



SBiA

SCOTTISH BORDERS HOUSING ASSOCIATION



“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,

Scottish Charity Registered No. SC030751
Co-operative and Community Benefit Societies Act 2017 – Registered No. 2573R(s)
The Scottish Housing Regulator Registered No. 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	13
Board of Management's Statement of Internal Financial Controls.....	15
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	23
Statement of Financial Position.....	24
Statement of Changes in Reserves	25
Statement of Cashflows	26
Notes to the Financial Statements	27

Board of Management, Executive Officers and Advisers

Board of Management

Chair - Robin Hill

Vice-Chair – Philippa Brosnan

Elected Board Members

Tracey Glover

Anthony Burnette

Elected as tenant member 14.09.23; Resigned
17.08.23

Michael Grieve

Stood down as casual vacancy member 14.09.23;
elected as tenant member 14.09.23

Non-Tenant Elected Members

Philippa Brosnan

John Paton-Day

Resigned 13.11.23

David Cressey

Resigned 07.11.23

Matt Foreman

Stood down as co-opted member 14.09.23; Elected as
Non-Tenant member 14.09.23

Kenny Simpson

Appointed as Co-optee 14.09.23; Casual Vacancy
Non-Tenant Member 07.12.23; Resigned 20.08.23

Appointed Board Members

Robin Hill

Reappointed 24.08.23

Ian McDonald

Convenor of Audit & Compliance Sub-Committee

Michael Levack

Reappointed 24.08.23. Convenor of Customer Board;
granted special leave of absence from 21.03.24

David Bell

Appointed 07.12.23

Eric Glass

Resigned 14.09.23

Secretary to the Association

Carly Stewart

Executive Team

Julia Mulloy

Chief Executive

Maria Lyle

Chief Operating Officer

Carly Stewart

Director of Finance

Henry Coyle

Director of Customer Services

Caroline Purcell

Director of Property Services

Emma Garry

Director of Development

Board of Management, Executive Officers and Advisers (continued)

External Auditor

RSM UK Audit LLP
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Internal Auditor

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

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

Funders

Royal Bank of Scotland plc
4th Floor
110 Queen Street
Glasgow
G1 3BX

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 2024. 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” (RSL), 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 cannot 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 2024, 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 in March 2003 commenced trading. The Association is a charitable organisation and manages some 5,652 rented and 156 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 to improve the quality standards of the homes, including meeting Scottish Housing Quality Standard (SHQS) and working towards achieving the Energy Efficiency Standard for Social Housing (ESSH).

Key services are delivered locally by Neighbourhood teams who tailor services to those communities, supported by agile working and a clear service offer and suite of Customer Service and Neighbourhood Standards. First point of contact for all services is delivered by the Solutions Team and the established Customer Relationship Management (CRM) model, including a modern telephony system to enhance the customer experience.

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. The Chair of the Board and Convenor of the Audit & Compliance Sub-Committee are remunerated roles.

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 “Voices Together” (SBHA’s Tenant & Community Engagement Strategy) and were a vital partner in developing the revised Strategy in 2021.

4.0 SBHA 2020-25 STRATEGIC & BUSINESS PLAN

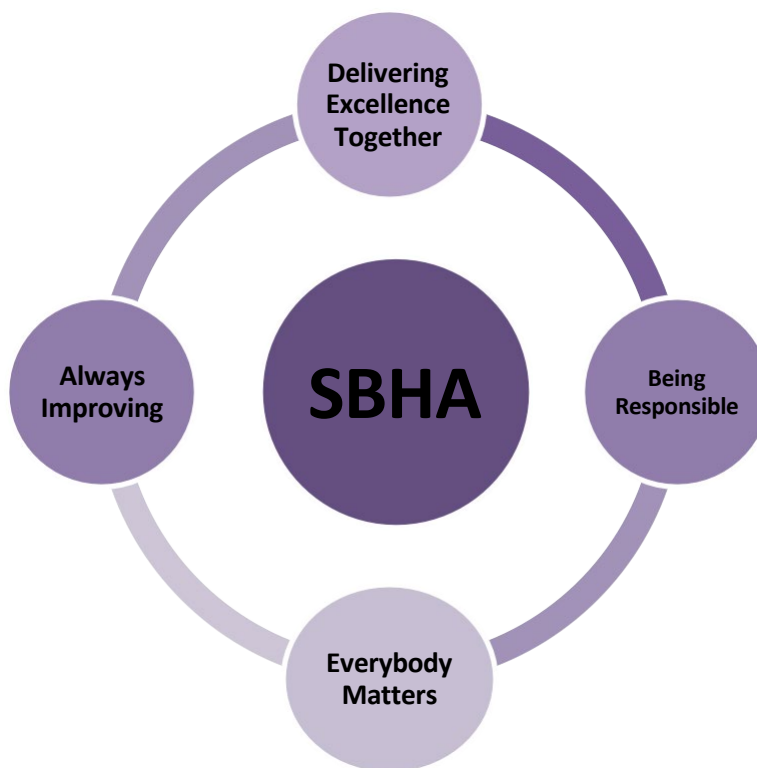
The 2020-25 SBHA Strategic and Business Plan provides an overview of how SBHA’s mission, vision and values will be delivered over the 5-year period. It was developed with the full involvement of the Board of Management & governance members, the SBHA Team and SBTO.

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 was taken of the Scottish Government’s National Outcomes and the consultation feedback on Homes Fit for 2040; the broader context of the Scottish Borders Community Planning Partnership; building 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.”; and 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.

SBHA’s Delivery Plan for years 3-5 (2022-25) of the Strategic Plan was revised in March 2022 after a series of events to reflect the themes from the emerging regional agendas such as South of Scotland Regional Economic Strategy and lessons learnt from the pandemic on the delivery of services and strategic priorities. This focuses on 7 main projects linked to SBHA’s objectives. In the year, SBHA’s More Sustainable Steps was developed and sets out SBHA’s values and principles to mitigate the risks of Climate Change. This included a commitment to establishing a suite of ESG indicators which were agreed at the end of the year for measuring progress from April 2024.

Also developed in the year, SBHA’s More Inclusive Steps sets out our strategy for delivering our equalities, diversity and inclusion commitments and emphasises the commitment to provide fair and inclusive services to all Tenants and customers. The Board of Management approved the revised Strategic and Business Plan in February 2024, after consideration, at its Away Day, of priorities and rent-setting in light of the continuing challenges of the economic context. The plan, including stakeholder input, for drafting the next Strategic plan for 2025-30 over the coming year was also established.

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

SBHA remains committed to delivering excellent customer service and key strategic actions aimed at achieving this are identified in the revised Strategic Delivery Plan. These include strengthening universal services and improving Tenant satisfaction, specifically the management of the neighbourhood. This re-inforces SBHA's vital role as a community anchor and recognises its social impact.

PERFORMANCE	ACTUAL 23-24	ACTUAL 22-23	TARGET
Overall Tenant Satisfaction	76%	76%	>82%
Tenants who feel landlord is good at keeping them informed	83%	71%	>75%
Satisfaction with opportunities to participate in decision making	94%	59%	>65%

A positive shift in Tenant Satisfaction indicators was achieved in the year. The shift from those previously neither satisfied or not, to a positive experience recognises the variety of efforts to communicate and highlight participation and ways to become involved.

Overall Tenant Satisfaction has remained the same but remains below the target of 82%. The most common areas of dissatisfaction for Tenants remain consistent from last year: the need to improve communication; speed of response; and a better repairs and maintenance service. SBHA's Repairs Working Group continued with a cohort from customer facing teams and tenants to improve service delivery and the customer experience. Focus to date has been on the early stages of the customer journey and accessing the Repairs Service. The most recent tenant satisfaction survey indicated improved outcomes in this area. Going forward, the key focus will be actions to improve speed and quality of work as these elements have been highlighted in the customer journey mapping.

