	922,601
Other Debtors	56,464	62,051
Prepayments and Accrued Income	829,361	936,864
SHG Receivable	-	377,336
Deferred Finance Cost	5,022	10,045
	1,968,743	2,308,897

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2021 £	2020 £
Accruals and Deferred Income		897,263	1,161,455
Rent and Service Charges in Advance		1,498,133	1,374,407
Deferred Capital Grants	18	203,500	161,742
Trade Creditors		1,095,466	1,842,459
Other Creditors		450,463	375,089
Amount due to Subsidiary Company		4,269	953
Other Taxes and Social Security		9,452	23,005
SHG Repayable		-	43,797
Debt	19	35,300	1,800,000
		<u>4,193,846</u>	<u>6,782,907</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2021 £	2020 £
Deferred Capital Grant	18	7,568,037	6,339,693
Debt	19	38,250,000	36,500,000
		<u>45,818,037</u>	<u>42,839,693</u>

Included in creditors are:

Amounts repayable other than by instalments	<u>38,250,000</u>	<u>36,500,000</u>
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In agreement with SBHA's funders, Lloyds TSB plc, the Loan Facility is advanced and repaid in line with the Association's Business Plan. The loan is tranches to allow borrowing to be spread across a variety of interest rates and facilities. The loan is secured by way of standard securities and other charges on the Association's housing land and buildings and a first legal charge over 0.75 hectares at South Bridge Street, Selkirk. As at 31 March 2021, £26,000,000 (67%) of total loans drawn were at fixed rates for a period of one year or more. The average rate of interest on all borrowings for the year ended 31 March 2021 was 3.96% (2020: 5.88%).

18. DEFERRED CAPITAL GRANT

	Note	2021 £	2020 £
As at 1 April		6,501,436	5,905,328
Grants Received in the Year		1,431,843	776,210
Capital Grants Released		(161,742)	(180,103)
As at 31 March		<u>7,771,537</u>	<u>6,501,436</u>
Amounts to be released within one year	16	203,500	161,742
Amounts to be released after more than one year	17	<u>7,568,037</u>	<u>6,339,693</u>

18. DEFERRED CAPITAL GRANT - CONT'D

Grant additions include £70,173 (2020: £265,521) from the disposal proceeds of properties sold, in lieu of repaying the proceeds to the Scottish Government. This includes £43,797 transferred from short term creditors (note 16) in the year to identified projects. The total disposal proceeds due to be repaid are £335,694 (2020: £309,318).

19. DEBT ANALYSIS - BORROWINGS

	Note	2021	2020
		£	£
Creditors: Amounts falling due within one year:			
Bank Loans	16	35,300	1,800,000
		<u>35,300</u>	<u>1,800,000</u>
Creditors: Amounts falling due after more than one year:			
Bank Loans	17	38,250,000	36,500,000
		<u>38,250,000</u>	<u>36,500,000</u>
Total		<u>38,285,300</u>	<u>38,300,000</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings of £38,285,300 (2020: £38,300,000) are secured against the Association's housing properties.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Note	2021	2020
		£	£
Due within one year			
Due within one year	16	35,300	1,800,000
Due in one year and more but less than two years	17	1,050,000	600,000
Due between two and five years	17	5,650,000	2,350,000
Due in more than five years	17	<u>31,550,000</u>	<u>33,550,000</u>
		<u>38,285,300</u>	<u>38,300,000</u>

20. CONTINGENT LIABILITY

In 2012-13, the Board of Management investigated options in relation to the Scottish Borders Council Pension Fund and in that process obtained an estimate of the potential liability at that time if the pension scheme was closed to all employees. The value at 31 March 2018 was around £12.7 million and this will continue to vary with time. A decision was taken to close the scheme to new entrants from 1 April 2013 so that the potential liability could be capped and future increases in pension contribution for new liabilities be reduced. The above liability will not crystallise unless there were no members still in the scheme (76 active members at 31st March 2020) and by that time it is anticipated the assumptions and value will have changed considerably. The Board are reviewing plans to ensure funds are available over the next 10-20 years to meet any liability that crystallises on cessation of the scheme.