Also demonstrating SBHA's commitment to deliver excellent customer service, efforts in working towards achieving Customer Service Excellence have progressed. The project group, which has representation from across SBHA, achieved a positive pre-assessment at the end of this year and on track to achieve full accreditation later in the year. This includes the approach to customer complaints. Numbers have slightly increased and the group is approaching a turnaround through reinforcing SBHA's values, ensuring individual commitment to addressing complaints effectively and following up on promises.

Acting on feedback from Tenant Scrutiny, SBHA consulted on and published a revised Neighbourhood Standard in the year to address emerging themes, aiming to improve satisfaction with the management of the neighbourhood, which increased in the year to 70% (2023: 61%). This is supported by the proportion of ASB cases resolved by SBHA in the year increasing to 90% (2023: 78%).

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	23-24	22-23	
Lettable Stock Void Loss %	1.01%	0.86%	<1.25%
Average days to let empty homes	44	36	<30
% Lets to Homeless	56%	45%	>50%

Tackling homelessness and reducing poverty and inequalities, in an era of multiple Housing Emergencies in Scotland, including the Scottish Borders, is a priority. SBHA is committed to supporting the implementation of SBC's Local Housing Strategy and Rapid Rehousing Transition Plan (RRTP) and allocated 56% of lets in 2023-24 to a homeless household, exceeding target and national average, as well as increasing tenancy sustainment to its highest level of 90%. This is reflected in turnover reducing again this year with the number of relets falling from 492 to 462. This performance, whilst positive, reflects a reduction in housing options for those in significant housing need who are not homeless, reinforcing the pressing need to increase new housing supply.

Empty Homes Management Performance has slightly reduced compared to last year but remains within target and sector average. Resourcing empty home repairs, including sub-contractor commitments, has continued to be challenging, along with an increase in the required content of work. Overview of performance and the one team ethos, as well as adhering to SBHA's empty homes framework, are key to reducing rent loss and the number of days to let empty homes.

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	23-24	22-23	
Rent Collection %	99.01%	98.11%	>98.50%
Gross Arrears as a % of Rent Due	6.14%	6.30%	<6.50%

Rent collection has increased in the year, at a time of challenging times for household inflation. The teams focussed on early intervention and prevention, and maximising referrals for Financial Inclusion and Affordable Warmth support. Tenants have been assisted to tackle hardship by accessing the Scottish Government's Social Housing Fuel Support fund administered by the SFHA.

SBHA continue to support Tenants who are in financial hardship through its Financial Inclusion Service. As at the 31 March 2024, a total of 2,425 Tenants (2023: 1,724 – restated due to a reporting error) were in receipt of Universal Credit. An additional £412,000 (2023: £408,000) of income for Tenants was generated through the provision of a dedicated welfare benefit and financial support service, supporting 731 SBHA Tenants (2023: 869). This is further complemented by SBHA's participation in a pilot Relational Mentoring Service with the Wise Group, a leading social enterprise working to lift people out of poverty, and the introduction of SBHA's Tenancy Support Service, providing dedicated support to Tenants where health and wellbeing factors are impacting on their ability to maintain their home.

GREAT PLACES

SBHA's Asset Management strategy was approved in 2021 and provides the roadmap 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 net zero carbon and achieving Energy Efficiency Standard for Social Housing (ESSH 2).

The Climate Change (Scotland) Act 2009, as amended in 2020, sets a statutory target to reach net carbon zero emissions by 2045. The Scottish Government committed in the Heat in Buildings Strategy to review ESSH2 in 2023 with a view to aligning it with its net zero targets. The review of ESSH2 has resulted in a proposed Social Housing Net Zero Standard (SHNZS) which will replace ESSH2. The main elements of SHNZS are a fabric efficiency rating; minimum fabric standard; the installation of clean heating systems and air quality.

SBHA has also responded to the Scottish Borders Council (SBC) consultation on its draft Local Heat and Energy Efficiency Strategy (LHEE's) which will play an important role in the delivery of net zero across the Scottish Borders and highlight the potential of heat networks which RSLs may be able to utilise to provide cost effective heat solutions to homes within the vicinity.

A high-level evaluation of the stock investment types has been undertaken and the high-level cost and funding implications will be assessed in the coming year. Borders RSLs have commenced discussions with Changeworks to develop a proposal to evaluate all our stock data, aligned with the proposed SHNZS, and how we can all deliver programmes of work in collaboration, considering the SBC LHEE's and maximising heat network opportunities where appropriate.

Evaluating net zero solutions at an early stage is also pivotal in the journey. SBHA and 6 other South of Scotland based RSLs continued a collaborative approach with the Centre for Local Economic Studies (CLES), funded by South of Scotland Enterprise (SOSE), to produce a Roadmap to Decarbonisation with a focus on the local economic impact. Proposals are being developed for Scottish Government to fund a series of pilots based on archetypes to establish appropriate solutions for different construction types and a clear programme of potential works that the construction market can prepare for. This project will connect with the Edinburgh University's SACHA student learning programme on effective models of tenant engagement in the Net Zero journey. A project is also currently being prepared to pilot an innovative battery storage solution involving the South of Scotland RSLs and South of Scotland Enterprise.

Options are being explored with BT Openreach to identify further blocks for superfast broadband infrastructure opportunities. 30 pilot environmental gateway damp sensors were installed, with insight data through the gateway portal being monitored and actioned by SBHA where appropriate. Tenants are being encouraged to download the related app which gives advice and guidance based on information from the alarms and sensors, to encourage self-help. Options for additional sensors will be explored as the pilot progresses.

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	23-24	22-23	
EESHS Compliance	96.19%	90.4%	>99%
SHQS Compliance	90.17%	84.4%	>93.50%

SBHA's Planned Maintenance Plan, connecting significant investment in neighbourhoods with the Community Model, saw total major repairs investment of £7.4m (2023: £8.3m), with 57 heating systems, 278 windows & 357 doors, 241 bathrooms and 203 kitchens upgraded, a concentration in homes in Jedburgh and West end Hawick. Continuing challenges in the construction market such as labour and material shortages contributed towards slippage of budgeted cost of £1.4m (2023: £2.5m) to be carried over, which predominantly relates to the supply and fit of windows and some complex multi-element projects including mixed tenure ownership.

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	23-24	22-23	
Gas Safety Check by anniversary date	99.90%	100.00%	100%
Properties with an EICR <5 years old	99.57%	99.68%	100%

Creating safe places is a key priority and keeping Tenants and the SBHA Team safe have remained a primary focus with strong outcomes overall. Lessons have been learnt from a small decline in gas safety check performance. The coming year will consolidate SBHA's approach, aiming to achieve Health & safety accreditation. Along with the sector, SBHA has focused attention on its responsibility to ensure that its homes are well-maintained and of a decent standard. To ensure robustness in how cases of damp and mould are identified and resolved, policies, practices and skills were reviewed to provide overall assurance on meeting expected standards and adopting best practice.

The 2nd of a 6-year Environmental programme of works to improve the quality of neighbourhoods is in place. Works have progressed in the year to improve the safety and appeal within blocks including improved LED Stair lighting in 21 blocks, as well as re-painting 20 communal stairwells, with an overall investment of £451k in the year. Investment over 5 years is estimated at £3m and includes a new gutter cleaning cyclical programme which commenced half-way through the year, delivering on Tenant priorities to improve SBHA homes, Safety and the Neighbourhoods.

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	23-24	22-23	
Average Time to Complete Emergency Repairs (hrs)	1.99hrs	1.91 hrs	<2.0hrs
Average days for non- emergencies	11.2	10.7	<8
Right First Time (Repairs)	81.40%	83.80%	>93.00%

Performance in the Repairs Service has slightly reduced in the year. The construction industry continued to be challenging for most part of the year, particularly on recruitment of trade operatives and contractor availability, impacting on service delivery due to vacant posts and longer lead in times before contractors can undertake works. Connecting with the repairs workshops, an upturn in these performance measures are being addressed through full process and customer mapping. Value for money and an improved customer experience are also key to overall performance.