21. SHARE CAPITAL AND RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's Members agrees to contribute £1 in event of the Association winding up and these contributions are treated as share capital for the purposes of the financial statements. When a Shareholder ceases to be a Member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each Member has a right to vote at a Members' meeting.

	2021 No.	2020 No.
Shares of £1 issued and fully paid:		
Active Shares at 1 April 2019	172	181
Relinquished during the period	(16)	(10)
Issued during the period	2	1
Active Shares at 31 March 2020	<u>158</u>	<u>172</u>

	2021 £	2020 £
a) Unrestricted Reserve		
At 1 April 2020	44,817,767	42,493,437
Surplus for the Year	5,856,790	2,040,464
Transfer from /(to) Restricted Reserve (b)	-	55,866
Transfer from Pension Reserve (c)	<u>298,000</u>	<u>228,000</u>
At 31 March 2021	<u>50,972,557</u>	<u>44,817,767</u>

The total surplus for the year amounts to £3,413,790 (2020: surplus £3,433,463) of which £2,443,000 relates to a loss on the pension reserve (2020: gain £1,393,000) relating to a deficit on the pension reserve, is disclosed in Note 21c.

	2021 £	2020 £
b) Restricted Reserve		
At 1 April 2020	-	55,866
Transfer (to)/from Unrestricted Reserves (a)	-	(55,866)
At 31 March 2021	-	-

An agreement with Scottish Government is in place for SBHA to retain 95% of net Disposal proceeds in lieu of future HAG for the purpose of new Build development. The Restricted Reserve transfer in the prior year relates to the proceeds now being earmarked to a specified project and is included within additions to deferred grant (note 18).

	Note 25	2021 £	2020 £
c) Pension Reserve			
At 1 April 2020		(506,000)	(1,671,000)
Transfer (to) Unrestricted Reserves		(298,000)	(228,000)
Actuarial (Loss)/ Gain in the Year		<u>(2,443,000)</u>	<u>1,393,000</u>
At 31 March 2021		<u>(3,247,000)</u>	<u>(506,000)</u>

The Pension Reserve represents the Association's share of the deficit that exists within the pension scheme of which it is a member, in accordance with FRS 102 calculations. Assets are now valued on a bid value rather than mid market value basis.

22. CASH FLOW

(i) RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM OPERATIONS

	2021	2020
	£	£
Surplus for the year	5,856,790	2,040,463
<i>Adjustment for non-cash items:</i>		
Depreciation of Tangible Fixed Assets	4,631,933	4,520,372
Defined Benefit Pension Schemes	703,000	792,000
Increase in Provisions	(8,265)	264,012
Loss on Disposal of Tangible Fixed Assets	247,930	763,462
Release of Deferred capital grant	(161,742)	(180,103)
Interest Receivable	(22,250)	(38,400)
Interest Payable	<u>1,559,726</u>	<u>1,673,913</u>
Operating cash flows before movements in working capital	<u>12,807,122</u>	<u>9,835,719</u>
(Increase) in Stock	(7,924)	(102,629)
(Increase) in Debtors	(33,941)	(696,423)
(Decrease)/Increase in Creditors	<u>(822,319)</u>	<u>(1,051,811)</u>
Cash Generated from operations	<u>11,942,939</u>	<u>7,984,856</u>
Cash and cash equivalents represent:		
Cash at bank	<u>21,539,242</u>	<u>15,436,726</u>

(ii) ANALYSIS OF CHANGES IN NET DEBT

	2020	Cash Flows	Other Cash Movement	2021
	£	£	£	£
Cash and Cash Equivalents	15,436,726	6,102,516	-	21,539,242
Debt due within one year	(1,800,000)	14,700	1,750,000	(35,300)
Debt due after one year	<u>(36,500,000)</u>	-	<u>(1,750,000)</u>	<u>(38,250,000)</u>
Total	<u>(22,863,274)</u>	<u>6,117,216</u>	<u>-</u>	<u>(16,746,058)</u>

23. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	Note	2021 £	2020 £
Capital Expenditure contracted for but not provided in the Financial Statements		<u>12,073,777</u>	<u>10,051,145</u>
Expenditure authorised by the board, but not contracted		<u>1,107,000</u>	<u>2,556,000</u>

The above commitments will be funded through the Associations' current loan facility with Lloyds Bank plc.