ONE TEAM

The SBHA Strategic and Business Plan 2022-2025 focuses on a dynamic, externally-focused future for our Team, with the SBHA People Strategy 2022-2025 building on a “customer-back” ethos and putting outcomes for Tenants and customers at the forefront.

Customers continue to be the focus of our Team, with regular team development on improving customer service delivery and experience. The Team is working towards future-skilling in green and retrofit skills in partnership with local RSLs and Borders College, at the same time ensuring our people are equipped to support existing sector wide issues such as damp and mould. We are exploring customer excellence accreditation reflecting the good practice in place and Leadership development skills have continued through focused courses and internal workshops.

Challenges in the local recruitment market continued, with different routes to recruitment and processes being more agile and targeted to attract qualified and skilled team members with positive success. However, there remain some persistent vacancies in two core trades.

A new Equalities, Diversity and Inclusion (EDI) policy, strategy and action plan have been adopted. The Organisational commitment to creating a diverse and inclusive environment for all where Tenants, Customers and colleagues have a sense of belonging, feel their voice is heard, their opinion matters, and their input and contribution is valued.

SBHA’s practices are aligned with the principles of Fair Work First and became the first Housing Association in Scotland to achieve Living Hours Accreditation, complementing its continued Living Wage Accreditation. The Employee Strategy Group and Healthy Living Group provide a voice for employees to develop people practices and enhance wellbeing, which included the introduction of a 6-month internal Mental Wellbeing Awareness programme.

Ongoing collaboration with Developing the Young Workforce Borders has helped support local young people considering their career choices and achieving a positive destination; our Team has attended a number of local events and created work experience opportunities for young people. SBHA continued to directly support four apprentices in the year and, through supply chain commitments, a further nine apprentices.

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	23-24	22-23	
Employee Attendance	92.24	92.1%	>96%

Employee Attendance has marginally improved in the year but remains below the target of 96%. A high number of cases of long-term absence have impacted attendance significantly, especially in the last quarter of the year. A new Maximising Attendance policy has been developed and implemented along with greater use of available support services and promotion of health initiatives to support the Team to improve attendance.

RESILIENT BUSINESS

SBHA’s IT & Digital Strategy 2022-27 which was introduced in March 2022, focused on building IT as a strategic asset that enhances SBHA’s resilience and capability to drive growth, providing insight-driven service improvements and innovative solutions over five pillars for delivery. The journey to the Cloud has continued and expanded, and Digital resilience action plans have progressed. Significant improvements in network security made in the year led to successful accreditation for Cyber Essentials Plus. Moving forward, digital solutions to support tenants to live independently at home, as well as asset management diagnostic technology, will be explored.

Value for money remains a core Sustainable Procurement objective, as are the objectives of the national and regional economic strategies, resulting in the creation of opportunities for collaboration,

innovation and growth. SBHA is championing Community Wealth Building and Equality as well as opportunities for inclusive growth and skills development within the supply chain and our people. The transition to Net Zero journey continues as the risk profile of SBHA is managed in its approach to evolving technologies and markets, while providing new homes and retrofitting existing homes.

As the SBC's second-generation Reactive Maintenance framework was launched, SBHA has continued the commitment to create more opportunities for Scottish Borders based organisations to bid successfully for a range of works and services. Longer term contracts have also been awarded locally, creating local jobs and skills.

A fundamental review of SBHA's rent setting framework was completed with the aim of ensuring it was fair, transparent, affordable for tenants, easy to administer and overall income neutral. The project included engaging with tenants over the summer through workshops and consultation using multiple surveys methods to design a model based on tested principles used in the wider sector. The transition to the new policy will take around 5 years to protect those most adversely impacted, especially at a time of higher inflation.

SMART INVESTMENT CHOICES

SBHA remains committed to regeneration and placemaking across the Borders, collaborating with trusted partners to achieve positive outcomes for communities. Over the last year, SBHA has started work on site in Newtown St Boswells to regenerate a bedsit block to create family housing. Work continues to explore feasibility of projects in Galashiels and Innerleithen. In Hawick SBHA has purchased the final property in a street which will allow a full scope regeneration options appraisal to take place over the coming year.

During 2023-24 SBHA completed 18 new build homes, purchased 5 new build homes from a local developer and purchased 13 homes from the open market with 3 being available to let. Work to construct new homes on 2 sites in Hawick and Newtown St Boswells has started which will deliver 20 new homes of varying sizes. All of SBHA's development activity has been supported by Scottish Government funding and the homes will help to deliver the Scottish Government's 110,000 home target. SBHA remains on target to deliver 300 new homes by 2028 and has now identified the land and projects which will help reach this target with planning approval in place for a large number of the homes and in some cases the land already being in SBHA ownership.

A focus on new and emerging construction technology is central to the development programme and in the new year will commence work on two garage conversion projects using the innovative Husk model. Other forms of Modern Methods of Construction will be considered on a site-by-site basis and as appropriate along with different partnership and delivery models.

In 2023-24, the Warm and Well service continued through a £84,000 grant from SBC's Cost of Living Fund awarded to the Borders Housing Network (BHN) and delivered by SBHA, to enable the provision of energy advice to alleviate fuel poverty, with a focus on households in hard to heat homes. This is complemented by securing additional total grant funding of £283,199 from the Scottish Government's Social Housing Fuel Support Fund in the year.

763 SBHA Tenants have been supported to address fuel poverty in the year including payments made directly by SBHA to the energy supplier and fuel vouchers; an additional 350 tenants benefiting from Winter Packs which include heated throws, draught excluders, radiator panels and LED light bulbs.

SBHA continues to jointly fund, with SBC, the 16+ Transitions Project for Care Leavers in the Scottish Borders, providing supported accommodation at Albert Place in Galashiels to promote tenancy sustainment and independent living.

SECTION 2 – FINANCIAL REPORT

1.0 FUNDING

SBHA was debt funded under a stock transfer model from 2003. In 2021-22 a full refinance with Royal Bank of Scotland plc was completed to fund aspirations for Development growth. 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.

The current Royal Bank of Scotland plc facility is split between a £40m 25-year term facility and £18m Revolving facility based on SONIA ('Sterling Over-Night Index Average'); the total drawn as at 31st March 2024 is £40m (2023: £40m).

In the year, SBHA negotiated more favourable interest covenant terms with RBS, removing the requirement to add back capitalised maintenance in the calculations, known as EBITDA. This provides long term financial capacity to help towards future potential Net Zero costs and short term pressures arisen through the mismatch between significant inflation experienced on costs not passed on through rent increases. On 31 March 2024, SBHA complied fully with all its Loan Covenants.

2.0 STATEMENT OF COMPREHENSIVE INCOME (SOI) 2023-24

Annual Turnover increased 5.6% to £27.54m 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 5.0% from previous year levels. Gross rents exclude unlettable empty homes, which in the year increased by 30% mainly due to the time of empty homes awaiting a major repair and decant properties. Rent lost due to Lettable empty homes has increased in real terms by 18%. Grant released from capital deferred income is 24% higher than the prior year and there was a 22% increase in revenue grants (adaptations, fuel hardship funding and the Warm & Well project).

Operating Costs were 1% higher than the previous year. Management and Maintenance administration costs increasing by 3%.

Planned and Cyclical maintenance costs decreased by £0.3m, mostly due to challenges experienced in the availability of labour in the construction sector. This contributes to a significantly higher than budgeted surplus but will be committed and spent in 2024-25.

Reactive maintenance costs increased by 14% (£0.4m) and reflects the higher number of non-emergency repairs. As well as SBHA's own Property Services team delivering this service, local sub-contracting usage increased, as well as the cost of materials.

Bad debt expense fell by 81% (£0.27m). This reflected an exercise to writeback amounts that had been written off in previous years but payment subsequently received and posted to sundry creditors. Depreciation costs charged to affordable letting activities (note 3) in the year have increased slightly (by 1%). However an impairment charge of £166k was made in the year relating to a development project (as per note 11b). This related to increased costs to complete the project, in part due to the insolvency of the Contractor.

The net loss on disposal of fixed assets was £61k more than the previous year, mostly being due to the loss on replaced components.

During the year, surplus cash funds were invested in fixed term deposit accounts to maximise their yield. This resulted in interest receivable in the year of £468k (2023: £89k). Interest payable and financing costs were similar to prior year (due to fixed interest rates on loans and no change in borrowings).

An actuarial gain in respect of SBHA's membership of the LGPS arose in the year of £461k, in comparison with a gain of £13.3m in the prior year. This was mainly due to the increase in the forecast long term gilt return which stabilised in 2023-24. Actuarial gains are non-cash and are for accounting treatment only.

3.0 STATEMENT OF FINANCIAL POSITION (SOFP) AS AT 31 MARCH 2024

At 31 March 2024, the Association showed a positive Statement of Financial Position where assets exceeded liabilities, including the Local Government Pension Scheme asset. 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 30, 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 had net current assets of £24.8m at 31 March 2024, meaning that assets, which are generally able to be realised within one year, exceeded liabilities generally payable in the same period by this amount. The liquidity ratio for 2024 was 5.08 (2023: 4.48), the increase being mainly due to higher cash balances as detailed below.

Cash in Bank or hand is £28.1m (2023: £24.5m) and is at levels greater than anticipated due to the delayed expenditure in the planned maintenance programme as a result of the impact of supply chain availability and the new build programme, with opportunities being delayed. Cash in bank is expected to reduce significantly over the next 2 years as committed project spends are progressed.

At 31 March 2024, the Association owned 5,652 properties (2023: 5,626); 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 position of the LGPS increased by £1.1m to a £13,884,000 net asset in 2024 and includes an actuarial gain of £461k (2023: gain of £13.3m). The report is based on the triennial valuation at 31 March 2023 rolled forward, which leads to experience items, positive and negative, on both assets and obligations. A key driver of the improved balance sheet is the strong investment performance of the Fund's assets.

Unrestricted reserves and private financing are in place in order to meet future long term commitments. 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, including minimum levels of counter-party credit scoring required. 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 2023 and, following this valuation, SBHA's employer's contributions were set at 0% of pensionable pay with effect from 1 April 2024. The Association recognises a Net Pension asset of £13,884,000 (2023: £12,791,000) at 31 March 2024.

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 forecasts, and have stress tested these in light of the current economic climate and affordability for Tenants, with an increased focus due to the Cost-of-Living emergency legislation which put in place a temporary cap on rent increases, but was lifted from April 2023. The Board approved a revised plan in 2024 based on updated forecasts taking into account potential risks to rental income, voids and the impact of increasing costs due to inflation, especially on SBHA's stock investment & development plans. This also focused on the impact on cash flow, ensuring sufficient cash is available to fund a potential significant increase in working capital requirements. 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

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 instituting adequate systems of internal control and for:

- safeguarding assets;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- the maintenance and integrity of the corporate and financial information included on the Association's website.

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.

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; Governance of investment and implementation including approving the Development policy; effective oversight of implementation of the Development strategy and annual Programme; scrutinise the financial viability of projects & monitor progress; understanding of housing need & demand; & oversee the customer aspects of the programme and standard.
- **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 2020-25 was reviewed and approved in February/March 2024;
- 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 are 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, a Chief Operating Officer 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;
- 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 pages 5-9.

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 2024. 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 undertaken a Self-Assessment review against the Scottish Housing Regulatory Standards and is committed to re-assess two standards per annum on a rolling basis. In the year this was undertaken by Internal Audit with substantial assurance provided on the standards 1 and 2.

2.0 RISK MANAGEMENT

There are currently 9 Strategic Risks, with 31 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
<p>FINANCIAL</p> <p><i>Fail to manage our finances effectively</i></p>	<ul style="list-style-type: none"> • Costs increase above inflation and maintaining affordability for Tenants results in Business plan viability/covenant issues • Significant reduction in income due to economic uncertainty, welfare reforms and cost of living increases • Unable to secure affordable funding (grant / loans) to meet EESSH 2 / Net Zero requirements and future growth commitments in development. • Failure to monitor & control commitments results in breach of covenants, particularly the impact of supply chain availability 	<ul style="list-style-type: none"> • Governance of management accounts, monthly/quarterly; realistic Business Plan assumptions/stress testing • Contingency in contracts/sensitivity/BP assumptions differential • Bad Debt budget and working capital contingency; engage with DWP; Financial Inclusion Services • Treasury advisor; finance requirements review • Internal controls; IT security framework; training/awareness of fraud risks
<p>CONFIDENCE & TRUST</p> <p><i>Fail to build and maintain an environment of trust</i></p>	<ul style="list-style-type: none"> • Fail to deliver & communicate landlord services & ensure core provision meets agreed customer standards • Failure to manage health & safety effectively- with an emphasis on damp and mould, fire, electrical, asbestos, water management and gas safety. • Failure to have robust IT security Controls resulting in breach / cyber-attack • Fail to understand & respond to diversity of customers/communities 	<ul style="list-style-type: none"> • Communications Strategy/Customer back • Repairs workshop • Tenant engagement strategy • Scrutiny on estate management • H&S framework; key roles; competent person/advisor; H&S manuals; damp & mould action plan • Suite of policies-conduct/values/ fraud & theft • IT controls audit/penetration testing • Business Continuity Plan
<p>GROWTH</p> <p><i>Inability to anticipate and/or maximise opportunities to Develop and Grow</i></p>	<ul style="list-style-type: none"> • Ineffective asset management results in poor performing assets /Insufficient data/insight and inability to analyse results in poor decision making • Failure to attract funding (grant) for business growth and deliver Development plans to provide new homes to achieve BP commitments & ensure SBHA's long term programme is secured in the SHIP at an early stage • Failure to effectively govern the commissioning & delivery of the Development programme including engaging appropriate support & advice in a range of opportunities 	<ul style="list-style-type: none"> • Grant bids to national & local forums to support regeneration • SBHA Development team recruitment • Standing Orders reviewed to increase scrutiny & delegation in Governance • Programme fluidity to maximise opportunities and monitor/control commitments. • Best practise for New Build development policies and procedures • Resources for Land Bank acquisition

3.0 EXTERNAL AUDITORS

RSM UK Audit LLP were re-appointed as auditors following a tendering process in 2023. A resolution to reappoint them as auditors will take place at the Annual General Meeting in 2024.