24. OPERATING LEASE COMMITMENTS

At 31 March 2021, the Association had total future minimum lease commitments and had made payments under non-cancellable operating leases as set out below:

	2021 £	2020 £
Plant & Equipment		
Within 1 year	285,525	279,845
Between 1-5 years	348,791	612,893
Over 5 years	-	-
Total commitment at 31 March	<u>634,316</u>	<u>892,738</u>
Payments in current year	<u>287,607</u>	<u>314,950</u>

25. PENSION COMMITMENT

Based on eligibility, SBHA staff are entitled to be members of one of two different pension schemes:

- Scottish Widows
- Scottish Borders Council Local Government Pension Scheme (LGPS)

Scottish Widows

The scheme is a defined contribution scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Association charged to income and expenditure amounted to £143,188 (2020: £132,499).

Scottish Borders Council Local Government Pension Fund

The Association is an admitted body of this statutory multi-employer defined benefit scheme administered by Scottish Borders Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The Pension Fund is a defined benefit scheme into which employees' and employers' contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out.

The total pension cost charge for the year amounted to £420,000 (2020: £609,000 including a voluntary payment of £171,000). At 31 March 2021, the Association had no pension contributions outstanding (2020: £nil).

Employees' contributions are fixed by statute for SBHA employees according to the following scale for the year ended 31 March 2021:

Pensionable Salary	% Payable
£0 - £20,700	5.50
£20,700 - £25,300	7.25
£25,300 - £34,700	8.50
£34,700 - £46,300	9.50
Above £46,300	12.00

In the year to 31 March 2021 employer's contributions stood at 20.3% based on the pensionable salary of the previous year; this contribution will remain from 1 April 2021. Employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. The actuarial method used is known as the Projected Unit Method.

In accordance with Financial Reporting Standard 102 Section 28, on retirement benefits, the Fund's actuaries undertook a pension expense calculation as at 31 March 2021 including an allowance for the McCloud judgement. This calculation was based on rolling forward valuation data as of 31 March 2020 on the basis of a number of financial assumptions that comply with FRS102. The projected unit method of valuation was used to calculate the service cost. The main financial assumptions used included:

Assumptions as at 31 March	2021	2020
CPI increases	2.80%	2.00%
Salary increases	3.30%	2.75%
Discount rate	2.05%	2.35%

The expected return on assets is based on the long-term future expected investment for each asset class as at 31 March 2021.

Assumed life expectancies from age 65 are:	2021	2020
	Years	Years
Retiring today:		
Males	20.9	22.4
Females	23.5	23.8
Retiring in 20 years:		
Males	21.8	24.0
Females	25.4	25.5
Assets (Employer) as at 31 March	2021	2020
Equities	52%	50%
Bonds	27%	26%
Property	19%	22%
Cash	2%	2%
Total	100%	100%

Scottish Borders Housing Association
Report and Financial Statements for Year Ended 31 March 2020

Net Pension (Liability)/Asset as at 31 March	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fair value of scheme assets	40,596	34,786	35,193	32,560	31,163
Present value of funded obligation	(43,843)	(35,292)	(36,864)	(32,846)	(35,409)
Net pension (liability)	(3,247)	(506)	(1,671)	(286)	(4,246)
 Amount recognised in Income & Expenditure Account as at 31 March					
Service cost		703		792	
Net interest on the defined liability		15		45	
Administration expenses		-		-	
Total		718		837	
 Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at 31 March					
Opening defined benefit obligation	35,292		36,864		
Service cost	703		792		
Interest cost	829		959		
Change in financial assumptions	8,379		(1,139)		
Change in demographic assumptions	(1,310)		(1,336)		
Experience loss/(gain) on defined benefit obligation	627		(134)		
Estimated benefits paid (net of transfers in)	(807)		(850)		
Contributions by scheme participants	130		136		
Closing defined benefit obligation	43,843		35,292		
 Reconciliation of opening and closing balances of the fair value of Scheme assets as at 31 March					
Opening fair value of scheme assets	34,786		35,193		
Interest on assets	814		914		
Return on assets less interest	5,253		(1,216)		
Other actuarial gains/(losses)	-		-		
Administration expenses	-		-		
Contributions by employer (including unfunded)	420		609		
Contributions by scheme participants	130		136		
Estimated benefits paid (net of transfers in and including unfunded)	(807)		(850)		
Fair value of scheme assets at end of period	40,596		34,786		

Net Actuarial movement in the year	2021 £'000	2020 £'000
Defined Obligation – Change in financial assumptions	(8,379)	1,139
Defined Obligation – Change in Demographic assumptions	1,310	1,336
Experience gain on DB obligation	(1,584)	134
Scheme Assets – return on assets less interest	6,210	(1,216)
Scheme Assets – other actuarial gains	-	-
Net Actuarial Gain/(Loss)	(2,443)	1,393

Projected pension expense for year to 31 March 2022	2021 £'000
Service cost	1,059
Net interest on the defined liability	73
Total	1,132
Employer contributions	420

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021.

These projections are based on the assumptions as at 31 March 2021, as described earlier.

26. RELATED PARTIES

Current Board Member Simon Mountford has been a Councillor during the year. Any transactions with Scottish Borders Council are at arms length, on normal commercial terms and Councillor members cannot use their position to an advantage.

Current Board Members Michael Grieve, Allen Tills, Angela Sulo and Gordon Saunders and former Board Members David Elder and Julie Black are also Tenants of the Association. Current Independent Board Member Ian MacDonald's parents are Tenants of the Association. During the year £15,094 (2020: £21,121) of rent was receivable from these members. At the year end there was £nil (2020: £nil) of technical rent arrears and £3 (2020: £3) credit due to these tenants. Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2020: £Nil) in respect of bad debts from related parties. The tenancies are subject to normal commercial terms and conditions and do not allow the Board Members concerned to use their position to any advantage.

As detailed in note 10, SBHA's Chair and the Convenor of the Audit and Compliance Sub-Committee received emoluments in the year.

SBHA Plus Ltd, a company incorporated in Scotland in July 2009, is a related party by virtue of being a wholly owned subsidiary of SBHA. SBHA Plus Ltd is controlled by a Board of Directors which is appointed by the Board of Management of SBHA and which contains three members of the Board of SBHA being Simon Mountford, Michael Levack and John Paton Day

Carly Stewart, the Director of Finance of SBHA and current Secretary of SBHA, is also the secretary of SBHA Plus Ltd.

A Service Level Agreement between SBHA and SBHA Plus Ltd took effect on 1 April 2010 and remains in place until a fundamental change occurs within the business of SBHA Plus which will trigger a review of this agreement.

During the year ended 31 March 2021 SBHA recharged SBHA Plus Ltd the sum of £12,653 (2019-20: £19,576) representing costs incurred in connection with Mid Market rental and Post Office activities. The amount due to SBHA Plus by SBHA at 31 March 2021 was £4,269 (2019-20: due to SBHA Plus from SBHA £953).

Scottish Borders Building Services Limited (SBBS Ltd), a company incorporated in Scotland, is a related party by virtue of being a wholly owned subsidiary of SBHA. SBBS Ltd is controlled by its own Board of Directors which is appointed by the Board of Management of SBHA. SBBS Ltd was dormant during the year to 31 March 2021.

Carly Stewart, the Director of Finance of SBHA and current Secretary of SBHA, is Secretary of SBBS Ltd.

Robin Hill, the Chair of the Board of Management of SBHA is also a Director of SBBS Ltd but holds no shares in the company.

There was no trading between SBHA and SBBS Ltd during the years ended 31 March 2020 or 2021.

SBHA promotes and supports the active participation of its Tenants and their local communities in the Association's activities, and in influencing decision-making. This is achieved by means of a grant to the Scottish Borders Tenants Organisation (SBTO) which in 2020-21 amounted to £58,541 (2020: £96,639), as well as SBHA's direct employment of a Senior Tenant Participation Officer and a dedicated budget for SBHA-led Tenant Participation projects. In 2020-21, the Association's total expenditure on Tenant Participation was £69,500 (2020: £84,961).

27. SUBSEQUENT EVENTS

On 5th August 2021 a full refinance was approved by SBHA's Board of Management for completion on 25th August 2021. The new facilities agreement is for £58m with Royal Bank of Scotland plc and includes a £40m, 25 year term loan and a 10 year, £18m revolving credit facility.