By Order of the Board of Management



Robin Hill
SBHA Chair
Date: 22nd August 2024

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 2024 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 2024 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 and Scottish Borders Building Services Ltd to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Board of Management for that reason.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Board of Management's responsibilities statement set out on pages 13-14, 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 Co-operative and Community Benefit Societies Act 2014, the Management of Health and Safety at Work Regulations 1999, Housing (Scotland) Acts 2006 and 2014 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

RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date 27/08/24

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

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RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date: 27/08/24

Statement of Comprehensive Income

	Note	2024 £	2023 £
Turnover	2	27,543,198	26,084,598
Operating Expenditure	2	(20,496,195)	(20,389,826)
(Loss) on disposal of property, plant and equipment	2,9	<u>(540,130)</u>	<u>(478,825)</u>
Operating Surplus	2, 8	6,506,873	5,215,947
Interest receivable	6	1,095,274	88,936
Interest payable and financing costs	7	<u>(1,274,886)</u>	<u>(1,244,991)</u>
Surplus for the Year	20	6,327,261	4,059,892
Actuarial gain in respect of Pension Scheme	23	<u>461,000</u>	<u>13,276,000</u>
Total Comprehensive Income for the Year		<u><u>6,788,261</u></u>	<u><u>17,335,892</u></u>



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	2024 £	2023
Fixed Assets			
Intangible Assets	11a	119,708	265,431
Housing Properties – Depreciated Cost	11b	84,006,826	79,477,222
Other Fixed Assets	11c	1,696,746	1,694,092
Investment in Subsidiary Company	12	1	1
		<u>85,823,281</u>	<u>81,436,746</u>
Current Assets			
Stock	13	83,810	86,491
Trade and Other Debtors	14	2,765,280	2,721,379
Fixed Term Deposits		15,123,316	-
Cash and Cash Equivalents		<u>12,962,765</u>	<u>24,456,647</u>
		<u>30,935,171</u>	<u>27,264,517</u>
Current Liabilities			
Creditors: Amounts falling due within one year	15	<u>(6,088,332)</u>	<u>(6,082,212)</u>
Net Current Assets		<u>24,846,839</u>	<u>21,182,305</u>
Total Assets less Current Liabilities		<u>110,670,120</u>	<u>102,619,051</u>
Creditors: Amounts falling due after more than one year	16	(50,075,380)	(47,759,555)
Pension: Defined Benefit Pension Asset	23	<u>13,844,000</u>	<u>12,791,000</u>
		<u>(36,231,380)</u>	<u>(34,968,555)</u>
Total Net Assets		<u>74,438,740</u>	<u>67,650,496</u>
Reserves			
Unrestricted Reserve	19a	60,594,611	54,859,350
Pension Reserve	19b	13,844,000	12,791,000
Share Capital	19	129	146
Total Reserves		<u>74,438,740</u>	<u>67,650,496</u>

The Board of Management approved the Financial Statements on pages 23 to 51 and authorised them for issue on 22nd August 2024 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	Pension Reserve	Total
		£	£	£
Balance as at 31 March 2022		50,314,458	-	50,314,458
Surplus for the Year	19	4,059,892	-	4,059,892
Transfer from Unrestricted to Pension Reserve		485,000	(485,000)	-
Pension Actuarial Gain	23	-	13,276,000	13,276,000
Balance at 31 March 2023		54,859,350	12,791,000	67,650,350
Surplus for the Year	19	6,327,261	-	6,327,261
Transfer (to)/ from Unrestricted to Pension Reserve		(592,000)	592,000	-
Pension Actuarial Gain	23	-	461,000	461,000
Balance at 31 March 2024		60,594,611	13,844,000	74,438,611

Statement of Cashflows

	Note	2024 £	2023 £
Net Cash generated from Operating Activities	20	12,227,623	11,816,667
Cashflow from Investing Activities			
Purchase of Tangible Fixed Assets		(10,250,900)	(8,494,615)
Purchase of Intangible Fixed Assets		-	28,493
Proceeds from Sale of Tangible Fixed Assets		9,980	74,820
Grants Received		2,805,364	652,580
Interest Received		468,274	82,936
Net Cash (Used in) Investing Activities		(6,967,282)	(7,655,786)
Cashflow from Financing Activities			
Interest Paid		(1,240,890)	(1,210,995)
Contributions to Defined Benefit Liability		(390,000)	(382,000)
Debt Drawn		-	5,000,000
Shares Issued		9	2
Shares (Cancelled)		(26)	(14)
Net Cash (Used In)/from Financing Activities		(1,630,907)	3,406,993
Net Increase in Cash and Cash Equivalents		3,629,434	7,567,874
Cash and Cash Equivalents at Beginning of Year		24,456,647	16,888,773
Cash and Cash Equivalents at End of Year		28,086,081	24,456,647

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 l) Fixed Assets – Housing Land & Buildings
- Useful lives of housing property – see m) Depreciation – Housing Properties
- Components of housing properties – see l) Fixed Assets and m) Depreciation
- The measurement of the recoverable amount of assets for impairment reviews – see p) Impairment of Fixed Assets
- Recoverable amount of rent arrears and other debtors – see d) Financial Instruments
- Defined Benefit Pension – see z) 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.

Cash and cash equivalents

Cash on hand that is available for use within three months is recorded as cash at bank and in hand. If a balance is held on deposit that matures in more than three months but less than one year, it is classified as a current asset investment. If maturity is after one year, it is classified as a non-current investment.

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 & Fixed Term Deposits at the year end was £28.1m and post year end is sufficient and within the parameters of the revised 30-year Business Plan, based on sensitivities due to the current economic climate.
- A refinance was completed in the prior year and an £18m revolving loan facility remains available and undrawn at 31st March 2024. All covenants continue to be compliant, and the current Business Plan fully funded. This undertaking was to fund future Development aspirations and provide flexibility for future growth.

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);
- Grant income; and
- Fees and other types of income as shown in Notes 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.

Grant income relating to revenue is recognised when the performance conditions are met.

Grants that are received in respect of expenses or losses already incurred by the entity are recognised in income and expenditure in the period when the grant becomes receivable.

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

g) Other Income

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

h) 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 Association, as SBBS is currently a dormant company.
- For SBHA Plus Limited, consolidation is not necessary in view of the immaterial amounts involved and would not be beneficial to the users of the Financial Statements.

i) 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.

j) Investments

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

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) 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.

The major components of the Association's housing properties are deemed to be: land and buildings, central heating, windows, doors, kitchens, bathrooms and rewiring. Useful economic lives of all components have 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.

m) 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	20
Bathrooms	25
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. A review of expected of economic lives in 2022-2023 increased bathrooms from 20 to 25 years. This has been accounted for prospectively from the year to March 2023.

n) Depreciation – Other Fixed Assets

For other types of Fixed Asset, SBHA will capitalise items of expenditure which will be of lasting benefit to SBHA and which will have an estimated useful life of a period in excess of one year. 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.

o) Amortisation – Intangible Assets

For Intangible Assets, SBHA will capitalise items of expenditure which will be of lasting benefit to SBHA and which will have an estimated useful life of a period in excess of one year. 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.

p) 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.

q) 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.

r) 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)). Otherwise the cost is expensed to the income and expenditure account.

s) 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.

t) 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.

u) Service Charge Equalisation

Service Charge equalisation accounts are not used. 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.

v) 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.

w) 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, subject to approval by the Scottish Ministers.

x) Taxation

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

y) 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.

z) 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 asset/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 benefit plan assets are recognised only to the extent that the surplus is able to be recovered through reduced contributions or a refund from the plan. In line with the Local Government Pension Schemes (Scotland) Regulations 2018 the entity has a right to an exit credit should one exist; and therefore an asset is recognised in these financial statements accordingly.

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.

aa) 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.

bb) 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	2023
		£	£	£	£	£
Affordable Lettings Activities	3	26,927,466	(20,184,118)	-	6,743,348	5,530,825
Other Activities	4	615,732	(312,077)	-	303,655	163,947
Loss on disposal of PPE	9	-	-	(540,130)	(540,130)	(478,825)
Total for 2024		27,543,198	(20,496,195)	(540,130)	6,506,873	5,215,947
Total for 2023		26,084,598	(20,389,826)	(478,825)	5,215,947	

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

	Note	2024	2023
		£	£
Rent receivable net of service charges		26,283,814	25,018,291
Service charges		<u>234,779</u>	<u>223,318</u>
Gross income from rents and service charges		26,518,593	25,241,609
Less voids		<u>(393,452)</u>	<u>(320,829)</u>
Net Income from rents and service charges		26,125,141	24,920,780
Grants Released from Deferred Income	17	209,011	168,309
Grants from Scottish Ministers		593,314	487,858
Total turnover from social letting activities		<u>26,927,466</u>	<u>25,576,947</u>
Management and maintenance administration costs		6,670,852	6,477,637
Service costs		293,196	360,119
Planned and cyclical maintenance including major repairs cost		4,172,195	4,493,190
Reactive Maintenance costs		3,568,127	3,140,242
Grounds Maintenance		390,387	349,766
Bad debts rents and service charges		63,403	335,387
Depreciation of Affordable Let Properties		4,859,502	4,797,539
Impairment of Affordable Let Properties		166,456	92,242
Operating Costs for Affordable Letting Activities		<u>20,184,118</u>	<u>20,046,122</u>
Operating surplus for Affordable Letting Activities		<u>6,743,348</u>	<u>5,530,825</u>

SBHA owns no other accommodation except for General Needs Housing Accommodation and 8 homes for Mid-Market rent leased to SBHA Plus Limited (disclosed in note 5).

3(b) AVERAGE RENTS

	2024 £	2023 £
The average weekly rent (48-week basis) per property available to let at the period end was:	<u>97.84</u>	<u>93.24</u>

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

	Total Turnover £	Other Operating Costs £	Operating (Deficit)/ Surplus £	Operating (Deficit)/ Surplus 2023 £
Other Agency / Management Services	5,795	-	5,795	5,545
Factoring	27,801	(34,718)	(6,917)	(10,481)
Development Revenue	-	(9,639)	(9,639)	(55,590)
Other Activities	<u>582,136</u>	<u>(267,720)</u>	<u>314,416</u>	<u>224,473</u>
Total from other activities 2024	<u>615,732</u>	<u>(312,077)</u>	<u>303,655</u>	<u>163,947</u>
Total from other activities 2023	<u>507,651</u>	<u>(343,704)</u>	<u>163,947</u>	

Other Activities include commercial lets of £433,065 (2023: £315,235) less related costs of £234,942 (2023: £253,821). 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 2023-24 which require disclosure (2023: £nil).

5. ACCOMMODATION IN MANAGEMENT

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

	2024 No.	2023 No.
General Needs Housing	5,570	5,546
Homeless Lets	74	72
Mid-Market Lets – leased to SBHA Plus	8	8
Factored Properties	<u>156</u>	<u>142</u>
	<u>5,808</u>	<u>5,768</u>

Stock movements during the year: 18 new build properties were brought into use during the year. 18 properties were acquired during the year on the open market, 10 of which are not yet available for let. 2 additional properties previously let as general needs housing, were leased to SBC for temporary homelessness lets. An increase in factored properties in the year was due to a review which identified a further 14 properties owned by a Housing Association factored by SBHA.

6. INTEREST RECEIVABLE

	2024 £	2023 £
Interest Receivable	468,274	82,936
Pension scheme net interest income	<u>627,000</u>	<u>6,000</u>
	<u>1,095,274</u>	<u>88,936</u>

7. INTEREST PAYABLE AND FINANCE COSTS

	2024	2023
	£	
Loan Interest	1,128,984	1,099,089
Pension scheme net interest cost	-	-
Non-utilisation Fees	111,906	111,906
Arrangement Fees	33,996	33,996
	<u>1,274,886</u>	<u>1,244,991</u>

8. OPERATING SURPLUS

Operating surplus is stated after charging:

	Note	2024	2023
		£	£
Amortisation of Intangible Assets	11a	145,724	179,990
Depreciation of Housing Properties	11b	4,928,778	4,865,522
Impairment of Housing Properties	11b	166,456	92,242
Depreciation of Other Tangible Assets	11c	73,296	53,467
Operating Lease Rental	22	256,538	255,355
Cost of Stock recognised as expense		1,758,007	1,532,262

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	36,762	35,010
Non-Audit Services for entities related to Auditor	300	1,410
	<u>37,062</u>	<u>36,420</u>

Internal Auditors Remuneration

	<u>12,705</u>	<u>18,660</u>
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9. DEFICIT ON SALE/DISPOSAL OF FIXED ASSETS

	2024	2023
	£	£
Disposal Proceeds	10,000	75,000
Carrying Value/Cost of Disposal	<u>(550,130)</u>	<u>(553,825)</u>
Net loss	<u>(540,130)</u>	<u>(478,825)</u>

Disposal proceeds relate to the sale of a small parcel of garden ground. The prior year disposal related to one housing property. Typically, 5% of proceeds net of costs are retained by SBHA and the balance used in replacement of future Housing Grant (see deferred grant note 17). Where projects are not identified, the proceeds are held in grant repayable (Note 15). In the prior year, however, the net solum swap proceed of £10,000 was agreed to replace future Grant. The carrying value of the assets includes the cost on disposal of housing property component assets being replaced £550,110 (2023: £536,774) and the cost of disposal of properties sold is £20 (2023: £17,051).

10. EMPLOYEES

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

	2024	2023
	£	£
Wages and Salaries	5,473,385	4,995,904
Social Security Costs	560,415	511,355
Pension costs	575,103	531,974
Agency/Secondment Costs	269,871	199,246
	<u>6,878,774</u>	<u>6,238,479</u>
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	84	78
Trades	52	50
	<u>149</u>	<u>140</u>

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:

	2024	2023
	No.	No.
£ 60,000 - £ 70,000	-	-
£ 70,001 - £ 80,000	1	-
£ 80,001 - £ 90,000	2	3
£ 90,001 - £100,000	1	-
£100,001- £110,000	1	1
£110,001 - £120,000	-	-
£120,001 - £130,000	-	1
£130,001 - £140,000	1	-

During the year, 2 Directors (2023: 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:

	2024	2023
	No.	No.
£ 5,001 - £10,000	1	2
£10,001 - £15,000	1	-

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

	2024 £	2023 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>579,259</u>	<u>492,063</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>132,843</u>	<u>125,829</u>
Employer Pension Contributions of the Chief Executive	<u>28,296</u>	<u>26,172</u>
Total emoluments of the Chief Executive payable	<u>161,139</u>	<u>152,001</u>
Aggregate Pension Contributions in relation to the above key management personnel	<u>69,647</u>	<u>63,346</u>
Aggregate emoluments for the above key board personnel (excluding pension contributions)	<u>17,135</u>	<u>15,750</u>

11(a) INTANGIBLE ASSETS

Cost	£
At 1 April 2023	1,048,212
Additions	<u>-</u>
At 31 March 2024	<u>1,048,212</u>
Amortisation	
At 1 April 2023	(782,781)
Charge for Year	<u>(145,724)</u>
At 31 March 2024	<u>(928,505)</u>
Net Book Value at 31 March 2024	<u>119,707</u>
Net Book Value at 31 March 2023	<u>265,431</u>

11(b) TANGIBLE FIXED ASSETS: HOUSING PROPERTY

	Housing for Let	Under Construction Housing Properties	Total
Cost	£	£	£
At 1 April 2023	117,886,069	4,547,376	122,433,445
Additions	243,960	4,095,465	4,339,425
Works to Existing Properties	5,835,523	-	5,835,523
Transfer to Housing for Let	4,987,860	(4,987,860)	-
Disposals	(1,301,133)	-	(1,301,133)
At 31 March 2024	<u>127,652,279</u>	<u>3,654,981</u>	<u>131,307,260</u>
Depreciation and Impairment			
At 1 April 2023	(42,956,223)	-	(42,956,223)
Charge for Year	(4,928,778)	-	(4,928,778)
Impairment	(166,456)	-	(166,456)
Disposals	751,023	-	751,023
At 31 March 2024	<u>(47,300,434)</u>	<u>-</u>	<u>(47,300,434)</u>
Net Book Value			
At 31 March 2024	<u>80,351,845</u>	<u>3,654,981</u>	<u>84,006,826</u>
At 31 March 2023	<u>74,929,846</u>	<u>4,547,376</u>	<u>79,477,222</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2024 £	2023 £
Replacement component spend capitalised	5,835,523	6,250,089
Amounts charged to income and expenditure	<u>1,558,598</u>	<u>2,067,610</u>
Total Major Repairs Spend	<u><u>7,394,121</u></u>	<u><u>8,317,699</u></u>

The Association's Housing property was independently valued as at August 2021 at £121.2m by Jones Lang LaSalle on the Existing Use Value for Social Housing Units (EUV-SH) and £183m 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. The valuation of the portfolio secured, provides a loan collateral cover of 160% compared to the 110% required by the lender on EUV-SH basis and 241% compared to 125% on MVT.

Included in the Housing Properties is £3,179,610 (2023: £3,167,751) in respect of land which is not depreciated. A review of the net future cash flows against the costs of one of the developments completed in the year resulted in an impairment charge of £166,456 in respect of the 6 units on the site.

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 2023	2,800,447	59,972	875,981	148,698	3,885,098
Additions	-	-	75,953	-	75,953
At 31 March 2024	2,800,447	59,972	951,934	148,698	3,961,051
Depreciation and Impairment					
At 1 April 2023	(1,154,883)	(59,963)	(828,036)	(148,124)	(2,191,006)
Charge for the year	(50,408)	(9)	(22,305)	(574)	(73,296)
At 31 March 2024	(1,205,291)	(59,972)	(850,341)	(148,698)	(2,264,302)
Net Book Value					
At 31 March 2024	1,595,156	-	101,593	-	1,696,749
At 31 March 2023	1,645,564	9	47,945	574	1,694,092

12. SUBSIDIARY UNDERTAKINGS

Name of Undertaking	Class of Shareholding	Nominal value	Proportion of nominal value held directly	Nature of Business
SBHA Plus Limited	Ordinary	£1	100% (2023: 100%)	General commercial company with an emphasis on housing related activities
Scottish Borders Building Services Ltd	Ordinary	-	100% (2023: 100%)	Dormant

The income of SBHA Plus in 2023 was £44,806 (2023: £23,348) with costs of £39,991 (2023: £20,902), and interest receivable was nil (2023: nil) resulting in a surplus for the year before tax of £4,815 (2023: £2,447). The net assets of the company as at 31 March 2024 were £36,950 (2023: £34,582).

13. STOCK

A stock of materials in relation to responsive repairs is held to the value of £83,810 as at March 2024 (2023: £86,491).

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £	2023 £
Gross Arrears of Rent and Service Charges	1,857,436	1,737,688
Less: Provision for Bad & Doubtful Debts	(877,975)	(905,471)
	979,461	832,217
Other Debtors	17,579	36,150
Prepayments and Accrued Income	1,768,240	1,851,651
Due from Subsidiary	-	1,361
	<u>2,765,280</u>	<u>2,721,379</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2024 £	2023 £
Accruals and Deferred Income		1,854,349	1,825,960
Rent and Service Charges in Advance		1,453,476	1,589,469
Deferred Capital Grants	17	209,011	194,351
Trade Creditors		1,801,832	1,801,955
Other Creditors		338,491	538,806
Amounts due to Subsidiary Company		442	-
Other Taxes and Social Security		13,907	14,710
SHG Repayable		416,824	116,961
Debt	18	-	-

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

	Note	2024 £	2023 £
Deferred Capital Grant	17	10,564,724	8,282,895
Debt	18	40,000,000	40,000,000
Deferred Finance Cost		<u>(489,344)</u>	<u>(523,340)</u>
		<u>50,075,380</u>	<u>47,759,555</u>
Included in creditors are:			
Amounts repayable other than by instalments		<u>40,000,000</u>	<u>40,000,000</u>

SBHA's loan agreement with RBS provides a total facility of £58m. £18m of this is a 10 year revolving credit facility available until August 2031; none of this has yet been drawn down. £35m of the loan facility was drawn at refinancing in August 2021 and a second and last tranche drawn down in 2022-23. Both are 25-year term loans on an interest only basis for 10 years followed by 15 years on a straight-line repayment. The loans are secured by way of standard securities on the Association's housing land and buildings. As at 31 March 2024, £40,000,000 (100%) 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 2024 was 2.82% (2023: 2.79%).

17. DEFERRED CAPITAL GRANT

	Note	2024 £	2023 £
As at 1 April		8,477,246	7,992,976
Grants Received in the Year		2,805,363	652,579
Transferred to SHG Repayable		(299,863)	-
Capital Grants Released		<u>(209,011)</u>	<u>(168,309)</u>
As at 31 March		<u>10,773,735</u>	<u>8,477,246</u>
Amounts to be released within one year	15	<u>209,011</u>	<u>194,351</u>
Amounts to be released after more than one year	16	<u>10,564,724</u>	<u>8,282,895</u>

Grants of £299,863 included as deferred capital grants received in previous years and transferred from SBHA's ring-fenced disposals receipts, have been moved to SHG Repayable; on final account the Scottish Government deemed this did not meet the grant award criteria. Grant from the disposal proceeds of properties sold, in lieu of repaying the proceeds to the Scottish Government total £nil (2023: £345,646).

18. DEBT ANALYSIS - BORROWINGS

	Note	2024 £	2023 £
Creditors: Amounts falling due within one year:			
Bank Loans	15	-	-
		-	-
Creditors: Amounts falling due after more than one year:			
Bank Loans	16	40,000,000	40,000,000
		40,000,000	40,000,000
Total		40,000,000	40,000,000

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates ranging between 2.65% - 2.968%, that are either fixed rates or variable rates linked to SONIA 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 £40,000,000 (2023: £40,000,000) are secured against the Association's housing properties. Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Note	2024 £	2023 £
Due within one year	15	-	-
Due in one year and more but less than two years	16	-	-
Due between two and five years	16	-	-
Due in more than five years	16	40,000,000	40,000,000
		40,000,000	40,000,000

19. 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.

	2024 No.	2023 No.
Shares of £1 issued and fully paid:		
Active Shares at 1 April 2023	146	158
Relinquished during the period	(26)	(14)
Issued during the period	9	2
Active Shares at 31 March 2024	129	146

a) Unrestricted Reserve	2024 £	2023 £
At 1 April 2023	54,859,350	50,314,458
Surplus/(Deficit) for the Year	6,327,261	4,059,892
Transfer (to)/from Pension Reserve	<u>(592,000)</u>	<u>485,000</u>
At 31 March 2024	<u>60,594,611</u>	<u>54,859,350</u>

The total surplus for the year amounts to £6,788,261 (2023: surplus £17,335,892) of which £461,000 relates to a gain on the pension reserve (2023: gain £13,276,000), is disclosed in Note 19b.

b) Pension Reserve	Note 23	2024 £	2023 £
At 1 April 2023		12,791,000	-
Transfer from/(to) Unrestricted Reserves		592,000	(485,000)
Actuarial Gain in the Year		<u>461,000</u>	<u>13,276,000</u>
At 31 March 2024		<u>13,844,000</u>	<u>12,791,000</u>

The Pension Reserve represents the Association's share of the surplus that exists within the pension scheme of which it is a member, in accordance with FRS 102 calculations.

20. CASH FLOW

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

	2024	2023
	£	£
Surplus for the year	6,327,261	4,059,892
<i>Adjustment for non-cash items:</i>		
Depreciation of Tangible Fixed Assets	5,002,074	4,918,989
Amortisation of Intangible Assets	145,724	179,990
Impairment of Tangible Fixed Assets	166,456	92,242
Defined Benefit Pension Schemes	425,000	873,000
(Decrease) in Provisions	(34,045)	(24,403)
Loss on Disposal of Tangible Fixed Assets	540,130	478,825
Release of Deferred capital grant	(209,011)	(168,309)
Interest Receivable	(1,095,274)	(88,936)
Interest Payable	1,274,886	1,244,991
Operating cash flows before movements in working capital	12,543,201	11,566,281
Decrease in Stock	2,681	96,973
(Increase) in Debtors	(9,856)	(344,155)
(Decrease)/Increase in Creditors	(308,403)	497,568
Cash Generated from operations	12,227,623	11,816,667
Cash and cash equivalents represent:		
Fixed Term Deposits	15,123,316	-
Cash at bank and in hand	12,962,765	24,456,647
Total Cash and Cash Equivalents	28,086,081	24,456,647

(ii) ANALYSIS OF CHANGES IN NET DEBT

	2023	Cash Flows	Other Non-Cash Movement	2024
	£	£	£	£
Cash and Cash Equivalents	24,456,647	3,629,435	-	28,086,082
Debt due within one year	-	-	-	-
Debt due after one year	(40,000,000)	-	-	(40,000,000)
Total	(15,543,353)	3,629,435	-	(11,913,918)

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	Note	2024 £	2023 £
Capital Expenditure contracted for but not provided in the Financial Statements		7,002,219	2,680,800
Expenditure authorised by the board, but not contracted		72,525,237	73,851,501

The above commitments will be funded through the Associations' current loan facility with Royal Bank of Scotland plc and Housing Association Grant from the Scottish Government and includes SBHA's 5 year Development Programme and 1 year Planned Maintenance Programme.

22. OPERATING LEASE COMMITMENTS

At 31 March 2024, the Association had total future minimum lease commitments and had made payments under non-cancellable operating leases as set out below:

	2024 £	2023 £
Plant & Equipment		
Within 1 year	256,538	255,355
Between 1-5 years	1,165,810	1,399,198
Over 5 years	-	-
Total commitment at 31 March	1,422,348	1,654,553
Payments in current year	256,538	255,355

23. 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 £183,724 (2023: £150,552).

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 £390,066 (2023: £381,422). At 31 March 2024, the Association had no pension contributions outstanding (2023: £nil).

Employees' contributions are fixed by statute for SBHA employees according to the following scale for the year ended 31 March 2024:

Pensionable Salary	% Payable
£0 - £23,000	5.50
£23,001 - £28,100	7.25
£28,101 - £38,600	8.50
£38,601 - £51,400	9.50
Above £51,401	12.00

In the year to 31 March 2024 employer's contributions stood at 21.3 % based on the pensionable salary of the previous year, this contribution will reduce to 0% from 1 April 2024. 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 Asset/(Liability) calculation as at 31 March 2024 including an allowance for the McCloud judgement. This calculation was based on rolling forward valuation data as of 31 March 2023 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	2024	2023
CPI increases	2.85%	2.95%
Salary increases	3.35%	3.45%
Discount rate	5.00%	4.90%

The expected return on assets is based on the long-term future expected investment for each asset class as at 31 March 2024.

Assumed life expectancies from age 65 are:	2024	2023
Retiring today:	Years	Years
Males	19.4	20.3
Females	22.9	23.0
Retiring in 20 years:		
Males	20.8	21.1
Females	25.3	24.9
Assets (Employer) as at 31 March	2024	2023
Equities	32%	33%
Bonds	34%	38%
Property	27%	28%
Cash	7%	1%
Total	100%	100%

Scottish Borders Housing Association
Report and Financial Statements for Year Ended 31 March 2024

Net Pension (Liability)/Asset as at 31 March	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Fair value of scheme assets	43,668	40,374	43,002	40,596	34,786
Present value of funded obligation	(29,824)	(27,583)	(42,560)	(43,843)	(35,292)
Restriction on asset valuation		-	(442)	-	-
Net pension asset/(liability)	<u>13,844</u>	<u>12,791</u>	<u>-</u>	<u>(3,247)</u>	<u>(506)</u>

Amount recognised in Income & Expenditure Account as at 31 March	2024 £'000	2023 £'000
Service cost	425	873
Net interest on the defined liability	(627)	(6)
Administration expenses	-	-
Total	<u>(202)</u>	<u>867</u>

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at 31 March	2024 £'000	2023 £'000
Opening defined benefit obligation	27,583	42,560
Service cost	425	873
Interest cost	1,337	1,168
Change in financial assumptions	(1,051)	(17,830)
Change in demographic assumptions	(450)	(277)
Experience loss/(gain) on defined benefit obligation	3,141	2,058
Estimated benefits paid (net of transfers in)	(1,276)	(1,094)
Contributions by scheme participants	<u>115</u>	<u>125</u>
Closing defined benefit obligation	<u>29,824</u>	<u>27,583</u>

Reconciliation of opening and closing balances of the fair value of Scheme assets as at 31 March	2024 £'000	2023 £'000
Opening fair value of scheme assets	40,374	43,002
Interest on assets	1,964	1,174
Return on assets less interest	1,652	(3,215)
Other actuarial gains/(losses)	449	-
Administration expenses	-	-
Contributions by employer (including unfunded)	390	382
Contributions by scheme participants	115	125
Estimated benefits paid (net of transfers in and including unfunded)	<u>(1,276)</u>	<u>(1,094)</u>
Fair value of scheme assets at end of period	<u>43,668</u>	<u>40,374</u>

Net Actuarial movement in the year	2024 £'000	2023 £'000
Defined Obligation – Change in financial assumptions	1,051	17,830
Defined Obligation – Change in Demographic assumptions	450	277
Experience gain on DB obligation	(2,692)	(2,058)
Scheme Assets – return on assets less interest	1,652	(3,215)
Reversal of net asset restriction	-	442
Net Actuarial Gain/(Loss)	<u>461</u>	<u>13,276</u>
Projected pension expense for year to 31 March 2025		2025 £'000
Service cost		427
Net interest on the defined liability		<u>(682)</u>
Total		<u>(255)</u>
Employer contributions		<u>-</u>

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2024. These projections are based on the assumptions as at 31 March 2024, as described earlier.

24. RELATED PARTIES

Current Board Member Philippa Brosnan is Head of Secretariat of the Scottish Government's Fuel Poverty Advisory Panel and Former Board Member John Paton-Day was a Councillor during the year. Any transactions with the Scottish Government and Scottish Borders Council are at arm's length, on normal commercial terms and those Board members cannot use their position to an advantage.

Current Board Members Tracey Glover, Michael Grieve and Anthony Burnette are Tenants of the Association. Current Board Member Tracey Glover's sister is a Tenant of the Association. During the year £19,432 (2023: £25,783) of rent was receivable from these members. At the year-end there was £370 (2023: £nil) of non-technical rent arrears and £171 (2023: £274) 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 (2023: £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. Expenses reimbursed to Board Members during the year totalled £1,763 (2023: £2,002).

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 four members of the Board of SBHA being Robin Hill, Michael LeVack, Michael Grieve and Kenny Simpson (John Paton Day until he resigned in November 2023).

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 2024 SBHA recharged SBHA Plus Ltd the sum of £37,401 (2022-23: £19,183) representing costs incurred in connection with Mid-Market rental and Post Office activities. The amount due to SBHA Plus from SBHA at 31 March 2024 was £442 (2022-23: due to SBHA from SBHA Plus £1,361). During the year ended 31 March 2024, SBHA Plus Ltd made a donation to SBHA under gift aid of £2,447, being the profits of SBHA Plus Ltd for the year ended 31 March 2023, paid out in 2024.

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 2024.

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 2024 or 2023.

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 2023-24 amounted to £71,663 (2022-23: £98,727), as well as SBHA's direct employment of a Tenant & Community Engagement Facilitator and a dedicated budget for SBHA-led Tenant Participation projects. In 2023-24, the Association's total expenditure on Tenant Participation was £85,929 (2023: £96,637).

25. SUBSEQUENT EVENTS

The Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024 were enacted on 29 June 2024 which removed the unconditional right to an exit credit from the underlying Regulations. As such the net pension asset recognised on the LGPS schemes will subsequently be restricted to the amount available for reductions in future contributions. If these conditions had been present at 31 March 2024; the net pension asset would have been restricted by £10,729,000 to £3,115,000.